

Small Block Policy

PDS Final Draft v1.0

1.0 Background

HWP holds several Consents to maintain and operate the Scheme including to take water from the Hurunui River, and to use it to irrigate land in the Hurunui and Waipara catchments and to discharge Nutrients. The command area for the Scheme is very irregular in shape, and presents challenges for the design of a cost effective distribution system. The Conceptual Design that has been adopted for the Scheme Area has a network of arterial pipelines with spurs, buffer ponds and pump stations to achieve the most efficient delivery network possible.

The Conceptual Design network has been designed to achieve distribution to the current Farmer base of HWP, however in some cases it is impractical or uneconomic to achieve effective supply because of factors like remoteness of land or size of shareholding. For land-owning Farmers within the Scheme Area, there is a wide range of shareholdings from 2 to 780 ordinary shares (respectively representing 2 – 780 hectares of irrigation if the Farmer takes up their full Water Right Share entitlement).

Some land uses being contemplated by Farmers (such as high value and specialist crops) may well be suited to lesser volumes of water and/or smaller parcels of land than more extensive land uses. HWP wishes to encourage as wide a diversity of irrigated land uses as is economically possible, so the final design of the Scheme needs to accommodate small blocks wherever it is feasible to do so.

Each individual Farming Business will require an individual Farm Turn-out, the capital cost (per irrigated hectare) of which rises disproportionately as the block size decreases. For the Scheme, the number, size, location and proximity of Small Blocks could have a significant impact on the final layout of the distribution system. However, while the Conceptual Design has been based on the current Farmer base, the final layout options will not be known until applications for Water Right Shares have been received and assessed. The composition and distribution of Small Blocks will change as applications are made for Water Right Shares. Some guidance is needed for Farmers on probable design limitations as they consider applying for Water Right Shares.

2.0 Purpose

The purpose of this Small Block Policy is to give Farmers guidance on the design criteria that will apply as applications for Water Right Shares are considered by HWP, and:

1. Outline the objectives and principles that underpin the Small Block Policy;
2. Advise Farmers of the Small Block Policy and how Small Blocks will be accommodated through the development of the Scheme;

The Small Block Policy may need to change over time in order to take into account changes in the cost and economics of the distribution network, or to achieve equity and fairness between Farmers.

Any amendments will be communicated to all Farmers, following consultation on proposed changes.

3.0 Definitions

"Consent or Consents" means the resource consent/consents held or relied upon by HWP to construct, maintain and operate the Scheme including the Discharge Consent and Land-Use Consent, to take and use water for the Scheme and to discharge Nutrients and includes all other such consents deemed necessary by HWP from time to time and any associated or auxiliary consents and amendments or variations thereto.

"Conceptual Design" means the distribution system set out in the product disclosure statement for the issue of Water Right Shares.

"Discharge Consent" means HWP's Waipara Nutrient Discharge Consent.

"Farmer" means a person or entity that has entered into a Water Supply Agreement and holds Water Rights Shares in HWP.

"Farming Business" means all the properties utilised as part of a farm (whether irrigated or not) and as included in a Farmer's FEP. This includes all irrigated land, and any other support/wintering/dryland block that is utilised as part of a farm entity within the Hurunui or Waipara catchments. If any part of a Farmer's property is included in the Scheme Area, the entire property is to be accounted for under this Small Block Policy.

"Farm Turn-out" has the meaning set out in the Water Supply Agreement.

"FEP" means a Farm Environment Plan as defined in the General Terms of Water Use, and Farm Environment Management Plan has the same meaning for the Farming Business.

"GMP" means industry-approved Good Management Practice as determined:

- In the case of the Hurunui catchment by the HWP land use consent (CRC172780), or any updates or variations thereof, and
- In the case of the Waipara catchment, the HWP Waipara Nutrient Discharge Consent (CRCXXXXXX), or any updates or variations thereof.

"HWP" means Hurunui Water Project Ltd.

"Land-Use Consent" means HWP's Hurunui Catchment Land-Use Consent.

"Nutrient Allocation Policy" means the nutrient allocation policy of HWP.

"Nutrients" means Nitrate-nitrogen and Phosphorous.

"Scheme" means the HWP scheme providing surface water for community irrigation.

"Scheme Area" means the area to be serviced by the Scheme in the Hurunui and Waipara catchments and which is located within the command areas defined in the various Consents for take and use of water, discharge from land, and change of land use.

"Small Block" means a separate land parcel not associated with an adjoining land parcel for which Water Right Shares are or to be held, and containing less than 10 irrigable hectares.

"Water Right Share" means shares in HWP allocating water and Nutrients with the rights and obligations set out in HWP's constitution.

“Water Supply Agreement” has the meaning set out in HWP’s constitution and records the basis of water supply between a Farmer and HWP.

4.0 Small Block Principles

In establishing a Small Block Policy several key issues were considered:

- A distribution system servicing remote and/or multiple discontinuous Small Blocks is not cost effective, but clusters of Small Blocks may be able to be supplied cost effectively;
- The capital cost of a standard Farm Turn-out is a Farmer cost, and is relatively expensive (per irrigated hectare) when servicing a small irrigable area, however high value crops may be able to support such a cost;
- An alternate “reduced scale” Farm Turn-out could be possible, but would result in a lesser standard of flow measurement and metering (which has implications for a Farmer’s access to water stored in the HWP On-Plains Storage);
- The location of the core distribution system cannot be refined to satisfactorily accommodate current (or future) Small Blocks until demand from Farmers for larger blocks is known, and the core distribution system designed accordingly;
- Demand from Farmers for larger blocks will not be known until applications are received for Water Right Shares;
- Small Blocks that are managed by a Farmer in conjunction with an adjacent larger block may be able to be provided with water at an acceptable cost if appropriate management arrangements are in place between the adjoining landowners;
- Small Blocks that are independent from larger blocks, but are adjacent to the distribution network servicing such larger blocks, may be able to be supplied with water at an acceptable cost;
- Farmers with independent Small Blocks should be provided with a process to enable them to apply for Water Right Shares, and have their applications considered once the core distribution system has been determined.

HWP seeks to enable as much new irrigation as is possible to reduce the “per hectare” capital and operating costs that arise from the Scheme for all Farmers. Farmers with irrigable hectares in Small Blocks may be a useful addition to the Scheme, so long as the marginal costs associated with supply do not exceed the marginal benefits that arise.

5.0 Hurunui Water Project Small Block Policy

- HWP will have absolute discretion to supply water (or not) to Farmers on Small Blocks, and will be the sole party to determine whether it is practical or economic to supply water;
- Generally speaking, only Small Blocks located along or immediately adjacent to the distribution network servicing larger blocks will be eligible for supply;
- Small Block Farmers will need to install a Farm Turn-out with the same functionality as for larger blocks;
- The Small Block Farmer will be responsible for all infrastructure costs downstream from the Farm Turn-out;
- Small Block Farmers may be supplied by an adjoining larger block Farmer through the larger Farmer’s Farm Turn-out, subject to HWP being satisfied:
 - On the terms of service between the two Farmers, and
 - Both parties entering into a Water Supply Agreement with HWP, and
 - HWP being held harmless by the Small Block Farmer.
- A cluster of Small Block Farmers may put proposals to HWP for supply of Scheme water through a single point of supply. HWP will evaluate each application on its individual merits;
- The terms and conditions of supply to Small Blocks will be as set out in the Water Supply Agreement;

- The Farming Business on a Small Block will be able to operate under the Discharge Consent in accordance with the Nutrient Allocation Policy;
- The Farming Business on a Small Block receiving Scheme water must adopt GMP land use practices;
- A Farmer's Farming Business on a Small Block must prepare and maintain a FEP (using the ECan developed small scale FEP template).

6. Questions and Answers

This section is intended to answer frequently asked questions and to guide an understanding of the Small Block Policy.

1. What is the smallest land area intended to be supplied with water by HWP?

10 hectares, provided that it is both technically feasible and economically viable to construct the Scheme distribution system to the relevant land area.

2. What if my block is smaller than 10 hectares, but is immediately adjacent to the HWP distribution infrastructure supplying larger blocks?

HWP will endeavour to incorporate such small blocks that are adjacent to the distribution infrastructure wherever it is feasible to do so. In all cases, the Farmer will need to install at the Farmer's expense a Farm Turn-out to measure water flow and meter water use.

3. Can I work with adjoining small block owners to have water supplied to several Farmers through a single turnout?

Yes, HWP will evaluate each application for multiple Farmers supply through a single Farm Turn-out on its individual merits. HWP will need to be satisfied that all management and Consent requirements can be met.

4. Can I arrange to have my small block supplied with water through an adjoining larger irrigating landowner?

Yes, although HWP will need to be satisfied on the terms of service between the two Farmers; both parties will need to enter into a Water Supply Agreement with HWP; and HWP will need to be held harmless by the Small Block Farmer as HWP will not be the party that is finally responsible for water delivery to the Small Block Farmer.

5. As a small block owner, will I need to prepare a FEP?

Yes, there is an Environment Canterbury 'Farm Environment Plan' template for use on small blocks of 10 hectares or less

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