

NEWSLETTER

Greeting to you all.

It seems, from our side of the ditch at least, that it has been a relatively good season for most of our shareholders with the weather providing good growing conditions and the lake storage levels remaining good enough to ensure a reliable irrigation supply when required. We anticipate that for many of you, the very good rain in the middle of March may well signal the end of your irrigation for the season.

We've chosen to concentrate the majority of this newsletter to environmental management and in particular our activities under our own 'Healthy Catchments Project'. We identified late last year that active participation in this critical phase of our region's adoption of the Land and Water Regional Plan was so strategically important for the company and our shareholders, that we have revised our staff and contract resourcing to achieve this. Julia Crossman is working nearly full time on this programme. We have increased Lucy Millar's role to relieve Julia of some her work on the FEP programme and we have engaged Irricon Resource Solutions to provide assistance with most of the on-going and new work on our existing operational consents. I have also reallocated some of my own work to enable me to be more directly involved in the Healthy Catchments work.

For many of you, I expect a lot of the CWMS/LWRP/OTOP/GMP/Red/Orange (how's that!?) correspondence, meetings and discussions to date have left you unclear of just where things are and what they mean to you. We have continued to both keep you informed but also look out and act on your behalf in the various processes and forums. It is getting to the sharp end now. So please take the time to read through Julia's information in this newsletter and please, if you feel you need more information or would like the opportunity to participate, contact Julia or myself.

I have included a quick update on the lake storage for your information and intend to follow up with another newsletter shortly on other important subjects outside of the environmental sphere.

WATER STORAGE SITUATION

The graph below shows how the storage has held up well over the season but we are now getting back down to 'average' for this time of the year.

One of the significant aspects of the storage management was that we held the lake at a historically high level for the start of the season. This situation was due to, firstly, there being sufficient spring inflows for us to fill the lake and secondly, with the downstream weir upgrade completed, we had confidence in our ability to safely manage the lake and any potential spill at this higher level.

HEALTHY CATCHMENTS PROJECT

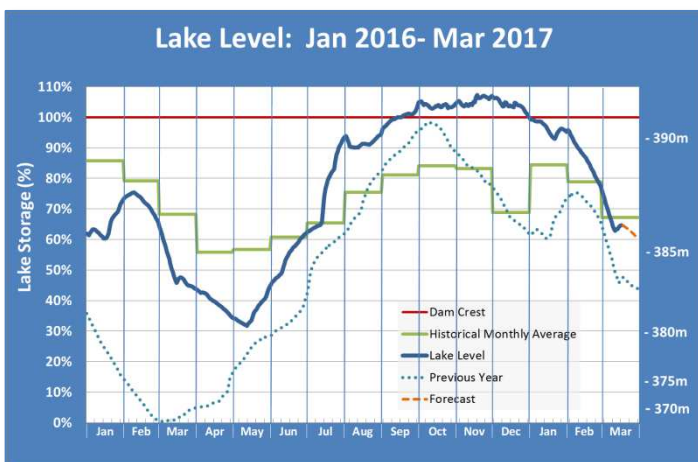
As we have outlined to you in previous newsletters, ECan is running the sub-regional plan process for our OTOP zone under the banner of "Healthy Catchments Project".



This project is the 'sharp end' for our region of the Canterbury Water Management Strategy (CWMS), which will see the Orari-Temuka-Opihi-Pareora (OTOP) Zone Committee making recommendations to ECan on the content of the OTOP sub-regional plan. Significantly for OWL shareholders, this plan process will revise the Opihi River Regional Plan (ORRP) which all of the Opuha scheme and individual water consents are granted under. It will develop a new minimum flow and allocation regime which will guide the future replacement of any water consents. It will also set catchment specific nutrient limits which you will have to meet on-farm through the implementation of (as a minimum) Good Management Practice.

Because of the importance of the Healthy Catchments Project to OWL as a company and to all shareholders' farming operations, we are actively participating in the process, with Julia Crossman managing this task. There are a number of different work streams which we will now recap briefly:

We have initiated the **Adaptive Management Working Group (AMWG)**, a technical group to develop an adaptive river management regime for the Opihi River to recommend to the Zone Committee for their consideration as part of the Healthy Catchments Project. It consists of reps from OWL, F&G, DOC, TDC, NIWA and ECS. Together they have considerable experience and understanding of the Opihi River system and



We have released three 'artificial freshes' (we have previously called these 'flushing flows') over the season as well as some demonstration releases when we have had groups such as the ECan councillors visiting the dam site. We are very pleased with the capability we now have with the upgraded downstream weir and the good water storage this year has enabled us to undertake these freshes and demonstrations.

most are long standing OEFRAG participants. The AMWG have discussed and developed 'version 1' of an adaptive management regime which includes a river flow regime, an irrigation and community supply restriction framework, artificial freshes and flow variation, and the role of OEFRAG. The group is working well together, and there is a sense of momentum, collaboration and trust at the table, built on the solid foundations of OEFRAG.

We are meeting monthly with ECan to report on and discuss the workings of AMWG and other issues specific to the Opuha scheme. These **ECan meetings** have been valuable as Planning and Science staff have offered some useful and interesting insights into what other factors need to be considered in order to ensure the package being presented to the OTOP Zone Committee is as robust as possible. We have presented the work of the AMWG to the OTOP Zone Committee and will continue to do so to ensure the Committee are taken on the 'journey' and understand the reasoning/justification behind any recommendations made by the AMWG.

OWL management and Directors are also attending the Healthy Catchments Project **public meetings** being hosted by ECan and the Zone Committee. The next round of meetings are scheduled for April on the following dates:

Monday 10th: Fairlie Golf Club, Fairlie
Tuesday 11th: Waihi Lodge, Geraldine
Wednesday 12th: The Grosvenor, Timaru

We expect there will be further public meetings as the Zone Committee work through the process of investigating, modelling, deliberating and seeking feedback from the public on future directions. We strongly encourage you to attend these forums as they are rolled out over the next six months or so. More information about the Healthy Catchment Project and details of future meetings can be found at <http://canterburymaps.govt.nz/webapps/StoryMapSeries/otop.html>.

Through these various forums we are actively involved in the consultation process, working to ensure the information feeding into the process is accurate and robust, and advocating for the company and shareholders best interests. We will keep you up to date on this process as it unfolds, and we encourage you to become engaged and involved in the community discussions wherever possible.



OTOP Zone Committee

There are three other work streams directly involving OWL shareholders that we would like to mention.

Firstly, while there are lots of conversations happening at both an OWL Board and management level, we are very

aware of the need to 'litmus test' any proposals with shareholders. We plan to establish an **OWL Healthy Catchments Reference Group** of shareholders, and Julia has a 'hit-list' she is going to contact over the next week or two to invite their participation. We are aiming for shareholder involvement from a range of land uses and catchment areas. If you are interested in assisting us by being part of this group, please contact Julia – Ph 021 535 174 or julia@opuha.co.nz.

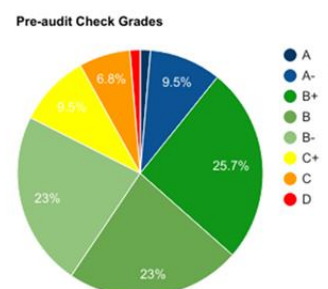
Secondly, with changes to the tributary minimum flows likely through the Healthy Catchment planning process, the reliability of the **'Above Dam' shareholders** may be reduced ('Above Dam' includes irrigators on the Te Ngawai and Opihi above Rockwood as well as the tributaries above the lake). Given this possible outcome, OWL management would like to assist shareholders in building their understanding of what the process could mean for their consents and also work with them to pull together the information needed to ensure they are able to contribute to the Zone Committee's minimum flow discussion in a proactive, informed way. The Te Ngawai group have already mobilised and are doing some work to pull together their water usage information and understand implications may be for them. This work is transferable to the Upper Opihi and North and South Opuha, and Julia will be arranging a meeting of these shareholders within the next month. We encourage those above dam shareholders to attend any meetings held. Again, call Julia if you have any questions

Thirdly, ECan is hosting two community meetings to share information about the effects of shallow groundwater takes on river flows (stream depletion) in the Opihi and Temuka catchments and Levels and Seadown Plains area. In these catchments the method to calculate the rate of stream depletion could change from a (theoretical) 30 day pumping test to a 150 day test, as it is elsewhere in Canterbury. Essentially this change would mean that groundwater consent holders not currently tied to minimum flows on these waterways may be deemed to be stream depleting and a minimum flow would be attached to their consent – most likely reducing the reliability of those consents. Please see attached meeting flier, which we have also circulated separately, for more information about the upcoming meetings. Julia will be attending the **Stream Depletion meetings**, therefore, you can contact her if you are unable to attend but would like further information.

FARM ENVIRONMENT PLANS AND PRE AUDIT CHECKS

To date we have worked with over 100 shareholders to develop their FEPs, which now cover 88% all shares. Our next step is to work with the remaining 12% who we believe will not trigger the requirement for a land use consent, but will require a Farm Management Plan (FMP) which is essentially a simplified FEP for lower risk properties.

Pre-audit checks (PACs) will be complete by the end of April, with approximately seven to



complete to tidy up the tail end. These PACs have been undertaken as an educational exercise to allow shareholders to become familiar with the audit process and to provide an indication of 'what would my likely audit grade be and what do I need to put in place to improve it'. The PACs provide targets to meet before a full audit is undertaken and set clear actions to assist shareholders increase their Audit score. We are reasonably happy with the results of the PACs to date with over 80% achieving greater than a B- grade (see graph). Lucy Millar, who is managing our FEP programme, is currently going through PAC reports to identify the shortfalls in Good Management Practice that are common across the scheme and will develop a training programme tailored to the common themes. Soil moisture metering and carrying out bucket tests appear two key shortfalls to date and these are likely to be the starting point for training. Any questions about the FEPs, Management Plans or PACs should be directed to Lucy Millar lucy@opuha.co.nz or 027 696 1742.

UPCOMING AUDITS

In May we will be initiating our formal FEP audit programme which will provide shareholders with an audit report that meets ECan's auditing and consenting requirements. We anticipate that, over time, approximately 100 shareholders will require, or already hold a landuse consent with a FEP and auditing requirement. We are intending to continue to manage the FEP/FMP programme for our shareholders and this will extend to coordinating the audit programme as the next stage. We have recently sent out a Request for Proposal to prospective Auditors to ensure we receive the best value and level of service for our shareholders.

In developing the audit programme, we have had to reassess the regime for paying for the formal FEP audits. There are various models we looked at, ranging from full cost recovery from the shareholder to full subsidy. Our main aim was to strike an appropriate balance between rewarding those shareholders who continue to strive to achieve GMP, providing an incentive to improve environmental performance, and ensuring the good performers are not subsidising the poor performers who make no effort to improve their audit score.

As such, the audit charging policy approved by the Board is as follows:

- A grade - 75% subsidy (re-audit after 3 years)
- B grade - 50% subsidy (re-audit after 2 years)
- C grade - 25% subsidy (re-audit after 1 year)
- D grade - no subsidy (re-audit after 6 months)

In addition, no subsidy would be available for those who chose to adopt an independent FEP and audit programme outside of OWL.

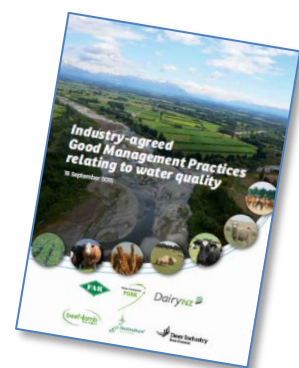
The full charging policy is available on the OWL website.

Further information regarding the formal audit process will be provided to shareholders before the programme kicks off in May.

Environmental Management Strategy

The issue of OWL's role in the nutrient management space is something that we have conversed in previous newsletters and has been a topic of discussion for the Board and

management on numerous occasions. The current planning framework includes provisions to enable irrigation schemes to manage nutrient losses within their command area by holding a discharge consent which represents an aggregation of all shareholders nutrient loss 'allocations'. While OWL does not currently hold such a consent (that decision is essentially based on our view that with the timing of the LWRP and sub-regional process we are better applying our limited



resources to developing a robust FEP programme that has all our shareholders engaged), we believe that in order to future-proof our operation, we need to start managing as though we do and 'ramp-up' our environmental management strategy to reflect the need for both the scheme and shareholders to take greater responsibility in implementing Good Management Practice on farm. We believe that it is a highly likely outcome from the sub-regional plan process that catchment if not region wide nutrient limits will be set and that it will be in the interests of our shareholders that a coordinated management approach will be warranted. We need to ensure our FEP, auditing and reporting systems are robust and withstand the scrutiny of ECan and the wider community. We will be putting more time and resource into this space and Lucy Millar will be leading this programme.

IRRIGATION EFFICIENCY DISCUSSION GROUP

ECan are looking to set up an Irrigation Efficiency Discussion Group. In the first instance they are looking for around 10 farmers who are keen to learn more about and actively work towards improved irrigation efficiency on their farm. Each group member will have the opportunity to get technical assistance to work up an irrigation efficiency development plan which will identify the areas for improvement and the realistic targets over the next year. There will be some regular meetings over the year (as agreed with members) for guidance from industry specialists, hear and share progress and discuss what works and what doesn't work, and develop common solutions to common issues...much like other industry led discussion groups. This approach, with ongoing support has a good chance of generating improved irrigation efficiency on farm, possible greater pasture and crop growth, lower nutrient losses and savings in electricity and maintenance.

If you are interested in this, give Julia Crossman a call and she will pass your details on to Ian Lyttle from ECan (Land Management Advisor, Timaru office) who will be coordinating the group.

Regards

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