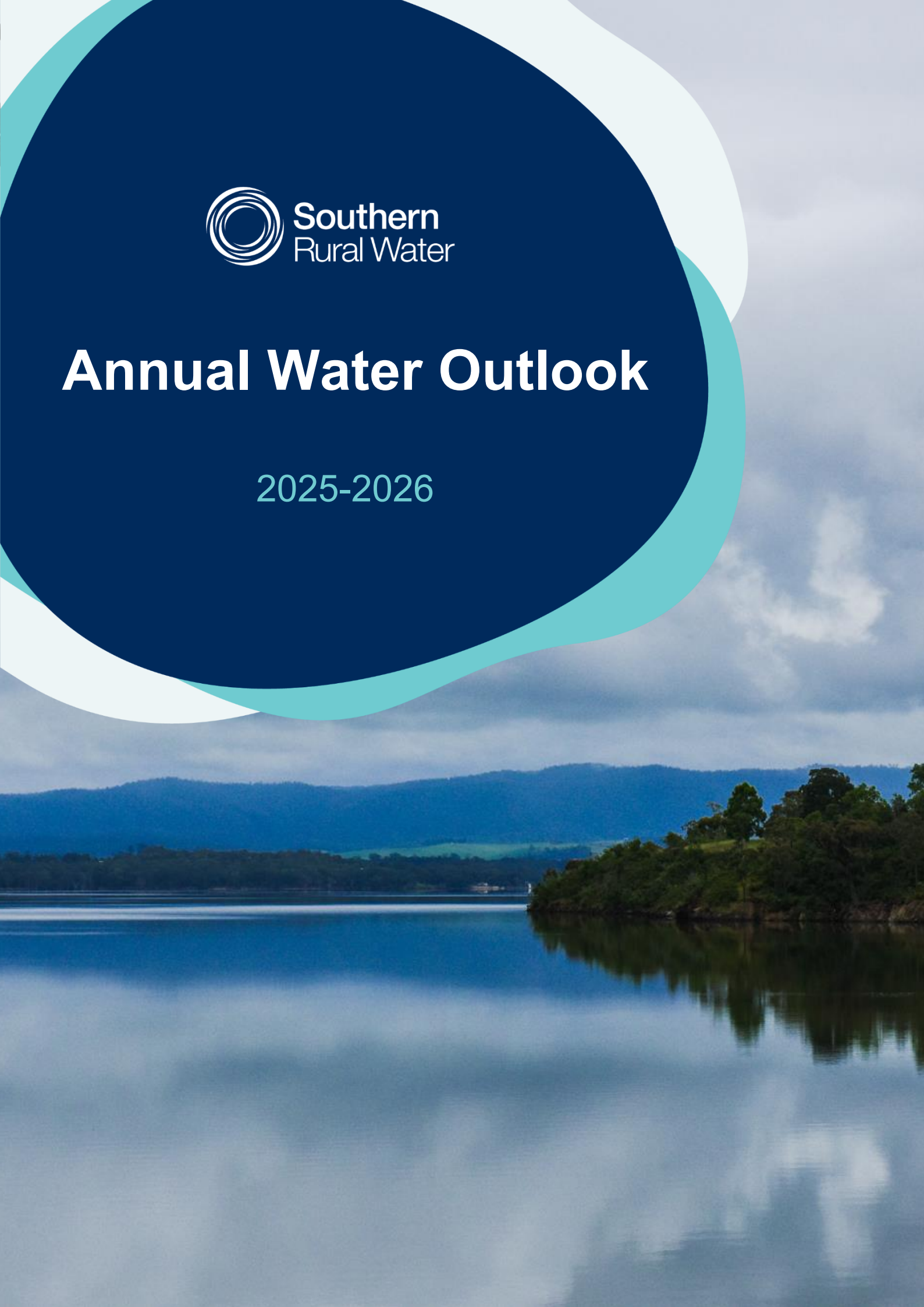
Southern Rural Water

Annual Water Outlook

2025-2026



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Executive Summary

The El Niño – Southern Oscillation (ENSO) remains neutral but there are signs La Niña may be developing (as of end of October). The Bureau of Meteorology's (BOM's) model predicts some further cooling of the tropical Pacific is likely, potentially reaching La Niña levels briefly in Spring. Rainfall has a 45-60% chance of exceeding the median and temperatures are set to be hotter than average with the probability of exceeding median temperatures greater than 80% in most parts of Victoria.

The Macalister Irrigation District opened with a 50% allocation of high reliability water shares in July. Recent and consistent rain events led to a 100% allocation. The spill period will be reviewed in mid-December, at which point an outlook will be issued on low reliability water shares.

The Werribee and Bacchus Marsh Irrigation Districts opened with an allocation of 45% of high reliability water shares with customers holding approximately 6.8GL of carryover. At the opening of the irrigation season, Pykes Creek Reservoir was holding 59 per cent of capacity while Melton Reservoir held 7 per cent of capacity, and Merrimu Reservoir held 66 per cent of capacity. Allocation has reached 50% high reliability shares as of September 2025.

Drier conditions in unregulated surface water systems have meant that restrictions may be implemented earlier in the season. Recent and consistent rainfall in September helped to increase stream flow and ease the dry conditions in the short term in the Eastern region, however South and West Gippsland remain drier than normal. The Western region had some relief from rainfall in June and August, but it was insufficient to break the overall dry trend. Above average rainfall is expected in September to November however uncertainty remains in the Western region.

Groundwater levels are stable or declining in the Gippsland, Port Philip and Western Port regions, and the South-West region is reflecting the drier conditions observed the last year. All regions have a few exceptions where groundwater levels are rising.

Introduction

Southern Rural Water (SRW) has responsibility for managing surface water licensing, groundwater extraction, storage dams, and irrigation districts across the southern third of Victoria. We supply water for agricultural, urban, power generation and industrial purposes.

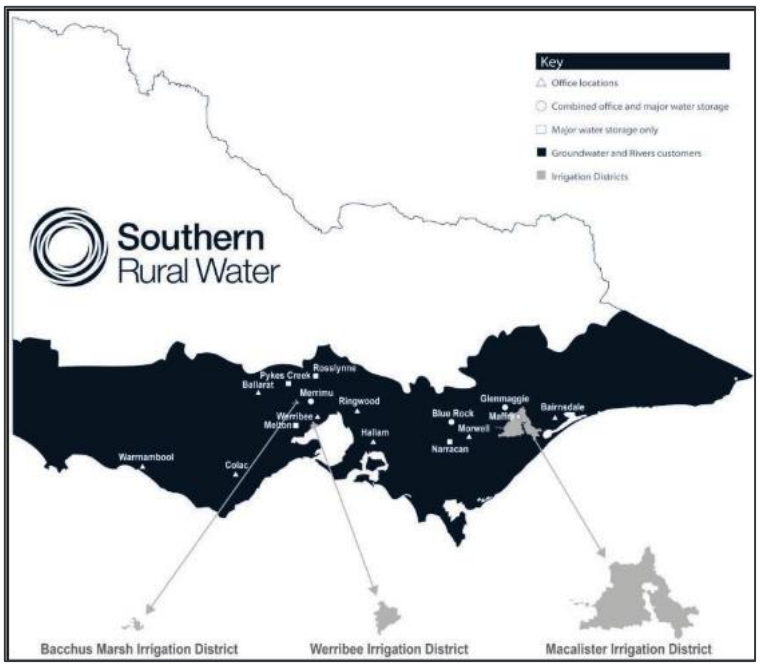

Figure 1. Southern Rural Water Service Area

Across this wide geographic area SRW manages:

- seven major dams
- three irrigation districts
- licences for taking water from rivers and groundwater aquifers
- licences for operating farm dams.

As detailed in Figure 1, SRW manages the Macalister Irrigation District (MID) in East Gippsland and the Werribee (WID) and Bacchus Marsh (BMID) irrigation districts west of Melbourne. Much of the water used in the irrigation districts is for primary agricultural production, along with stock and domestic and minor industrial use. Water shares are held by individual customers within the districts and transactions are recorded in the Victorian Water Register.

Blue Rock Lake (part of the Latrobe River system) plays a key role in providing cooling water for Victoria's brown coal power generation. Blue Rock Lake and Lake Glenmaggie also have

environmental water entitlements that are managed by the West Gippsland Catchment Management Authority on behalf of the Victorian Environmental Water Holder. Visit SRW's website for further information: www.srw.com.au.

Climate Outlook

Climate Influences

The latest monitoring update issued in September 2025 from The Bureau of Meteorology (BOM) indicates the El Niño – Southern Oscillation (ENSO) remains neutral. The BOM's model predicts some further cooling of the tropical Pacific is likely, potentially reaching La Niña levels briefly during spring, and returning to neutral in the austral summer. Since July 2024, Sea Surface Temperatures (SST) in the Australian region have been the warmest or second warmest on record for each respective month. Global SSTs remain substantially above average, with August 2025 the third warmest on record. Warm oceans can provide increased moisture and energy that can increase rainfall and severity of storms.

Rainfall deficiencies remain in western and southern parts of Victoria. Since February 2024 until August 2025 areas in both the western and southern part of Victoria recorded their lowest rainfall on record (Figure 2). The long-range forecast for December 2025 to February 2026 shows that rainfall has 40% to 60% chance of exceeding median rainfall across the southern part of Victoria (Figure 3).

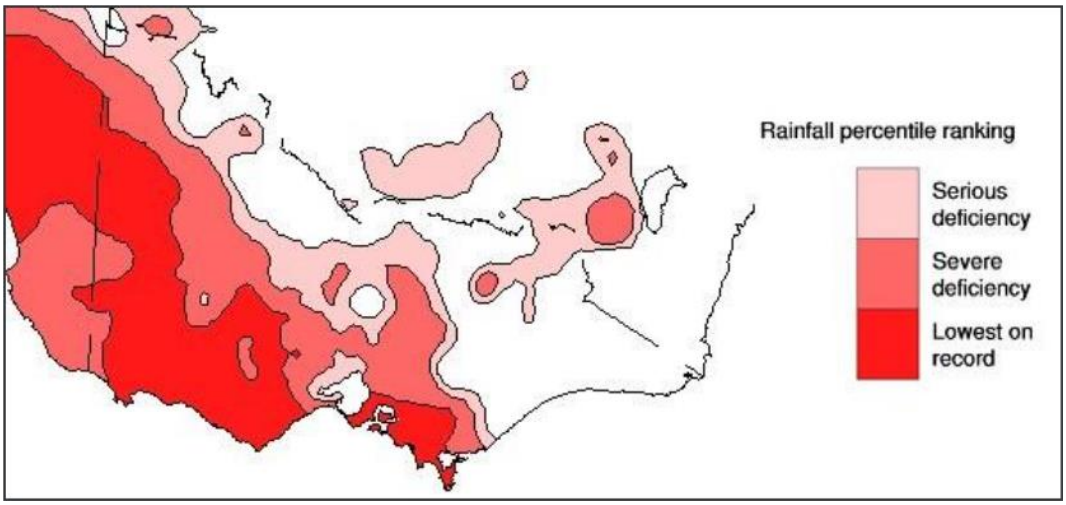

Figure 2. Rainfall deficiencies 1 February 2024 – 31 August 2025 (Source: BOM)

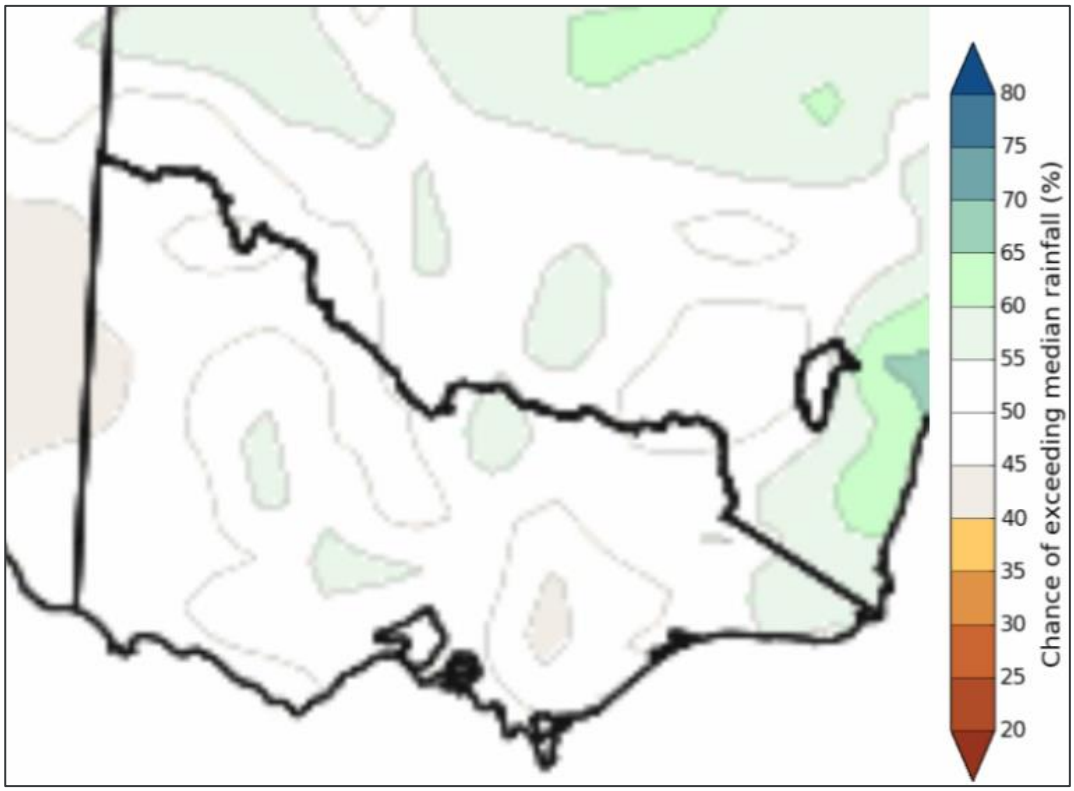

Figure 3. Chance of exceeding the median rainfall December 2025 to February 2026 (Source: BOM)

Temperature and rainfall influence water use, especially during summer periods. At the same time, they also influence catchment soil moisture levels and inflows to SRW's unregulated waterways and storages. SRW continually monitors flow conditions and BOM's seasonal climate outlooks. Waterway flow and rainfall information is publicly available, for the most up to date weather, temperature and rainfall data and predictions, see the BOM website www.bom.gov.au/climate/.

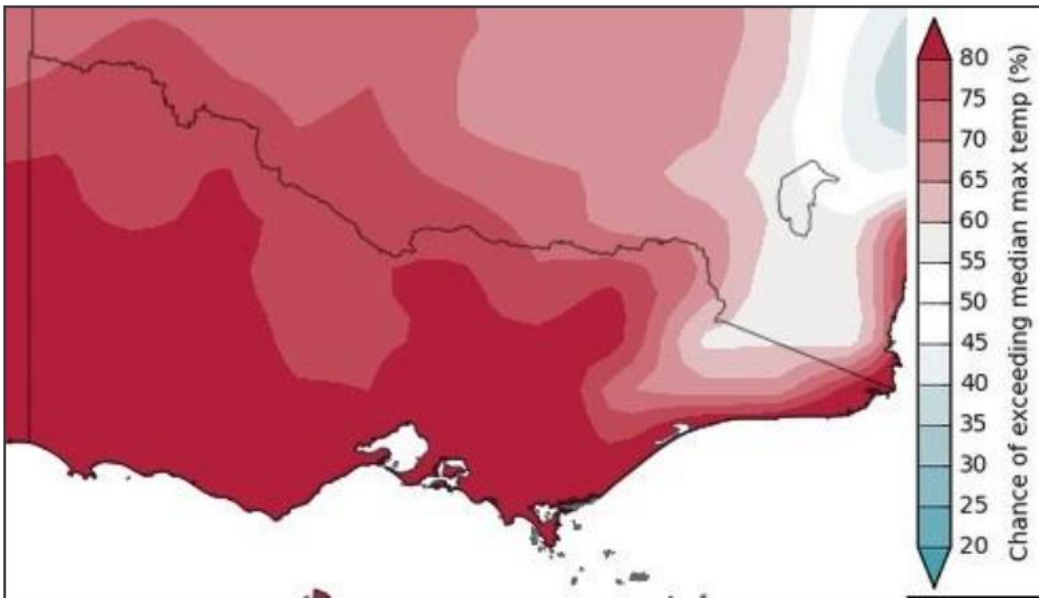

Figure 4 Chance of exceeding the median maximum temperature for November 2025 to January 2026 (Source: BOM)

The months ahead are highly likely to be hotter than average. Figure 4 indicates that across SRW's area, the probability of exceeding median temperatures from November 2025 to January 2026 is greater than 80% in most areas. The timing of warmer weather and rainfall are critical to growing and harvesting crops.

Longer term trend

Victoria's climate and streamflow is highly variable, but within the variability we have experienced a warming and drying trend over recent decades.

Victoria's climate will continue to be variable with wet years and dry years, against a background drying trend. With a warmer future and projections of declining water availability we can expect more frequent and severe droughts in coming decades and increases in extreme rainfall events.

More information on the observed changes and longer-term future climate and water projections can be found at https://www.water.vic.gov.au/our-programs/climate-change-and-victorias-water-sector/hydrology-and-climate-science-research/victorian-water-and-climate-initiative

SRW continues to improve our preparation for drought events, with business continuity plans designed to respond to short and long-term (drought) supply interruption.

Macalister Irrigation District

Current water resource position

The Macalister Irrigation District's (MID) primary sources of water are Lake Glenmaggie and Thomson Reservoir. Thomson Reservoir holds the drought reserve which provides additional allocation in years with low rainfall. Lake Glenmaggie is an annual fill and spill reservoir, which means SRW is reliant on winter and spring rains to fill it to enable a 100% seasonal determination for the MID. For irrigators on the channel system, the irrigation season started on 15th August, while those taking directly from the river can operate all year round.

High inflows through early winter resulted in an opening seasonal allocation announcement for Thomson and Macalister of 50% of High Reliability Water Shares (HRWS) on 1st July.

Recent and consistent rain events have led to 100% HRWS allocation for customers in the Macalister Irrigation Area (MIA). There will be no further allocation announcements until after 15th December at the end of the spill period. At that time, SRW will review storage volumes, inflows, customer demand, and the Thomson Reserve to determine whether an allocation of Low Reliability Water Shares (LRWS) can be made.

Lake Glenmaggie, has benefited from healthy winter inflows, reaching 100% capacity at 180,600, ML. As at the end of October 45,813ML has been delivered for the season.

Recent and consistent rainfall has placed SRW in a strong position, allowing it to declare a spill early in the season, in early September. During spill release, irrigation deliveries have been operating close to capacity, leading to supply delays during this time. Spill periods will be reviewed regularly until 15th December or until the maximum communal volume of 62,000 megalitres is reached.

Declaring spill allocations essentially resets a customer's available allocation to 100% High Reliability Water Shares (HRWS). Once Lake Glenmaggie spills, all water used from the start of the season is credited back as "usable allocation" under spill entitlement. This provides customers with a full seasonal allocation again, allowing them to reassess their irrigation requirements for the remainder of the season.

The season began strongly with a 100% HRWS allocation, natural inflows to Lake Glenmaggie started to decline during October, with daily inflows falling to 409ML/day. Latest rainfall has improved conditions ahead of the summer months.

Forward outlook

Lake Glenmaggie is a fill and spill system therefore opening allocations are highly dependent on rainfall over autumn and winter within the Macalister catchment area. Additionally, the Thomson drought reserve volume is used to supplement opening allocations.

BOM's outlook indicates that spring and summer 2025 in Gippsland are likely to be warmer than average. Above-average rainfall is expected during spring, although rainfall distribution may be variable, with some areas receiving more precipitation than others. Consistent with SRW's Price Submission, SRW is auctioning 1,000 ML of High Reliability Water Shares (HRWS) in 2025. This auction is part of a broader strategy to release water savings generated through the Macalister Irrigation District modernisation project, which has involved significant investment from irrigators and both State and Federal governments.

Werribee and Bacchus Marsh Irrigation Districts

Current water resource position

The Bacchus Marsh Irrigation District (BMID) primarily sources water from Pykes Creek Reservoir. The Werribee Irrigation District (WID) primarily sources water from Melton Reservoir, located further downstream in the Werribee catchment. Water can also be released from Merrimu Reservoir to supplement Melton Reservoir, with SRW entitled to 10 per cent of inflows to Merrimu and 20 per cent of storage capacity.

Irrigation supply to the WID has been augmented with a supply of Class A recycled water since 2005, to assist with overcoming water shortages due to drought, and to secure water for greater production in the future.

At the opening of the 2025/2026 irrigation season on 1 July 2025, Pykes Creek Reservoir was holding 59 per cent of capacity while Melton Reservoir held 7 per cent of capacity, and Merrimu

Reservoir held 66 per cent of capacity. The opening allocation for the season was set at 45 per cent of HRWS, with customers holding approximately 6.8 GL of carryover.

Allocation has reached 50 per cent HRWS as of 23 September 2025 with water storage in Pykes Creek Reservoir at 68 per cent, Melton Reservoir at 19 per cent, and Merrimu Reservoir at 68 per cent of capacity.

Forward outlook

The BOM's three-month outlook for December 2025 to February 2026, issued on 09 November 2025, indicates the chances of exceeding the median rainfall over most of the Werribee catchment area is between 45 and 55 per cent. This rain will be required to recover water levels in the storages.

The availability of allocation of high and low reliability water shares will be assessed fortnightly against seasonal conditions and stream flows, with the expectation of further allocation announcements for the remainder of the season.

Latrobe System

Current water resource position

Blue Rock Reservoir is the key water storage for the Latrobe System and supply's water for:

1. Electricity Generation

Blue Rock Reservoir supplies water for cooling and operational needs to several coal-fired power stations in the Latrobe Valley. These stations are major contributors to Victoria's electricity grid, and a consistent water supply is vital for maintaining their efficiency and reliability. The reservoir helps ensure that the energy sector continues to function, particularly during periods of high electricity demand.

2. Urban Water Supply

Blue Rock Reservoir supplies Gippsland Water with water for urban supply to towns in the Latrobe Valley, including Moe, Morwell, Traralgon, and Churchill. The water is treated and delivered for homes, businesses, and industry, making the reservoir a key part of the region's water supply.

3. Support for Licensed River Diversions

The reservoir also supports environmental and agricultural needs by maintaining baseflows in the Latrobe River. Licensed diverters, including farmers and irrigators, depend on this water for agricultural production, particularly during dry periods. Maintaining river flows also supports ecological health and recreational uses downstream.

Forward outlook

As of early September 2025, Blue Rock Reservoir is approximately 76% full, significantly lower than the same period last year when it was near capacity at 99%. This is mostly due to planned works on the spillway which required the water level to be lowered over the previous summer.

Despite the decline, the water level is expected to recover over the coming year. There are no immediate concerns for supply to power generation, urban areas, or agricultural users. The reservoir is still capable of meeting the needs of all major users.

Maribyrnong system

Current water resource position

Rosslynne Reservoir is the main storage on the Maribyrnong system. It is situated on Jacksons Creek, a tributary of the Maribyrnong River. It supplies water to local townships including Sunbury and supports irrigation licences downstream. The reservoir has received little inflow over the year as conditions have been dry in the catchment. The water level has been drawn down from 84% to 66% over the year.

Forward outlook

Recent rain has wet the catchment and maintained the storage level in recent weeks. However, significantly more rain is required to generate sufficient inflows to raise the water level to the levels seen one year ago. Whilst the outlook is higher than median rainfall over spring, it is uncertain that this will occur in the reservoir's small catchment area.

Unregulated surface water

Overview

Unregulated surface water relates to water accessed from rivers where supply to some or all users is not managed through releases from onstream dams. Most rivers in southern Victoria are therefore unregulated. Access to water in unregulated rivers is governed through rules documented in Local Management Plans. The purpose of these plans is to provide fair and equitable access for consumptive users and the environment. These rules set out a framework for trade, restricting access and managing local water issues. Access to water is therefore linked to streamflow which relates to antecedent and forecast climate conditions such as rainfall.

Eastern Region

The Eastern Region takes in the areas east of Port Phillip Bay including the Mornington Peninsula and Gippsland Regions across to the NSW border.

Conditions across the Eastern Region are being impacted by prolonged dry conditions. Recent and consistent rains in September have helped to increase stream flows and ease the situation in the short term.

However, the west and south Gippsland regions remain drier than normal.

Stream flow forecasts across the broader Eastern Region from September to November 2025 are for mostly median to low flows and this indicates that some streams may be placed on restrictions earlier than normal.

The climate outlook suggests above average rainfall is still possible for the spring period, but this remains uncertain.

Western Region

The Western Region encompasses areas west of Port Phillip Bay, including the Otways, Central Highlands, and southwest regions extending to the South Australian border.

Prolonged dry conditions continue to affect the region. While rainfall events in June and August provided some relief, they were insufficient to break the overall dry trend. In particular, August rainfall in the southwest was below average.

According to the latest long-term outlook from the BOM, above average rainfall is expected across much of the Western Region during September to November 2025. However, uncertainty remains regarding the likelihood of a wetter-than-average spring

Streamflow forecasts for the broader Western Region for the period indicate median to low flows, suggesting that some streams may be placed on restrictions earlier than normal.

Groundwater

The groundwater allocation for Deutgam Water Supply Protection Area was announced as 50% on 1st July 2025 for the 2025-2026 season.

The State analyses groundwater level trends for groundwater management units (GMUs) based on 5 years (short term) of consistent monitoring data from key bores in the State Observation Bore Network (SOBN). Trends are calculated mathematically using data with variable timescales and do not necessarily represent the status of the resource for management purposes. If data is not available for a bore or there are no observation bores located in the GMU, then a trend cannot be determined and is labelled as having insufficient data.

Groundwater levels are mostly stable except in the the south-west region which shows more GMUs in decline, reflecting the drier conditions observed in the last year.

Recent groundwater level trends for each groundwater management unit are summarised in Table 1.

Table 1 - Groundwater level trends

Gippsland Region		
Groundwater Management Unit	**Recent Trend**	**Notes**
Corinella	Declining	
Denison	Insufficient data	Annually recharges from rain and irrigation
Giffard	Stable	
Leongatha	Declining	
Moe	Stable	
Orbost	Rising	
Rosedale	Declining	

Sale	Stable	
Stratford	Rising	Normally declines at rate of 1m/year due to mine depressurisation.
Tarwin	Stable	
Wa De Lock	Stable	
Wy Yung	Rising	
Yarram	Declining	
South-west region		
Groundwater Management Unit	**Recent Trend**	**Notes**
Bungaree	Stable	
Colongulac	Declining	
Condah	Declining	
Gellibrand	Rising	
Gerangamete	Rising	
Glenelg	Insufficient data??	GMU abolished in August 2022.
Glenormiston	Insufficient data	
Jan Juc	Declining	
Newlingrook	Rising	
Paaratte	Declining	
Portland	Declining	
South-West Limestone	Declining	
Warrion	Stable	
Port Philip & Western Port region		
Groundwater Management Unit	**Recent Trend**	**Notes**
Cut Paw Paw	Insufficient data	
Deutgam	Stable	50% allocation
Frankston	Stable	
Koo Wee Rup	Declining	
Lancefield	Declining	
Merrimu	Stable	

Moorabbin	Declining	
Nepean	Stable	
Wandin Yallock	Rising	

Source: Current water snapshot

Further information

SRW provides a variety of information on allocations, streamflow's, rosters, restrictions, and delivery/availability issues on our website www.srw.com.au.

Water trading information is also available through SRW and on our website https://www.srw.com.au/customer/buy-and-sell-water/water-trading.

For all climate, weather predictions and observations, customers should go to the Bureau of Meteorology site at www.bom.gov.au.