



Our Reference: Diversion Licence 2004148

2 July 1996

Mr Barry Warrillow
Plant Manager
Edison Mission Operation & Maintenance Pty Ltd
Locked Bag 2500
TRARALGON 3844

Dear Barry

re: Diversion Licence No 2004148 - Latrobe River

I refer to your application for a Diversion Licence to take 20000 megalitres of water from the Latrobe River for power generation purposes at the Loy Yang B Power Station.


I am pleased to inform you that the Authority has approved your application and enclosed is your Licence document for safe keeping.

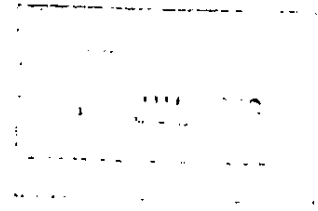
The water allocated under this licence is identified in the Bulk Entitlement (Yallourn Energy Limited for Gippsland and Southern Rural Water Authority) Conversion Order 1996.

The Authority has now been formerly appointed as the Resource Manager and Storage Operator for the Latrobe River System. In meeting its obligations defined in the Bulk entitlement order there are numerous reporting requirements that the Authority must meet. Some of the conditions in your licence relate to the reporting requirements. In order to ensure that the conditions in the licence are clearly understood, I suggest that a joint meeting be held between your representatives and this Authority to discuss your obligation in accordance with the licence conditions.

Please contact Mr Vincent Lopardi on telephone (051) 393113 to make the arrangements or to discuss this matter further.

Yours sincerely


Ian Wilson
Chief Executive



MARY
PLEASE DISCUSS

MEMA O&M LYB
DISTRIBUTION

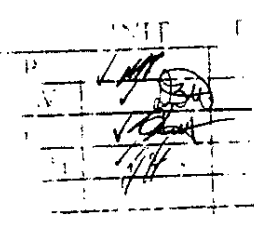
R. BAKER
 L. BRUCE

10 JUL 1996

P. BURNS.....
 M. PEARSON
 File No.....
CORR. No.

310/7

EDISON MISSION
PRODUCTION DEPT



MSA

**EDISON MISSION OPERATION
AND MAINTENANCE
LOY YANG PTY LTD**

DIVERSION LICENCE NO 2004148

**GIPPSLAND AND SOUTHERN
RURAL WATER AUTHORITY**





GIPPSLAND AND SOUTHERN RURAL WATER AUTHORITY

(2 July 1996)

WATER ACT 1989

Section 51 and 67

DIVERSION LICENCE No. 2004148

(Licence to take and use water from a waterway and to operate works)

Gippsland and Southern Rural Water Authority (the Authority) authorises:

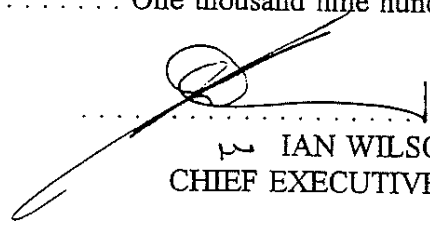
EDISON MISSION OPERATION AND MAINTENANCE LOY YANG PTY LTD
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To take and use water from the waterway specified in the First Schedule and to operate works at the point of diversion indicated on the attached plan, subject to the conditions in the Second and Fourth Schedules.

The licence is valid for a period of thirty three years or the end of power station operations at the Loy Yang B Power Station from: 1st JULY 1996 with a security of supply as indicated by the Third Schedule.

For the purpose of taking and using water under this licence, the Licensee is authorised to install and operate works on Crown land forming the frontage to: LATROBE RIVER AT YALLOURN

Dated the 9th day of July One thousand nine hundred and 96


 IAN WILSON
 CHIEF EXECUTIVE OFFICER

FIRST SCHEDULE

1.	Waterway	LATROBE RIVER
2.	Type of use	POWER GENERATION
3.	Maximum Rate of Diversion	226.0 megalitres per day shared with Loy Yang Power Pty
4.	Maximum Daily Volume	226.0 megalitres shared with Loy Yang Power Pty
5.	Total Annual Volume	20000 megalitres
The accounting period for water usage will be from 1 July to 30 June		
6.	Land on which the water is to be used	LOY YANG B POWER STATION SITE
	Allotment(s)	PARTS 15N, 16A
	Parish/Township	LOY YANG
7.	Annual charges will be based on cost recovery for activities required under this licence in accordance with the appropriate proportion of the costs specified in the second schedule.	
8.	Water taken under this licence is to be used solely for the purpose of power generation operations at the Loy Yang B Power Station	

DEFINITIONS

- "Act" means the Water Act 1989
- "Authority" means Gippsland and Southern Rural Water Authority
- "Divert" means use divert or take
- "Meter" means a device for measuring water
- "Representative" in respect of any approval consent direction inspection or notice under the provisions hereof means a person authorised on behalf of the Authority
- "Headworks Storages" means the water supply works of Blue Rock Dam, Yallourn Storage Dam and Yallourn Weir;
- "Headworks System" means -
- (a) Headworks Storages; and
 - (b) the System Waterway;
- "Latrobe Basin Water Accounts" means an annual report, required by the Minister, on compliance by entitlement holders and licensees, respectively, in the Latrobe Basin, with the terms of their bulk entitlements or licences;
- "Licence" means any licence granted under Part 4 of the Act;
- "Pumping Station" means the works, jointly managed to supply water from the System Waterway to Loy Yang Power Limited and Edison Mission Operation and Maintenance Loy Yang Pty Ltd., located adjacent to the Latrobe River approximately 300m upstream of Yallourn Weir at co-ordinates 396623E, 268355N.
- "Resource Manager" means any person appointed by the Minister to do all or any of the following:-
- (a) prepare the Latrobe Basin Water Accounts; and
 - (b) monitor whether entitlement holders in the Latrobe Basin comply with the conditions of their bulk entitlements; and
 - (c) investigate and mediate disputes between entitlement holders in the Latrobe Basin; and
 - (d) investigate and deal with significant unauthorised uses of water in the Latrobe Basin; and
 - (e) supervise the qualification of any rights to water made by the Minister during periods of declared water shortage under Section 13 of the Act.

DEFINITIONS (cont'd)

- "River Regulation Costs"** means those costs attributed to the accounting and operating arrangements, established under the Bulk Entitlement (Latrobe - Southern Rural Water) Conversion Order 1996, to manage the sharing of unregulated flow;
- "Source Costs"** means the total annual cost to:-
- (a) operate, maintain and administer the Headworks System and
 - (b) make releases from the Headworks System (excluding the river regulation costs); and
 - (c) meet the financial charges associated with any new or enhancement works undertaken on the Headworks Storages; and
 - (d) make an appropriate allowance for depreciation of works associated with the Headworks System, except Lake Narracan and Yallourn Weir, using the deprival value approach, or such other depreciation methodology adopted by the Victorian Department of Treasury and Finance, to apply to other water authorities; and
 - (e) manage the catchment for water supply purposes to protect the quality of water diverted to, and stored in, the Headworks System; and
 - (f) manage the stream gauging stations necessary to operate the Headworks System; and
 - (g) implement the program established under the Bulk Entitlement (Latrobe - Southern Rural) Conversion Order 1995, to manage the environmental effects of the Headworks System;
- "Storage Operator"** means any person appointed by the Minister to operate the Headworks System, to manage or measure the flow into the headworks system or System Waterway, to keep, and report on, the water accounts of the capacity shares, or to do all or any of them;
- "System Waterway"** means the Tanjil River between Blue Rock Reservoir and the Latrobe River, and the Latrobe River downstream of its confluence with the Tanjil River, including the pools formed by, and immediately upstream of, the Blue Rock and Narracan Dams and Yallourn Weir;
- "Year"** means the 12 months next following 1 July.

**SECOND SCHEDULE
CONDITIONS RELATING TO DIVERSION LICENCE**

1. Licence Entitlement

- 1.1 The Licensee may take the share of flow from the waterway to meet its requirements to an annual total of 20,000 ML.
- 1.2 Subject to section 62 of the Act, this licence entitlement may be transferred:
 - (a) temporarily or permanently;
 - (b) for any purpose, including an in-stream use of water.

2. Security of Primary Entitlements

In accordance with Third Schedule.

3. Water Resource Management costs:

The licensee must pay the Authority a fair and reasonable proportion of the resource management costs (where the amount of such costs will be included in the annual charge levied under clause 7 of the first schedule) incurred by the Resource Manager to:

- 3.1 prepare the Latrobe Basin Water Accounts
- 3.2 ensure entitlement holders in the Latrobe Basin comply with conditions of bulk entitlements
- 3.3 investigate and mediate disputes between entitlement holders in the Latrobe Basin
- 3.4 investigate and deal with unauthorised use of water in the Latrobe Basin
- 3.5 supervise the qualification of any rights to water made by the Minister during periods declared water shortages under Section 13 of the Act.

SECOND SCHEDULE (cont'd) CONDITIONS RELATING TO DIVERSION LICENCE
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4. Storage Operator Costs

The Licensee must pay the Authority an annual source charge which for each year will be incorporated in the annual charge and which will be determined in accordance with the formula below:

4.1 a percentage of the annual source charges for Lake Narracan and Yallourn Weir as follows:

$$C_s = \$ [0.1640 \times S \times (1 + m)] + [0.1228 \times r \times (1 + m)]$$

4.2 a percentage of the annual source charge for Blue Rock Reservoir as follows:

$$C_s = \$ 0.0820 \times S \times (1 + m)$$

where -

- C_s = the annual source charge.
- S = the estimated source costs for the year for which charges are prepared
- r = the estimated river regulation costs for the year for which charged are prepared
- m = the business margin set at 10% at the date of Licence Issue.

The annual source charge must be paid by the Licensee each year whether or not water has been taken from the storages by the Licensee in that year.

**THIRD SCHEDULE
SECURITY OF PRIMARY ENTITLEMENTS**

1. Except as set out in this clause, the Authority must supply the licence entitlements with 97% security.
2. The Minister may, by reference to an appropriate computer model, modify the level of security set out in clause 1, where the Minister is satisfied that either :-
 - (a) hydrological conditions have changed since May 1995; or
 - (b) the estimate of security or supply, based on the water allocation and operating rules applying at the date of this Licence has improved.
3. Where the Authority is unable to supply the full primary entitlements listed in the Second Schedule, the Authority must assess the equivalence of entitlements, through the application of exchange rates, and allocate the available water pro-rata between primary entitlements.

**FOURTH SCHEDULE
GENERAL CONDITIONS**

1. **The Licensee shall not:-**
 - 1.1 Waste or suffer to waste any water which is diverted
 - 1.2 Divert water at a greater rate than specified in the first schedule
 - 1.3 Divert any water except by the method currently employed or any other method or method approved by the Authority or its representative which may include giving the Authority appropriate notice of intention to take water

2. **The Licensee shall:-**
 - 2.1 Pay the annual charge for this licence prior to the 1st of July each year or by another agreed arrangement
 - 2.2 Keep an accurate record of the daily quantity of water diverted and any other information relating to the licence conditions that may be required under this licence and allow the Authority to inspect records at all reasonable times and provide the Authority with copies of records when requested
 - 2.3 Keep a record of the annual amount of water taken from the waterway
 - 2.4 Notify the Authority of any changes to the method of diversion
 - 2.5 Maintain records of the quantity of water which is returned to the river system on a daily basis and allow the Authority to inspect and obtain information upon request

3. **Metering**
 - 3.1 The Licensee must have installed a flow meter on the pipeline from the pumping station to record all water taken by the Licensee under this licence entitlement. Metering device will be located at the entrance to the Loy Yang B power station and must be accessible to the Authority or its representative.
 - 3.2 The Licensee must provide, to the satisfaction of the Authority, evidence of an agreement that specifies rights, responsibilities and procedures between the Licensee and other entitlement holders in respect to the pumping station, the sharing of water pumped, the accounting of water pumped and dispute resolution procedures.
 - 3.3 The Authority may require the Licensee to upgrade the metering equipment if, in the Authority's opinion, it is, at any time, no longer reliable, accurate or operationally appropriate.

FOURTH SCHEDULE (cont'd)
GENERAL CONDITIONS

- 3.4 Without prior consent of the Authority or its representative the licensee must not interfere with, disconnect or remove any water meter used for the purpose of the licence.
- 3.5 The Licensee must, at its cost -
- (a) operate and maintain metering equipment and any associated measurement structure in good condition and ensure that metering equipment is periodically re-calibrated in accordance with any guidelines issued by the Authority; and
 - (b) implement any request by the Authority to upgrade the metering equipment; and
 - (c) keep a record of all work undertaken under the metering program.
4. The licensee must not pollute the riverine or riparian environment through the spillage of fuel or lubricants or any matter used in the connection with works and appliances associated with this licence
5. When the diversion of water has not been accurately measured through a water meter due to malfunction or in circumstances where the Authority is satisfied that the volume of water has not been accurately measured, volumes shall be computed using records maintained by the licensee or in accordance with the Authority estimates.
6. The licensee shall ensure that any return water into the waterway system meets the quality standards set by the Environment Protection Authority.
7. The Authority and licensee may amend the licence conditions by mutual agreement and re-issue a new licence.