

From: [Georgina Hamilton](#)
To: [Plan Hearings](#)
Cc: [Glenire Farm](#); ["Andrew Mockford"](#); [Julia Crossman](#); [Greg Ryder](#); [Richard Measures](#); [Keri Johnston](#); [Tim Ensor](#)
Subject: Plan Change 7: Opuha Water Limited - Evidence
Date: Friday, 17 July 2020 5:22:45 pm
Attachments: [Evidence in chief of Ryan O'Sullivan \(OWL\) 17.7.20.pdf](#)
[Evidence in Chief of Andrew Mockford \(OWL\) 17.7.20.pdf](#)
[Evidence in Chief of Julia Crossman \(OWL\) 17.7.20.pdf](#)
[Quick reference guide \(Annexure A to Evidence in Chief of Julia Crossman \(OWL\)\).pdf](#)
[Evidence in Chief of Richard Measures \(OWL\) 17.7.20.pdf](#)
[Evidence in Chief of Keri Johnston \(OWL\) 17.7.20.pdf](#)
[Evidence in Chief of Dr Gregory Ryder \(AMWG & OWL\) 17.7.20.pdf](#)
[Evidence in Chief of Tim Ensor \(OWL\) 17.7.20.pdf](#)

Dear Tavisha

We act for Opuha Water Limited (**OWL**), submitter no. PC7-381.

We **attach** for filing, in relation to the above matter, statements of evidence in chief of the following witnesses on behalf of OWL:

1. Ryan O'Sullivan (OWL Board Chair)
2. Andrew Mockford (OWL CEO)
3. Julia Crossman (OWL Environmental Manager)
4. Dr Greg Ryder (Lake Opuha - water quality) – note this statement of evidence addresses matters also pertaining to the submissions of the Adaptive Management Working Group (AMWG) and has also been filed with other AMWG evidence today.
5. Richard Measures (water quality)
6. Keri Johnston (hydrology/allocation)
7. Tim Ensor (planning)

We note that:

- Annexure A to the evidence of Ms Crossman comprises a "Quick Reference Guide" providing a location map and key information regarding the Opuha Scheme. This is also attached as a separate document for the assistance of the Hearings Commissioners.
- a flyover video of the Opihi catchment accompanies Mr Mockford's evidence. A link is provided within Mr Mockford's evidence by which the video can be accessed (<https://youtu.be/Kp6luxCqWsk>). The video is also downloadable in mp3 format from the following link, which can then be shared/posted (e.g. on ECan's PC7 webpage):
<https://we.tl/t-YgyExCMmGF>

Kind regards

Georgina Hamilton
Partner

Level 1, 24 The Terrace, TIMARU 7910 | PO Box 244, TIMARU 7940
PHONE: 03 687 8004 | DDI: 03 687 8065 | MOBILE: 027 686 9252 | FAX: 03 684 4584
EMAIL: georgina@gressons.co.nz

NOTE: The information contained in this email (and any accompanying documents) is CONFIDENTIAL INFORMATION and may also be LEGALLY PRIVILEGED, and is intended only for the individual or entity named above. If you are not the intended recipient, you are hereby notified that any use, review, dissemination, distribution or copying of this document is strictly prohibited. If you have received this document in error, please immediately notify us by telephoning 0800 684 882 and destroy the original message. Gresson Dorman & Co accepts no responsibility for changes made to this email or to any attachments after transmission.

**BEFORE INDEPENDANT HEARING COMMISSIONERS
APPOINTED BY THE CANTERBURY REGIONAL COUNCIL**

UNDER: the Resource Management Act 1991

IN THE MATTER OF: Proposed Plan Change 7 to the
Canterbury Land and Water Regional
Plan – Section 14: Orari-Temuka-
Opihi-Pareora

**STATEMENT OF EVIDENCE OF RYAN JAMES O’SULLIVAN ON BEHALF OF
OPUHA WATER LIMITED (SUBMITTER NO. PC7-381)**

Dated: 17 July 2020

GRESSON DORMAN & CO
Solicitors
PO Box 244, Timaru 7940
Telephone 03 687 8004
Facsimile 03 684 4584
Solicitor acting: G C Hamilton
georgina@gressons.co.nz

CONTENTS

1. INTRODUCTION	3
2. BACKGROUND TO OPUHA DAM	3
3. CONTEXT	5
4. WATER ALLOCATION: Environment / Irrigation	7
5. ADAPTIVE MANAGEMENT	9
6. DAM OWNING / OPERATING – An Insight	11
Ownership	11
Operation	11
Infrastructure Management	12
Why does this matter?	13
7. TRIBUTARY IRRIGATORS – Keeping them as part of the OWL collective.	14
History	14
Minimum Flows on Tributaries	14
Step 1 Flow Regimes for tributary shareholders	15
Step 2 Flow Regimes for tributary shareholders	16
De- Coupling	17
8. CONCLUDING COMMENTS	18

1. INTRODUCTION

- 1.1 My name is Ryan James O’Sullivan.
- 1.2 I am a director on the Opuha Water Limited (**OWL**) board. I have been a director since 2016, and have held the position of board chair since 2018.
- 1.3 I also declare that I am part owner in a dairy and dairy support business near Fairlie. We abstract water for irrigation from the Te Ana Wai River, a tributary of the Opihi catchment and therefore are shareholders in OWL.
- 1.4 I hold a B.Com Ag from Lincoln University, majoring in Farm Management and Valuation. Prior to going farming 12 years ago, I held various positions in the field of agribusiness finance.
- 1.5 In 2017 I was awarded a Nuffield scholarship and was able to study agriculture systems abroad with a focus on comparing pasture fed dairy with containment dairy in the US and Europe.
- 1.6 I am providing this evidence chiefly on behalf of OWL, but also as an irrigator/shareholder materially affected by PC7 proposals.

2. BACKGROUND TO OPUHA DAM

- 2.1 OWL is a private company, but is more accurately a co-operative which owns and operates the Opuha dam. There are some 243 shareholders almost all being farmer/irrigators and the company is governed by a board comprising 7 directors, 5 being farmer elected shareholders and 2 being appointed independents. The management team and staff at OWL runs to 10 staff led by the CEO.
- 2.2 Before the Opuha dam, the Opihi river was in a state of crisis with over-allocation of water leaving the river in a depleted and stressed state during dry periods. River health and ecology suffered and a group (much smaller than present) of irrigators had no certainty of water supply.
- 2.3 To remedy this situation, the community comprising multiple stakeholders came together and sought a solution, the end result being the Opuha dam, constructed and commissioned in 1998.

- 2.4 Since then, the Opihi river has enjoyed continuous flow, with a variable monthly minimum flow regime to reflect an enhanced natural hydrograph, particularly over summer months, far in excess of natural flows achieved pre-dam.
- 2.5 In addition, agriculture in South Canterbury has flourished with reliable irrigation water underpinning diverse farming systems with economic benefits both inside, but more significantly outside the farm gate. Past economic reports¹ quantifying the benefit of the Opuha dam are extensive and unanimous in their assessment of the widespread social and economic wellbeing created by the dam.
- 2.6 Opuha dam has been held up as a great example of a community-based solution for a local problem. It is the envy of many other communities on NZ's drought prone east coast. Water storage solutions are being discussed with renewed interest throughout NZ to help meet increasing multi-use demand for water, in an increasingly uncertain climate.
- 2.7 South Canterbury is a particularly water short region, critically lacking the proximity to the large alpine fed river systems enjoyed in mid Canterbury to the north, the Waitaki district to the south and Upper Waitaki to the west. Attempts in recent decades to tap into these alpine water sources have been unsuccessful, and deep groundwater access is generally poor so our reliance on the Opuha Scheme in northern South Canterbury is very high.
- 2.8 This reliance on and demand for water faces further upward pressure from climate variability and expanding population and industry.
- 2.9 OWL has had a long history of successfully working in collaboration with other stakeholders who have an interest in management of freshwater in the catchment. This list includes the Central South Island Fish and Game Council, Mackenzie and Timaru District Councils, Department of Conservation, Arowhenua Runanga and others. We have contributed, and continue to contribute to Opuha Environmental Flow Release Advisory Group (OEFrag),

¹ The Opuha Dam: An ex post study of its impacts on the provincial economy and community, Harris, Butcher & Smith, Aug 2006

various catchment groups and the work of the OTOP Zone Committee. A lot of these relationships are ongoing as we seek to enhance outcomes for the catchment and community collectively.

- 2.10 There has been 21 years of experience and learning gained on operating the dam and managing the river by past and present OWL boards, management and other stakeholder partners. Environmental outcomes have been overwhelmingly positive in respect to both water quantity and quality, while at the same time irrigation reliability of the Opuha Scheme has proven over that time to be 95%, as per design.
- 2.11 This acquired institutional knowledge over a long period places OWL in a unique position to lead the conversation at this plan change interval and speak with clarity on what will work from all aspects, and what the downside risks are to some of changes sought by PC7.

3. CONTEXT

- 3.1 OWL is far from just an irrigation company and our larger obligation in terms of water volume release is to the environment. We take meeting our environmental flows very seriously, but we also know that the dam is not bottomless and at times this requires compromise. Smart and strategic adaptive management, as has been demonstrated historically, is key to achieving the best outcomes here.
- 3.2 There are plenty of complexities, challenges and uncertainties in the business and it seems, the dam indefinitely remaining fully functional is taken for granted by many. This does and will not happen by itself and while our farmer shareholders are fully committed to do what they can, their ability to do so relies on reasonable access to water extending well into the future. Our farmer shareholders do not need or expect any more water than what is currently allocated, but availability when they need it is critical.
- 3.3 The step 1 flow regimes contained in PC7's Tables 14(m), (n), (p) and (r) are a well-executed outcome of a collaborative process which will result in tangible benefits to river ecology with acceptable reductions in water availability. Step 2, contained in PC7's Tables 14(o), (q) and (s), and the Section 42A Report and Supplementary Report recommendations to change implementation

timeframes would be deeply destructive with little marginal gain in river ecology as well as impossibly short timeframes. De-coupling 18% of OWL shareholders is a very real risk of Step 2 and the Section 42A and Supplementary Report recommendations, is in no one's best interests, and again a well-reasoned and smart decision is required here.

- 3.4 The Opihi river/Opuha irrigation system is complex, comprising four main tributaries, a main stem and multiple irrigation sub schemes plus direct abstraction from tributaries and below dam off the Opuha and Opihi rivers.
- 3.5 OWL has formed a view that during the course of its engagement in the PC7 process that some degree of misunderstanding exists in parts of the community as to the role OWL plays in managing water allocation in the catchment. We are also aware that there is a lack of visibility into the responsibilities of owning and operating a large dam and feel it is appropriate that some of the challenges associated with that were made known.
- 3.6 Certainly, in all our preparations for PC7 and various interactions with stakeholders, we are yet to be convinced that anyone within Environment Canterbury's (ECan's) planning team for PC7, have a full grasp of the hydrology in the catchment and how the Opuha scheme works in its entirety.
- 3.7 This is not a criticism, simply an observation - anyone who has been involved at OWL for any length of time will admit that it takes a considerable period of time to fully grasp the full intricacies of the scheme, the catchment and the interactions that occur, and Dr Greg Ryder has commented in his evidence 'the Opihi catchment is the most complex I have worked on'.
- 3.8 Given this complexity, it is important to acknowledge that, for any change, there is always a consequence, sometimes unintended which can create a worse outcome than that originally sought.
- 3.9 To the above, there are 3 key aspects I want to focus and expand on in the evidence that follows:
 - a) Managing the balance between irrigation and environmental flow allocation.
 - b) Insights into owning/operating the Opuha dam.

c) The case for tributary water users to remain connected to OWL.

- 3.10 Andrew Mockford (CEO) and Julia Crossman (Environmental and Regulatory Manager) from our management team have provided detailed evidence on many aspects which relate to the impacts of PC7 for OWL, and this evidence seeks to reinforce the narrative within their evidence and the reasoning behind OWL's position on the above 3 aspects.
- 3.11 I will also reference other evidence of experts assisting OWL and the working parties that it and/or its shareholders have been working closely with through the development phase of the OTOP Zone Implementation Programme Addendum, including Grant Porter (Economics) and Greg Ryder (Ecological and Freshwater) as well as Keri Johnston and Tim Kerr (Hydrology).
- 3.12 The intention of my evidence is to give the Hearing Commissioners an internal insight into the realities involved for OWL and how it influences OWL's decision making. This translates to the wider impact it has or will have on the community.

4. WATER ALLOCATION: Environment / Irrigation

- 4.1 In simple terms, OWL operates a large water accounting system. Water comes into the dam from the top of the catchment (inflows) and OWL's role is to allocate that water back out of the dam first and foremost for the environment, then to other users such as irrigation (after domestic and stock).
- 4.2 In a normal season this is a reasonably straightforward exercise, it is the exceptional (dry) years where this becomes a challenge. The eastern foothill catchment of the lake shows massive inflow variation both between and within seasons. It is difficult to predict and reliable patterns do not seem to exist.
- 4.3 There is a perception that Opuha dam and the lake is purely a dam for irrigation, and as such, that OWL have an operating bias toward diverting

water into storage and therefore more irrigation. Indeed, an excerpt from the Section 42A Report reads as follows:²

'We acknowledge that the first priority of environmental flows may not have transpired in practice to the extent that was envisioned, with storage appearing to be prioritised over river flows.'

- 4.4 We refute such a generalised statement as it completely mis-represents the situation. To demonstrate this, it is useful to look at some high-level arithmetic around water allocation.
- 4.5 The present ORRP monthly minimum flow regime for the Opihi at Saleyards bridge (SYB) under normal lake level conditions converted to an annualised volume is 176,386,000m³ (176 million m³). This is the volume required to pass SYB in a year to meet, but not exceed the current set of normal minimum flows.
- 4.6 Irrigation demand and annual inflows to the dam are shown on the table below for a sample of years 2014-2019.

Year (1 July - 30 June)	Annual average inflow (m³/s)	Annual Inflow volume (m³)	Annual Irrigation Demand (m³)
14-15	3.01	94,923,360	34,726,176
15-16	4.17	131,505,120	60,647,274
16-17	12.55	395,776,800	40,353,177
17-18	15.36	484,392,960	42,719,468
18-19	9.76	307,791,360	50,835,788

- 4.7 There are a number of observations from the numbers presented above.
- 4.8 Firstly, annual inflow is significantly variable, a wet year being a multiple of 5 times higher than a very dry year.

² At 9.7, page 305

- 4.9 Secondly, irrigation demand in relation to the SYB environmental flow requirement is less than one third. Average irrigation demand volume (excluding the heavily restricted 14/15 season) is 48 million m³ per season, and environmental flow demand at SYB as stated above is 176 million m³.
- 4.10 The capacity in the Opuha dam is approximately 65 million m³ so another way to express demand is 0.74 dam fills for irrigation and 2.7 dam fills for SYB minimum flows. These numbers clearly demonstrate that Opuha dam plays a significant role in allocating water to environmental flows and not just irrigation.
- 4.11 It is also clear, when we look at the numbers in some years, meeting this dual demand, in full (176 million m³ plus 48 million m³ = 224 million m³), over an entire season, is extremely challenging. In fact, in some years is physically impossible – the cloth has to be cut to fit.

5. ADAPTIVE MANAGEMENT

- 5.1 We have at times had to use the levers of adaptive management (OEFrag and Water Shortage Directions (WSD)) to seek to retain more water in storage to give us intra-season future options.
- 5.2 The worst-case scenario for OWL is an empty dam, zero augmentation of flow and subsequent loss of connectivity in the Opihi river system.
- 5.3 As the numbers above show, this is an inevitable occurrence in dry years without judicious management of the water in storage. We have achieved this by strategically convening OEFrag and where appropriate they have agreed to reduced minimum flow requirements for the mainstem and implement irrigation restrictions earlier than consents specify. At times, we are therefore guilty, in the words of the Section 42A author quoted above, in 'prioritising storage over river flows'.
- 5.4 However, the driver is not to preserve irrigation, as irrigation restrictions occur in tandem with flow reductions; rather the driver is to push water forward into the season and create optionality.

- 5.5 OEFRAG will not always get their decisions right as they are called on the make them with a complete absence of forecast data.
- 5.6 For example, in 2018, September minimum flows were reduced due to low lake and snow pack levels, then by late November the dam was spilling vast quantities of water due to unprecedented rainfall for that time of the year.
- 5.7 In contrast, if we use the example of the 2014/15 summer, a one in 50 year drought, through adaptive management, implementation of irrigation restrictions and flow reductions starting in early December 2014 pushed water storage well into March. Although flows were reduced, augmented flow did not completely cease and the dam retained 0.29% storage (lake level of RL370.21m) prior to rain arriving.
- 5.8 Crucially to the above point, modelling by Dr Tim Kerr of Rainfall.NZ on behalf of OWL has 'hind casted' the 2014/15 season under the proposed PC7 restriction framework demonstrate how the dam would have held. The modelling indicates the PC7 2030 regime would have resulted in a drained lake on the 12th January 2015, with 66 days at that level over the next 14 weeks until the 23rd April 2015 when the levels were able to be sustained above the minimum. The modelling also showed the lake returning to a minimum state the following season.
- 5.9 This modelling speaks to the point made earlier about well intended changes having negative unintended consequences.
- 5.10 I will not dwell here on the technical details of the adaptive management regime sought by OWL and the Adaptive Management Working Group as this is covered in other evidence, the main objective here is to emphasise its importance and past success. Some aspects are not perfect and some fine tuning is warranted but a material shift away from it to a simplified, prescriptive regime that's easier to 'write' in a plan is a step backwards and will end up creating more frequent stress on the river system.

- 5.11 There is no more water coming in at the top and we can never make the dam bigger. We have got what we have got, and the allocation of water to environmental flows and to irrigation, with the ability to have some flexibility in them both, is about right under the framework proposed by the Adaptive Management Working Group (AMWG) in its submission on PC7.

6. DAM OWNING / OPERATING – An Insight

Ownership

- 6.1 While Opuha dam was originally funded through a mixture of private and public entity capital, it now resides 100% in farmer shareholder ownership.
- 6.2 In spite of the fact the dam performs a multiple roles in providing environmental flow, community water and irrigation supply, the enduring operational cost of achieving environmental flows is largely met by the farmer shareholders.
- 6.3 This is merely a statement of fact and was the basis on which the dam was mandated; the assumption was that farmers pay water charges, in conjunction with electricity generation, to fund operational costs of the dam.
- 6.4 There is no question or complaint around this from farmer shareholders, as a collective they are proud to own the dam and as such, enjoy a degree of control over their own destiny.

Operation

- 6.5 OWL is run as a co-operative model where revenue (water charges) are set at a level to generate sufficient revenue to meet all operational costs, capital expenditure and debt servicing, but not a profit as such.
- 6.6 Water charges at slightly over \$210/ha are considered moderate relative to other (particularly modern) schemes charges, although most other irrigation schemes in the Waitaki and mid Canterbury are effectively 100% reliable, where Opuha irrigators do face restrictions.

- 6.7 Electricity generation provides a useful, although not substantial, subsidy to water charges and does incur high periodic maintenance costs. The energy generation profile, reflective of dam inflows, is generally unpredictable and as such, we can struggle to attract buyers for energy at the prices enjoyed by other producers in the sector.
- 6.8 While it could be argued that at \$210/ha for water charges, there is headroom to afford higher charges, when compared to other schemes, the Opuha scheme has a wide mix of farm system types, being only 50% dairy, with the balance sheep and beef finishing, arable and dairy support. Materially higher water charges would put many of these businesses under cost pressure relatively quickly.

Infrastructure Management

- 6.9 The dam itself is a 50m high structure with a high potential impact classification (PIC) as defined under the NZ Society of Large Dams. What this basically means is, if the structure were to fail unexpectedly, there would be significant (imminent) risk to human life and property.
- 6.10 Needless to say, this risk places extraordinary legal and fiduciary obligations on the directors and management of a dam to ensure the safety of the structure at all times under all conditions.
- 6.11 While at first glance, a dam appears to be a reasonably simple structure, they are actually very complex. Water under pressure is persistent in its nature to find a way under, around or through a dam and this requires constant vigilance on the part of the dam owner.
- 6.12 We maintain relationships with engineering experts who assist us in collecting and analysing surveillance and monitoring data, looking for any irregularities and trends so we are able to proactively address any potential issues.
- 6.13 OWL can be called upon at any time to spend several million dollars on an issue that may arise suddenly, as well as planned long term enhancements, upgrades and maintenance.

- 6.14 Best practice design and construction is constantly evolving in the dam space and even in the case of Opuha, if it was built today, designs features and construction techniques would be different. While retrospective application of this is not always possible, the company needs to maintain a continuous improvement policy to keep the dam safe. Some recent examples of issues tabled to the OWL board include dewatering capacity, auxiliary spillway durability and further dam crest protection.
- 6.15 Looking back in recent years, OWL has commissioned significant capital projects on downstream dam toe reinforcing, abutment remediation, improving the spill capacity of the downstream weir and enhanced surveillance instrumentation.
- 6.16 We are presently dealing with a directive by our engineers to operate the dam at no more than 90% of capacity while an internal erosion issue is investigated. This issue may lapse into the 'ongoing monitoring' basket, or alternatively require a short-term \$30 million remediation, or anything in between.
- Why does this matter?**
- 6.17 A superficial view would suggest that a dam once built, will remain forever, always function at 100% capacity and that the shareholders can always afford to run it.
- 6.18 The reality is the Opuha dam is not a goldmine. It is a high risk infrastructure asset which requires a high input of governance and management resource to maintain a 'license to operate'. Farmer shareholders are the primary contributors to this and they do so under the very reasonable assumption that they receive an entitlement of reliable water for which they can operate their businesses.
- 6.19 The supply of 95% reliable water to farmer shareholders, as has been achieved over the past 21 years is an ongoing imperative to ensure the dam is still there in another 20 years. Reducing water reliability in favour of higher

environmental flows will undermine the shareholder irrigator's on-farm viability, ability and confidence to invest and remain invested in the dam.

- 6.20 A dam that is not actively managed to high standards at all times would quickly lose its license to operate - it then reverts to a large pile of gravel, mid-stream in the Opuha riverbed, passing nothing more than natural inflows only with grave environmental and economic consequences.
- 6.21 We simply ask that decisions made for PC7 are cognoscente of these factors.

7. TRIBUTARY IRRIGATORS – Keeping them as part of the OWL collective.

History

- 7.1 Nearly 3,200ha of the 16,000ha Opuha scheme area, amounting to 20%, are associated with shareholders in OWL that abstract water from one of 4 tributaries to the Opihi river system: the North Opuha, South Opuha, Upper Opihi and Te Ana Wai. This group, for the purposes of this evidence, are referred to as non-augmented tributaries shareholders ('tributary shareholders').
- 7.2 The concept at the time the scheme was built was that tributary abstraction was permissible as it was ultimately compensated or offset by flow releases from the dam down the Opihi main stem.
- 7.3 This concept, while arguably not perfect in a practical or hydrological sense, was acknowledged when shares in the dam were sold, but seems to have been forgotten since, particularly in PC7 discussions.

Minimum Flows on Tributaries

- 7.4 Each tributary was protected in terms of instream and ecological values with a minimum flow regime that was set individually for each river via a robust consent process at the time. While tributary shareholders enjoy slightly less reliability than the main scheme irrigators (and at times have faced a dual set of restrictions) they hold strong their affiliation with OWL, as they personally

value the benefit of flow releases from the dam to compensate the lower Opihi river.

- 7.5 Early in the PC7 process, the Zone Committee signalled there was a desire from parts of the community that tributary minimum flow regimes had to move up.
- 7.6 Tributary shareholders have little room to move on increasing minimum flows, as irrigation reliability is already tenuous. Nevertheless, they acted in good faith and came to the table of the group formed to make recommendations to the OTOZ Zone Committee on this issue – the Opihi Flow and Allocation Working Party (FAWP).

Step 1 Flow Regimes for tributary shareholders

- 7.7 The FAWP included multiple stakeholders in the Opihi river system and was a genuine example of sound collaborative process - local solutions for local problems, held up by the CWMS as being the pathway for achieving good community outcomes in sub-regional plan change processes.
- 7.8 There were some difficult conversations had, but some common ground was found among the parties who engaged in the process. The output of the FAWP has been a suite of flows referred to as 'step 1' (2025 flows) under PC7 as notified (Tables 14(m), (n), (p), (r)).
- 7.9 Typically, under the step 1 regimes, summer flows have increased to a lesser extent to protect irrigation reliability, the trade off being higher shoulder season and winter flow regimes. Under the step 1 regimes, irrigation reliability while reduced is still acceptable and there is some ecological benefit for the river which is demonstrated in the evidence provided by Dr Greg Ryder.
- 7.10 Importantly, given acceptable irrigation reliability under step 1, tributary shareholders and irrigators can still see the value proposition of being affiliated to OWL on an ongoing basis.

Step 2 Flow Regimes for tributary shareholders

- 7.11 The major issue that has emerged from PC7, is a second step 2 flow regime on the tributaries (Tables 14(o), 14(q) and 14(s)).
- 7.12 The step 2 regime contains a second round of higher minimum flows for the South Opuha and Upper Opihi, or in the case of the Te Ana Wai, a pro-rata restriction regime, proposed to commence in 2030.
- 7.13 The Section 42A Report, and subsequent Supplementary Report (dated 26 June 2020), recommend changes that would bring forward steps 1 and 2 in time.
- 7.14 Irrigation water availability modelling noted in the evidence of Keri Johnston indicates that irrigation reliability will reduce to a range of 72% to 83% depending on the river. As such, a step 2 flow regime looms presently as a devastating blow for the viability of tributary shareholders' businesses.
- 7.15 This is reinforced by the evidence of Grant Porter whose economic analysis for the South Opuha, Upper Opihi and Te Awa Wai users (who together make up 2950 ha or 18.4%) shows that under the step 2- 2030 flow regimes, almost all farming systems move from viable to 'marginal viability' or 'not viable'. The aggregated reduction in gross farming income is assessed at more than \$2.5 million p.a. and the drop in farm values circa \$20.5 million.
- 7.16 More significantly, evidence submitted by ecologist Dr Greg Ryder regarding the South Opuha, Upper Opihi and Te Ana Wai contends that current water quality and aquatic ecology are "generally good" and step 1 'provides sufficient habitat retention to provide for the types of fisheries and benthic invertebrate populations' expected for all 3 rivers.
- 7.17 I note just this past week, the Labour Coalition government has expressed a desire to grow the value of NZ primary industry exports by \$44b over the next 10 years and mentions smaller scale irrigation schemes as one of the productivity drivers to achieve this. Clearly this does not reconcile with

shrinking the agricultural GDP in South Canterbury from an existing scheme as will be case under PC7 step 2 flow regime.

De- Coupling

- 7.18 The step 2 is a tipping point for tributary shareholders. It reduces their irrigation reliability to such an extent that being affiliated to OWL no longer has a value proposition.
- 7.19 The logical reaction is to relinquish their OWL shareholding, de-couple and 'go it alone' with some on-farm water storage (B block abstraction) and/or downsizing their business.
- 7.20 If this does occur to any degree, the operating model of flow release to offset abstraction breaks down. These irrigators will still take water from tributaries to irrigation or storage (subject to new minimum flow regimes) and OWL will still have to release the equivalent to maintain SYB flows.
- 7.21 As a consequence, there is little or no water saving to Opuha dam, and no water charges paid on relinquished shares. Shares are not able to be re-allocated elsewhere in the scheme, therefore revert to a nominal value.
- 7.22 Needless to say, given 18% of OWL shareholding sits in this tributary shareholder users group, such an outcome would materially impact both the OWL balance sheet and profit and loss positions.
- 7.23 Whether this is an intended or unintended consequence of the step 2 regime is unknown, but the separation of tributary shareholders from OWL was flagged by Environment Canterbury in the early stages of PC7.
- 7.24 It is difficult from OWL point of view to see any logic or benefit behind it, in fact the loss of shareholding and water charges could be highly de-stabilizing to the business. Tributary shareholders do not want to de-couple from OWL, and OWL want to retain them as shareholders. If there is a valid reason why this should occur, we are yet to see it.

- 7.25 The evidence of Dr Ryder, Mr Porter and Dr Saunders demonstrates that Step 1 achieves worthwhile gains in river ecology for a lower cost to irrigators; and Step 2 achieves very little gain in river ecology for massive economic impact. On any rational cost: benefit analysis, step 2 fails miserably, as addressed by Mr Ensor in his planning evidence for the FAWP.
- 7.26 For this reason and to preserve unity and stability in OWL shareholding, OWL strongly supports not moving beyond the step 1 flow regime in this plan change.

8. CONCLUDING COMMENTS

- 8.1 The purpose of this evidence was to give some insight to some of the internal aspects of operating OWL and how, from the outside, some of our actions could be construed as self-interest. Hopefully, I have clarified that they are not, we always endeavour to act responsibly for the whole system and the community, not just shareholders.
- 8.2 The experience of preparing for PC7 and reviewing the Section 42A report in particular has been a disappointing one for OWL. We have had a sense from the outset that the regional council have seen OWL as adversaries and are out to 'manage' the catchment to our advantage.
- 8.3 We have been keen observers of the OTOP Zone Committee process from the outset, having various OWL staff and/or directors contributing throughout. It fair to say, we are not alone in having some pretty major concerns of how the process has been run by the regional council. The mandate for the OTOP ZC was to land on outcomes that met the local communities' objectives. It became obvious in the later stages that they were being led somewhere different, as evidenced by the lack of consensus in the committee and frustration expressed by some members, past and present.
- 8.4 As mentioned in my opening remarks, OWL does not operate in isolation, we have good relationships with many stakeholders including Fish & Game, DOC, Timaru and Mackenzie Districts and local water recreation groups. Generally, we are all on the same page when it comes to PC7 and this is important to

recognise. We regret not having a closer relationship with our local Runanga, although it is not from a lack of genuine attempts to engage,- but we are clear it is a long term imperative for us to develop that relationship further.

- 8.5 While there will always someone who will argue otherwise, the stakeholders in the Opihi river system can look back over 21 years of operation with hand on heart and say the ORRP settings have been about right and overwhelmingly the results support this – full river connectivity and 95% reliable irrigation.
- 8.6 It is sometimes useful to look back to see where you have come from, to help inform where you going. We have the benefit of hindsight in this decision-making process, but we cannot make the mistake of looking back only 21 years and being critical. In my view, we need to look back 30 years, acknowledge the sorry state the Opihi river was in and appreciate how the Opuha dam, has enriched many aspects of the community, under its current operating framework.
- 8.7 As the proverbial wise man once said, ‘if it’s not broken, don’t fix it’.

Ryan O’Sullivan

17 July 2020