Australian Government
Department of Agriculture and Water Resources

Commonwealth On-Farm Further Irrigation Efficiency (COFFIE) program consultation

Key themes

April 2016

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Introduction

The Commonwealth On-Farm Further Irrigation Efficiency program (COFFIE) assists eligible irrigators in the Murray–Darling Basin system to modernise on-farm irrigation infrastructure while returning water savings to the environment.

COFFIE is the first of a series of efficiency measures programs providing funding for irrigation infrastructure improvements, and is designed to run until 2024.

Efficiency measures are part of the Basin Plan's sustainable diversion limit adjustment mechanism, which is designed to optimise outcomes for the environment and Basin communities, and are funded through the Water for the Environment Special Account.

To assist in the development of COFFIE, the department invited stakeholders to comment on the design of the program and efficiency measures overall. Submissions closed on 11 December 2015, and 35 stakeholder groups or individuals provided comment on the program either verbally or through formal submissions.

The department received 12 written submissions and gained verbal feedback through meetings with stakeholders. A breakdown of the responses according to their and theme is shown in Figure 1 and Figure 2

Figure 2. Stakeholders included irrigation infrastructure operators (IIOs), state government departments, land management agencies, individual irrigators, private water companies, community groups and industry bodies, with the latter making up nearly a third of all stakeholders who responded.

Most comments concerned program implementation details, with the highest number addressing water pricing and entitlement issues, delivery partner eligibility and payment, and project eligibility and management.

In general, feedback about the overall program design was positive and stakeholders felt it reflected suggestions provided over the last few years. Concerns were also raised about the broader issues around efficiency measures and the effect the additional recovery of 450 gigalitres may have on irrigation and the community.

This thematic paper summarises the issues raised and provides the department's response.

More information about the COFFIE program, including the draft program guidelines, is available on the Department of Agriculture and Water Resources website.

Figure 1 Public consultation, stakeholders who responded

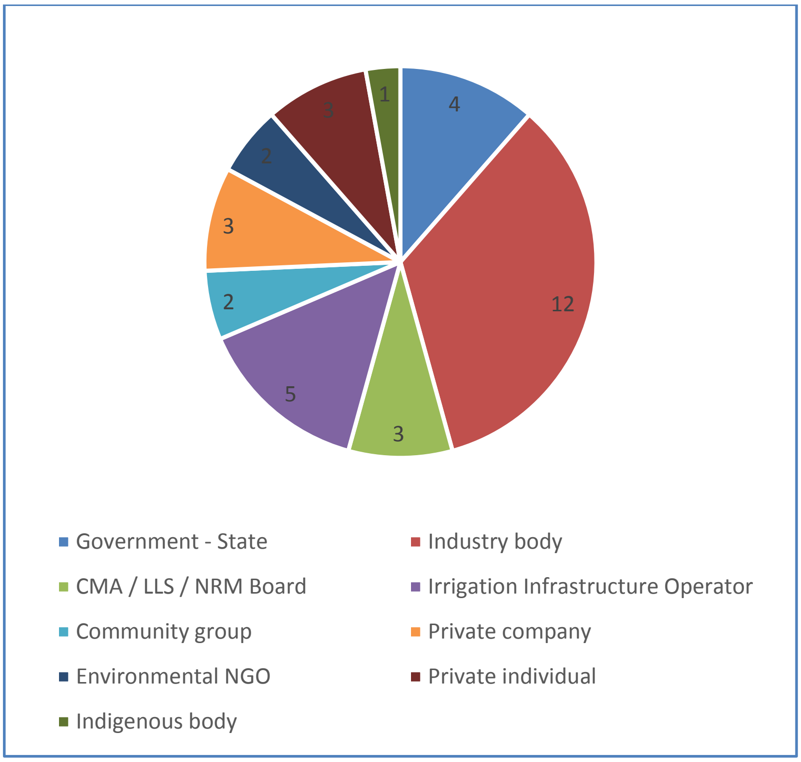
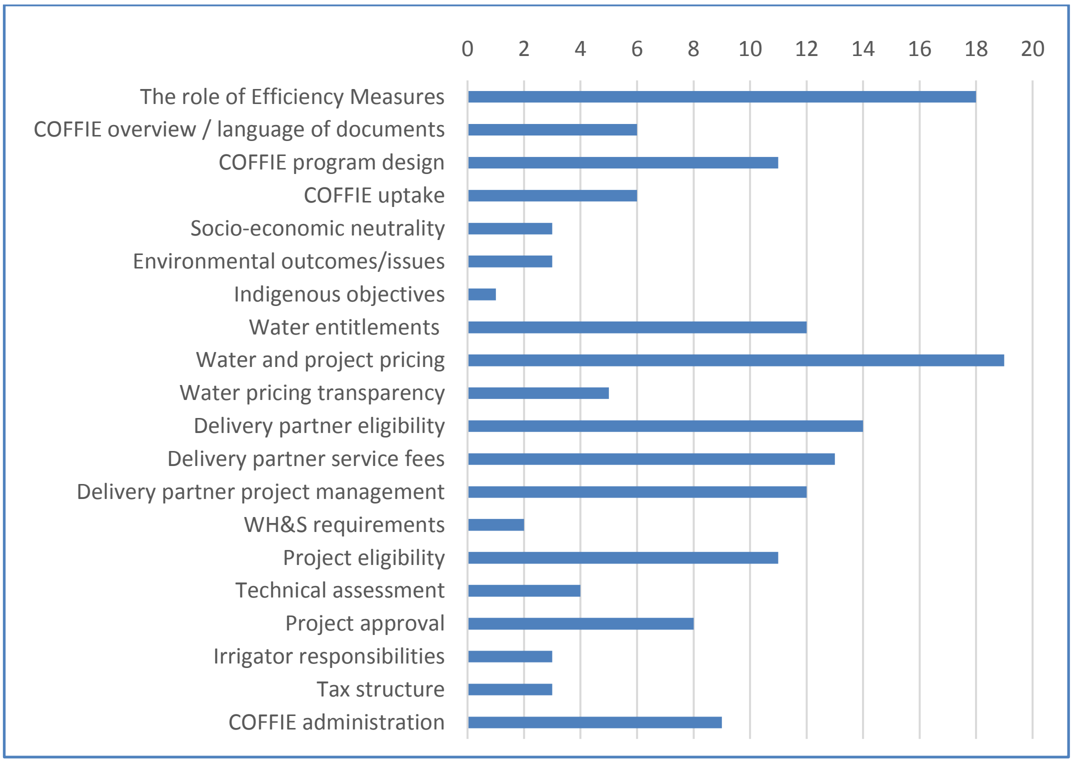


Figure 2 Public consultation, number of stakeholders who raised issues, by theme



Issues raised in submissions and the Department's response

The role of efficiency measures

Submissions supported:

- investment in water savings through infrastructure. Many irrigators and companies expressed interest in accessing COFFIE's funding, and noted that infrastructure improvements are the best mechanism for water recovery.

Submissions raised concerns about:

- efficiency measures and the 450 gigalitres 'up water', and asked for further review of environmental and socio-economic outcomes before proceeding
- whether efficiency measures should be implemented while water is still being recovered to 'bridge the gap' to the SDL.

Department's response:

The Murray–Darling Basin Plan allows for an adjustment of the sustainable diversion limit (SDL)—and therefore of the 2750 gigalitres (GL) of surface water being recovered through programs set up to 'bridge the gap'—to reflect improved social, economic and environmental outcomes in the Basin.

The SDL adjustment mechanism achieves this by enabling water to be used more efficiently and to its full effect. It allows for:

- environmental works and river operating rule changes enabling equivalent or improved environmental outcomes with less water (supply measures). These will reduce the need to recover water for the environment by up to 650 GL.
- projects which improve the efficiency of irrigation or other water uses and enable water to go to the environment with neutral or improved social and economic outcomes (efficiency measures). These may return an additional 450 GL of water to the environment.

Under the Basin Plan, neutral or improved socio-economic outcomes from efficiency measures are evidenced by:

- voluntary participation of water users in projects that recover water through works to improve irrigation water use efficiency on or off farms
- alternative arrangements proposed and assessed by a Basin State as achieving water recovery with neutral or improved socio-economic outcomes.

COFFIE is the first efficiency measures program. It has been designed to deliver improved socio-economic outcomes by:

- ensuring that water is retained by an irrigator to continue to grow at least the same quantity of crops (to avoid flow-on effects through the distribution chain)

- providing for greater flexibility in how the water and farm labour is used.

The department has monitored the outcomes from earlier programs that deliver similar projects. In COFFIE this monitoring effort will be enhanced to ensure development of a strong understanding of the socio-economic outcomes from the program.

Refer to our website for more information about efficiency measures and the SDL process.

Implementation of efficiency measures

Submissions raised concerns about:

- whether efficiency measures will be implemented in a way that will not conflict with current gap-bridging programs.

Department's response:

COFFIE has been carefully designed to complement rather than compete with current 'bridging the gap' programs, by operating in areas and in ways that are not covered by these programs. It may, for example, target areas where sustainable diversion limits have already been met, areas not currently serviced by existing programs, or irrigators who aren't eligible for current programs.

After 2019 COFFIE will be the only on-farm infrastructure program in operation, and will expand its coverage to include all regions within the Murray–Darling Basin. Efficiency measures infrastructure funding will include off-farm as well as on-farm infrastructure.

COFFIE program scope

Submissions raised concerns about:

- whether COFFIE will engage with Basin states to determine no-go zones to avoid irreversible socio-economic impacts
- whether there will be water buybacks if COFFIE fails to recover enough water.

Department's response:

COFFIE is an efficiency measures program. The Basin Plan specifies that only water recovered from projects improving water use efficiency or projects proposed by a State can be considered as an efficiency measure. Funding from the Water for the Environment Special Account (through which COFFIE is funded) will not be used to conduct open tenders available to all water access entitlement holders in a water resource plan area.

COFFIE program design

Many submissions supported:

- the COFFIE program design, considering it to reflect the positive elements of previous programs while also dealing with some of the difficulties experienced with those programs.

Highlighted points included support for:

- the procurement (rather than grants) process
- ongoing project approvals with fast approval times
- the time lines for water transfer and project implementation.

Department's response:

We will refine the program design through the pilot process. We welcome ongoing feedback during this time.

Complexity of COFFIE background information

Submissions asked that:

- introductory information be presented more simply
- COFFIE documentation provide more emphasis on socio-economic outcomes such as improved productivity.

Suggestions were made to:

- improve access to information for irrigators, including providing good case studies to help irrigators develop ideas for best practice infrastructure projects.

Department's response:

The department will ensure that all explanatory material for COFFIE is presented in simple language, and that irrigators have ready access to information so they can make informed choices. This will include updating our website to include good infrastructure case studies. We are also developing a 'Guide for irrigators', which will clearly explain how to participate in the program.

Project bundling

Submissions noted that:

- the COFFIE design removes the ability to bundle projects of different values and use more expensive ones to subsidise less expensive ones.

Department's response:

There is still scope to bundle projects together in COFFIE. However, it will be clear when a delivery partner is doing this.

Demand for COFFIE

Submissions expressed reservations:

- about the demand for COFFIE in South Australia and Victoria
- that in South Australia:
  - irrigation practices are already highly efficient due to restricted water availability and drought
  - there is limited scope to recover SA Class 3a/b River Murray entitlements
  - some irrigators are getting more income from leasing water
- that in Victoria high temporary water prices and the 100 per cent water return may discourage involvement.

Department’s response:

The COFFIE pilot in South Australia will help determine demand for on-farm efficiency works in the region. COFFIE is intended to offer assistance to any irrigators interested in upgrading their infrastructure until 2024. While it may not be attractive to irrigators in specific regions at various points in time, over the span of the program it is expected there will be many opportunities for Basin irrigators to get involved.

COFFIE's range

Submissions sought clarification on whether:

- COFFIE's range covers the Mt Lofty Ranges in South Australia and other places that aren’t directly connected to the Murray River
- the Murrumbidgee region is included in COFFIE.

Department’s response:

COFFIE will cover irrigation infrastructure projects that save and return Murray–Darling Basin water. This can include areas outside of the Basin that use this water, for example where piped water is in use. Water entitlements from the western side of the Mount Lofty Ranges are not eligible. However, those recovered from the Eastern Ranges may be eligible as this region forms part of the Basin catchment. COFFIE will ultimately operate in the Murrumbidgee catchment, but in the short term the priority will be on gap-bridging programs in this catchment.

Socio-economic neutrality

Submissions queried:

- COFFIE’s ability to achieve socio-economic neutrality in projects, particularly in relation to the broader effects on irrigation communities.

Submissions stressed:

- the need to develop ways of measuring socio-economic neutrality

- that the Commonwealth should emphasise the significance of what irrigators are giving up when they transfer water entitlements.

Department's response:

COFFIE aims to achieve neutral or beneficial socio-economic outcomes through funding infrastructure projects which save water. Only water recovered through these works is delivered to the environment. While a proponent's voluntary participation in the program (where production is at least maintained) is considered evidence of socio-economic neutrality, the department acknowledges that broader socio-economic effects also need to be monitored. The department will monitor the socio-economic outcomes of the pilots and the ongoing program.

Environmental outcomes

Some submissions asked:

- how COFFIE will use recovered water to achieve the environmental outcomes set out in the Water Act, in particular those relating to the Coorong, Lower Lakes and Murray Mouth
- what mix of entitlements will be required to achieve these outcomes
- what will be the effect of projects on native vegetation.

A submission suggested:

- requiring that irrigators prepare a whole farm plan (incorporating the farm irrigation plan) as a prerequisite for participation.

Department's response:

Section 86AA of the *Water Act 2007* and Schedule 5 of the Murray–Darling Basin Plan list the environmental outcomes identified during the Plan's development that could be achieved with an additional 450 GL of environmental water. To enhance these outcomes, the Water Act provides special funding—the Water for the Environment Special Account—which aims to protect and restore the environmental assets of the Murray–Darling Basin and its biodiversity. COFFIE's funding will be drawn from this account.

COFFIE aims to recover the 450 GL for the environment rather than to specify how that water should be used. The Commonwealth Environmental Water Holder (CEWH) in the Department of the Environment is the ultimate holder of the water entitlements. It has processes in place to ensure optimal delivery of recovered environmental water, as guided by the environmental watering plan developed under the Basin Plan.

The mix of entitlements that will be sought through the COFFIE program will be determined through ongoing discussions between the department and the CEWH, as well as between the department and industry. See our website for more information.

All projects must obtain relevant government approvals to ensure environmental harm is minimised. While whole farm planning is outside of COFFIE's scope, we will require that farm irrigation plans include any impacts on native vegetation from infrastructure changes.

Water entitlements

Water entitlement eligibility

Submissions asked:

- that COFFIE define what mix of entitlements (characteristics and reliability) will be generated by projects
- how COFFIE will deal with irrigators who don't own their entire water requirements—for example, where they have a 50 per cent entitlement and a 50 per cent buying allocation
- whether dry entitlements and groundwater entitlements in the Mount Lofty region in South Australia are eligible
- whether stock and domestic entitlements can be included in the program.

Department's response:

Full details of eligible entitlement types in each relevant catchment will be provided when the program commences. Broadly, COFFIE will only accept permanent, unencumbered surface water entitlements. A range of reliabilities will be eligible.

Entitlements can be wet or dry (allocation attached or not). Irrigators are welcome to transfer their entitlements without allocations during the water year, and use those allocations in whatever manner is best for their business while the infrastructure is being constructed.

Groundwater entitlements are not eligible regardless of any links with surface water entitlements.

Stock and domestic is not eligible in COFFIE but may become eligible under other efficiency measures programs.

Transfer of water entitlements

Several submissions raised concerns about:

- COFFIE's transfer of water entitlements up front, with comments that entitlements should not be transferred until works are complete
- whether irrigators can keep their water allocation after entitlements are transferred, and so avoid giving up their water before infrastructure works are complete.

Department's response:

The early transfer of water entitlements allows the department to provide the funding early in the project. As noted above, irrigators can keep any allocation they have for use during the irrigation season and transfer the 'dry' entitlement. We agree it will often be in the irrigator's interest to undertake works quickly, but there may be instances where the irrigator chooses to take longer. The COFFIE pilots will provide useful feedback regarding this aspect of program design.

Transfer of technically feasible minimum water savings

Submissions raised concerns:

- about what technically feasible minimum savings means
- that irrigators may be at risk if expected water savings are not generated
- that some will perceive this arrangement as inadequate value for money – while noting that this perception may be overcome with education and more explanation of the criteria for estimating market value.

Department's response:

Although all technically feasible minimum water savings are transferred to the Commonwealth, it is stressed that this will be a conservative figure.

Delivery partners will work with irrigators to determine the minimum water savings achievable under a project, and a certified irrigation professional will confirm that these represent a conservative estimate of the water savings that are technically feasible. This protects the irrigator from risk by ensuring that the project will genuinely recover at least the amount of water being offered. Furthermore, irrigators are able to retain any additional water savings.

All COFFIE documents will explain this clearly.

Water and project pricing

Many submissions voiced support for:

- the department's review of water pricing to avoid problems experienced in previous programs.

Submissions noted:

- that the water price must be contemporary/current and reflect the true market and productive value of the water to be attractive to irrigators
- the effect of the program itself on market pricing and the influence of large companies who invest in water.

Suggestions for setting a water price included:

- using the spot price
- establishing a market floor or fixed price to provide security and a variable component to allow for fluctuations
- including internal trades in pricing
- updating the water price at quarterly or six monthly intervals, or updating as the price shifts.

Water price transparency

Some submissions expressed support because:

- lack of transparency has made previous programs difficult.

Some submissions raised concerns that transparency may:

- influence suppliers to drive up prices
- disadvantage organisations with a competitive advantage in the current on-farm program OFIEP.

Department's response:

The department appreciates the breadth of comments received regarding water pricing and is carefully considering a range of options to deliver the best result for the COFFIE program and its participants.

COFFIE's aim is to provide a contemporary water value—meaning the value when the project is approved will reflect the market value of the water at that time—complemented by a quick project approval process. The final water pricing mechanism will be made public when COFFIE commences, and will reflect lessons learnt from the pilots.

Water value market multiple

Submissions raised concerns that the water market multiple:

- of 1.75 times the water value (to determine maximum project value) is too low
- should be more flexible to reflect the imbalance between water pricing and infrastructure costs
- provides less incentive to irrigators
- won't cover the temporary price of water
- is only attractive when spot prices are high.

Department's response:

The Government has agreed on the 1.75 multiplier for project value which, in combination with contemporary water values at the higher end of the market, is considered sufficiently attractive to make COFFIE successful.

General water pricing

Submissions raised concerns about:

- whether there is enough funding through the Water for the Environment Special Account to finance projects with water value above $2 000 per megalitre
- how the department will set water values in areas where the market price has not been established.

Department's response:

The department considers that there is sufficient funding available to recover the necessary water through efficiency measures. This question can be further considered in 2019 and 2024 when the Water Act 2007 provides for reviews of the Part of the Act. In areas where the market price is not established, the department will run a consultancy to determine the price as it has done for other programs.

Delivery partners

Delivery partner eligibility

Submissions supported:

- delivery partner eligibility criteria.

Submissions raised concerns about the inclusion of:

- private and/or for-profit organisations because:
  - they will not provide impartial advice
  - they will not have a holistic approach to outcomes
  - equipment suppliers may push their own products
- low service/low cost operators because:
  - high service delivery partners will have trouble competing. It was suggested that delivery partners be required to offer adequate services so irrigators don't make choices based purely on cost
- individual operators.

Suggested solutions included:

- ensuring that delivery partners who are equipment suppliers/installers hold industry standard qualifications
- tightening the requirement for delivery partners to have links to eligible irrigators in the MDB
- ensuring that delivery partners are part of the local community and able to provide impartial advice and solutions to irrigators.

Department's response:

COFFIE will approve delivery partners who meet the eligibility criteria set out in the Statement of Requirements. These aim to ensure the quality of delivery partners and the services they offer. In particular they must:

- demonstrate their links to industry and communities in whichever part of the Basin they operate in, and have processes established to deliver socio-economic benefits to the community beyond the irrigators receiving the funding
- meet the requirements in the Deed of Standing Offer placing safeguards on the level of service provided
- follow state environmental, planning and heritage laws and minimise adverse environmental impacts.

COFFIE will provide more detail regarding the requirement for delivery partners to have links with irrigators in the MDB. The issue of delivery partners mandating the use of certain products or services is being considered following advice from the public consultation.

Individual delivery partners

Submissions raised concerns that:

- individual irrigators should not be delivery partners as it would be difficult to monitor their projects or take punitive action, if needed
- there may be conflict of interest where irrigators act as their own delivery partner.

Department's response:

While individual irrigators who meet COFFIE's eligibility criteria can act as delivery partners, they are not allowed to act as their own delivery partner (conflicts of interest are dealt with in COFFIE's Deed of Standing Offer for delivery partners).

Consortiums

One submission suggested that:

- delivery partners should be able to work within consortiums to help deliver their services, noting that this gives an organisation the flexibility to be a delivery partner and/or a member of a consortium.

Department's response:

COFFIE allows an organisation to be a delivery partner and a member of a consortium at the same time. The department will amend the language in the Statement of Requirement to make this clear.

Adequacy and structure of delivery partner administration fees

Many comments were received regarding the adequacy and structure of delivery partner fees.

Some submissions voiced support for:

- COFFIE's project-based payment structure for delivery partner fees (which reduces upfront costs)
- the 8 per cent fee cap
- the requirement that delivery partners advertise their price and conditions on their websites.

Several submissions raised concerns that:

- COFFIE places additional risks and administrative burdens on delivery partners (compared with other programs) which may be difficult to absorb within the 8 per cent fee cap
- the administration fee may be inadequate for small projects, with start-up costs accounting for most of the fee
- the language in the Statement of Requirements around delivery partner fees needs tightening.

Suggestions for improvement included:

- setting administration fees on a sliding scale relative to project cost
- splitting payment to cover legal costs in addition to the 8 per cent fee
- raising the fee cap to 10 per cent
- raising the fee cap for smaller projects
- ensuring that the technical assessment is cost-effective so it leaves adequate funds for the delivery partner to manage the project.

Many submissions offered suggestions for structuring delivery partner payment including:

- full payment up front
- payment on completion
- split payments of 65 per cent upfront then 35 per cent
- split payments of 70 per cent up front, 6 x 3 per cent on delivery of biannual reports, and a completion payment of 12 per cent
- interim payments on a quarterly basis.

Department's response:

Allowing delivery partners to charge up to 8 per cent for their project management fees gives them scope to choose what services they will offer. They must advertise their fees and services on their websites and any commercial or business interests they have as they relate to associated products and services. This will provide irrigators with reliable information so they can choose whichever delivery partner best suits their needs.

The amount and structure of delivery partner fees is under review following the consultation process and final details will be given when the program commences. The department appreciates the range of suggestions received and aims to offer a solution which maximises successful participation in the program.

For smaller volume projects (less than 10 ML), the department appreciates that administrative costs will account for a greater proportion of total project value, which makes participation in COFFIE less feasible. The department will look to outcomes from the pilot in South Australia (which will be funding smaller projects) to help inform the wider program roll out.

Delivery partner responsibilities

Submissions voiced support for:

- COFFIE's enhanced delivery partner responsibilities and more active role (compared with existing programs)
- the shifting of responsibility for project technical assessments to delivery partners, allowing faster project approvals and implementation.

Submissions raised concerns that delivery partner responsibilities:

- need to be clearer
- are inappropriate for small delivery partners.

Department's response:

The department will ensure that all explanatory material for COFFIE is presented in simple language. The department appreciates that the range of delivery partner responsibilities may make participation in COFFIE less feasible for small operators, and will look to outcomes from the pilot in South Australia to help inform the wider program roll out.

Delivery partner project implementation

Submissions highlighted:

- the need to bring signing of the Works and Transfer Agreement and Water Transfer Deed into line to reduce the risk of a proponent pulling out before entitlement transfer
- that the roles of irrigators and delivery partners in water entitlement transfers need to be amended to recognise situations where an irrigation infrastructure operator is the delivery partner
- that delivery partners should not pay contractors directly
- that delivery partners should pay suppliers on behalf of irrigators.

Department's response:

The aim is for the Works and Transfer Agreement and Water Transfer Deed to be signed at the same time. However, the actual process of transferring entitlements takes some time, hence the six month allowance. The department will amend the Statement of Requirements to cover situations where an irrigation infrastructure operator's assign water entitlements on behalf of irrigators. Delivery partners choose whether they will subcontract and/or pay contractors and suppliers directly or not, and these services must be listed on their websites alongside their management fees.

Risks and liability in project management

Submissions raised concerns about managing the risks to delivery partners in the event of:

- project overruns
- proposals which don't progress to a funding deed
- an irrigator suffering serious injury during the life of a project

Submissions raised concerns about managing delivery partner liability in the event of:

- poor design or construction of infrastructure
- infrastructure that does not deliver anticipated water savings
- delivery partner financial difficulties.

Department's response:

All delivery partners must prepare a suitable risk management strategy for the delivery of their projects as part of meeting the eligibility criteria for becoming a delivery partner. A risk assessment must also be prepared for each project which includes responses to identified risks, and this must be updated where new or increased risks become apparent.

In general, delivery partners manage the risks associated with their projects, and therefore must be rigorous in their processes to minimise problems. These risks include where proposals don't progress to a funding agreement. In the case of project failure, injury or overruns, the risk is worn by the delivery partner and the proponent—suitable insurance is required as part of becoming a delivery partner and proponent.

It is up to delivery partners to ensure the quality of infrastructure design and that it will deliver anticipated water savings. Delivery partners need to choose competent independent certified irrigation professionals for project assessment. The financial viability of delivery partners is considered by the department before they are accepted as delivery partners. The department reserves the right to limit a delivery partner's project proposals should financial or performance issues arise.

Workplace health and safety requirements

Submissions commented that:

- Workplace health and safety requirements may be difficult, especially for small delivery partners
- AS4801 is to be replaced by AS1801.

One submission asked if:

- taking on a person qualified in workplace health and safety (WH&S) issues is enough to satisfy those WH&S requirements.

Department's response:

We will look into the best wording to capture the relevant workplace health and safety requirements.

Projects

Project eligibility

Submissions voiced support for:

- the inclusion of projects returning 10 megalitres or less to encourage smaller irrigator participation
- the inclusion of first time projects returning 5 megalitres but after that having a 10 megalitre minimum
- COFFIE providing an opportunity to fund corporations who are establishing irrigation
- COFFIE providing an opportunity for land forming projects.

Department's response:

The South Australian pilot will be providing funding for projects recovering less than 10 megalitres which will help determine the viability of including smaller projects in the broader program.

Eligible activities

Submissions sought to broaden the range of eligible activities to include:

- drylands/undeveloped properties
- stock and domestic pipelines
- fertiliser upgrades
- increasing access to groundwater and/or supplementary flows
- commercial reclamation of water through desalination
- solar battery upgrades
- funding for the energy infrastructure needed to operate newly installed equipment
- covering business sustainability/improvement/value adding rather than straight out water savings.

Submissions also asked for clarification regarding:

- the meaning of soil moisture holding capacity improvements (which appear to be non-infrastructure based improvements like mulch and soil conditioners)
- whether the irrigation footprint can be increased if there are no environmental impacts and total water use does not increase.

Department's response:

Project funding needs to deliver infrastructure improvements that save water. Provided projects can do this, they have the flexibility to spend funds on other activities or products. The list of eligible activities is being considered.

Projects providing stock and domestic entitlements, groundwater and/or supplementary flows, and desalination are not eligible for funding by COFFIE but may be considered for separate efficiency measures programs.

Soil moisture holding capacity improvements such as mulch and soil conditioners are eligible for funding when part of an infrastructure-based project. Projects which increase the irrigation footprint are acceptable as long as they have no adverse environmental (or cultural) impacts.

Water meters

One submission queried:

- the usefulness of requiring metering systems which are compliant with the National Framework for Non-urban Water Metering, and suggested that a meter at the farm gate should be adequate.

Department's response:

The department is considering arrangements regarding the suitability of meters, and will provide final details when the program commences.

Project technical assessment

Submissions noted:

- that the assessor certification requirement is too narrow, and suggested a BE (Ag), plus 10 years' experience, or the use of competencies rather than credentials
- that state governments should not be stipulated as the only independent certifiers.

Submissions sought clarification regarding:

- the definition of a Certified Irrigation Professional
- what criteria will be used to assess technical feasibility
- whether the department can develop an approved assessor list by independently assessing their competency.

Department's response:

The department will broaden and clarify the definition of an independent Certified Irrigation Professional to incorporate those who can demonstrate they have equivalent qualifications or experience to that gained from a Diploma of Irrigation Management.

COFFIE documentation will also make it clear that while these certifiers must be independent from the development of the project design, they don't necessarily need to work in a separate organisation.

COFFIE will not stipulate that independent certifiers are sourced from state governments.

The department will not be compiling a separate list of approved assessors. Delivery partners can list possible assessors in their tender documents for approval by the department.

Environmental considerations

One submission asked:

- if environmental considerations form part of the technical assessment for projects which expand the irrigation footprint.

Department's response:

Environmental considerations are separate from the technical assessment process and are addressed during the project development and approval phases. Delivery partners must ensure all environmental approvals are in place before works proceed and that there will be no environmental harm from projects, or that any harm has been minimised. The department allows delivery partners to keep the interest on provided funds to help cover these costs.

Project approval

Submissions voice strong support for COFFIE's:

- ongoing assessment process
- 10 day turnaround for approvals.

Several submissions noted that this will:

- increase participation
- avoid the problems experienced within previous programs (such as water price movements and competition between delivery partners).

Department's response:

COFFIE provides for a continuous project approvals process rather than a competitive, round-based process. Projects only need to meet COFFIE eligibility criteria to be successful; they do not need to be better value than other projects.

Unlike the previous on-farm program, there will be no value for participants in making multiple bids with different delivery partners to gain the best outcome. The water price will be set by the department and made public; delivery partners will be required to advertise their services and management fees on their websites; and the department will make a decision on project proposals within 10 business days of being submitted. This should give irrigators far greater clarity upfront about what they will be receiving if their project meets the eligibility criteria.

Project application timing

One submission noted that:

- the best timing for seeking project applications is before Christmas so work can be done in the off-season.

Department's response:

COFFIE will provide information to delivery partners and proponents to assist them in determining timing that best suits proponent needs.

Farm plans

Submissions asked for:

- clear acknowledgment that farm irrigation plans are an eligible funding item but also a requirement in the project proposal, and are therefore paid for retrospectively.

One submission noted that:

- many small farms don't have irrigation plans, and the requirement to prepare them could restrict participation.

Department's response:

Farm irrigation plans are required for project approval, and the department will clarify COFFIE documentation to ensure it is clear that farm plans are paid for retrospectively. Projects that meet COFFIE's eligibility criteria have a high chance of approval, so the risk of losing money from developing a farm plan is low. The department will clarify what is expected from a farm plan for both small and large projects.

Farmer reporting requirements

A submission noted that:

- farmer reporting requirements must be simple, and that some will find it difficult to know what information to provide to delivery partners.

Department's response:

Delivery partners are responsible for the bulk of reporting requirements, with farmers assisting by providing information for reporting functions. Software is being considered to assist this process.

Indigenous matters

One submission asked that:

- COFFIE build in socio-economic Indigenous objectives. These include preferential procurement and mandatory minimum Indigenous employment requirements, and giving special consideration to Indigenous-owned businesses that meet other eligibility criteria
- delivery partners should demonstrate their capability to account for, assess and manage Indigenous cultural issues, and minimise the impacts of projects on cultural heritage. It was suggested that delivery partners could provide cultural awareness training.
- there be clear communication about free, prior and informed consent.

Department's response:

All COFFIE projects must comply with Commonwealth Indigenous Procurement Policy requirements (as set out in the Deed of Standing Offer for delivery partners). The department will ensure that COFFIE documentation highlights these requirements. COFFIE documentation will also include the need to minimise cultural impacts and to meet all laws protecting cultural heritage.

Tax structure

Submissions suggested that:

- COFFIE should follow the tax structure of the Commonwealth's on-farm program On-Farm Irrigation Efficiency Program (OFIEP). They noted concern in the community about the tax implications of SARMS 3IP (a South Australian 'bridging the gap' program), and stressed that irrigators should not have to include the grant money in income for that financial year.

Department's response:

We are investigating the tax implications of COFFIE.

COFFIE administration

Submissions raised a variety of suggestions including:

- that COFFIE's electronic reporting system needs to complement existing organisational reporting systems
- offering support for the use of standardised reporting systems like MERIT
- drawing up a general works agreement to reduce delivery partner costs
- considering industry assistance payments
- keeping the delivery partner tender process open
- making irrigator contracts less onerous
- reducing surviving terms from seven to three years.

One submission queried:

- whether funding availability is fixed during each year of the three year term of the delivery partner deed.

Department's response:

We are considering using the MERIT system to make reporting easier.

The Deed of Standing Offer for delivery partners will include details of what is to be included in a works and transfer agreement. The department is not proposing to include industry assistance payments in COFFIE. However, it will consider whether to modify its approach to delivery partner tendering and surviving terms.

Efficiency measures funding is made available through a special account, with the amount available each year through to 2024 listed at Section 86AG of the Water Act.