

15 March 2018

Andrew Curtis  
Chief Executive  
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Dear Andrew,

### **Valuing Irrigation Scheme assets for Rating Purposes**

It is my observation that councils have now fulfilled their legal obligation under the Rating Valuations Act 1998 to include Irrigation Schemes on their district valuation roll. This process has however presented challenges for various stakeholders around the application of rating valuation methodology. There have been a number of objections to the rating values of Irrigation Schemes which highlighted the need for a closer review of the valuation methodology being applied.

Irrigation New Zealand (INZ) sought to get a better understanding of the valuation methodology and outcomes through open dialogue and stakeholder engagement. They hosted a number of meetings during 2016, attended by both my office and Quotable Value, to test the valuation methodology and assessment logic against the requirements of the Rating Valuations Rules 2008 (Rules). As part of this process INZ engaged an expert utility valuer, Peter Seed, who has had long involvement in the irrigation industry. The expert valuer drafted some initial guidance notes and the approach set out was adopted for the 2016 revaluation round.

Further review meetings were held in 2017 and I also monitored the performance of the draft guidelines during the 2017 revaluation round. They were largely successful although required some minor amendment which has now been added to explain the process for scheme water pricing and price path calculations. As such the guidance notes are now finalised and were issued by INZ in 2018.

I am satisfied that the guidelines have been developed through a robust process and accurately incorporate stakeholder feedback. The guidelines provide a clear link to the requirements of the Rules and in particular the treatment of potential profitability under Rule 7.2.

From a regulatory perspective I am satisfied that the guidelines meet the intent of the Rules and are therefore appropriate for rating valuation purposes.

I would like to acknowledge all those who contributed to the development of these guidelines and look forward to the consistency of valuation approach they will bring.

Yours faithfully



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