

Submission to NSW Office of Water

Proposed Variations to the Snowy Water Licence

110711

Andrew Gregson
Chief Executive Officer

Introduction

NSW Irrigators' Council (NSWIC) represents more than 12,000 irrigation farmers across NSW. These irrigators access regulated, unregulated and groundwater systems. Our members include valley water user associations, food and fibre groups, irrigation corporations and commodity groups from the rice, cotton, dairy and horticultural industries.

This document represents the views of the members of NSWIC. However each member reserves the right to independent policy on issues that directly relate to their areas of operation, or expertise, or any other issues that they may deem relevant.

General Comments

New South Wales Irrigators Council (NSWIC) has advocated for many years the necessity to alter the Snowy Hydro Limited (SHL) license to more adequately deal with potentially massive single year releases under the Dry Inflow Sequence Volume (DISV) scenario that recently occurred. We welcome the current review as recognition of our position and the need for change.

We further welcome the opportunity to provide input into the process through this submission. We are available to discuss our submission and any other details either formally or informally.

At the same time, we harbour some concern in respect of the consultation process. NSWIC, as the peak group representing thousands of Water Access License holders who stand to be impacted, either positively or negatively, through this change should, in our opinion, have been involved in the design of the proposed variations.

Background

NSWIC, together with relevant Members, sits on the Snowy Hydro Irrigators Consultative Committee. During the course of the recent drought of record, we became aware of the building DISV debt and the potential for it to be released in one wet year when the drought broke. Evidence of the situation is shown in the presentation given by SHL to that Committee which NSWIC publishes on our water market information website¹. The presentation given on 9 March 2011², at slide 7, clearly identifies that DISV in the Murray had built to 784 gigalitres and in the Tumut development (Murrumbidgee) to 481 gigalitres. This same slide showed that massive volumes were therefore required to be released in that water year when downstream dams were at high levels, the area was wet and allocations to irrigators were already high.

That Committee meets three times per year. It had been watching the growing DISV balances over the previous three years and had identified, along with SHL, that it represented a significant issue. We had raised the issue with the relevant NSW Departments (now NOW) along with the NSW Minister, unfortunately to no avail. It has taken a triggering of the predicted event to bring us to this scenario.

Basis of DISV

NSWIC submits that the DISV arrangements were placed into the SHL License to ensure that those volumes of water that would be released to downstream use under “average” conditions across a sufficient period would, indeed, be released. That is, the aim of the DISV arrangement was to prevent and effective hoarding of water in a period immediately following a drought.

NSWIC supports that aim and believes it should be continued. We are not convinced that the proposed amendments achieve that aim.

¹ www.thewatermarket.com.au

² http://www.thewatermarket.com.au/media/user_documents/pdf/37867/1300228479Presentation_by_Snowy_Hydro_-_9_March_2011.pdf

Creation of Drought Accounts

NSWIC supports the concept of drought accounts as proposed, but does not believe that they are either the solution to the DISV issue or are necessarily linked to that issue in any event.

Even if the two issues were intrinsically linked, we note that the proposed drought account volume is below that of currently outstanding DISV debt volumes, showing empirically that one is not the solution to the other. From the proposed variations, we are unable to ascertain how the excess volume would be treated.

Concept of Drought Accounts

NSWIC notes the explanatory documentation provided with the proposed variations describes the proposed drought accounts as “additional reserves”³. In our submission, this is an inappropriate characterisation. The physical reserves of water do not increase through the proposed variation. Rather, the accounting rules change to direct water from one usage to another. We are concerned that this may impact water users given that the drought accounts, as posed, serve to benefit one class above another.

We are not necessarily opposed to such an outcome given the critical nature of the use posed from the drought accounts and the volumes involved. We also note that such reserves would not be required to be held in downstream storages, which should result in greater flexibility for all stakeholders.

We submit that completion of modelled impacts and publication of those results would be useful for all stakeholders. We withhold our support from the measure until such time as this is completed.

Proposed Trigger Points

We note differing trigger points for the Murray and Murrumbidgee.

We submit that the Murray trigger – insufficient water to enable conveyance of critical human needs – *may be* appropriate depending on the definition of critical human needs. We note that the explanatory documents capitalise the term, suggesting it as a defined term. No such term is defined in either the current license⁴ or in the proposed variation. On that basis, we are concerned that the implied definition is that contained in the Commonwealth *Water Act* (2007)⁵, viz;

Critical human water needs are the needs for a minimum amount of water, that can only reasonably be provided from Basin water resources, to meet:

(a) Core human consumption requirements in urban and rural areas; and

³ At page 2.

⁴ http://www.water.nsw.gov.au/ArticleDocuments/35/utilities_snowy_lic_snowy_water_licence_may2010.pdf.aspx, viewed 29 June 2011

⁵ Section 86A(2)

(b) Those non-human consumption requirements that a failure to meet would cause prohibitively high social, economic or national security costs.

NSWIC has been a consistent critic of this extraordinarily wide definition since it was mooted in an inter governmental agreement that was the precursor to the 2008 amendments to the *Act*. As a definition, it ironically provides no certain definition as to what will be determined. It is entirely subjective in nature. NSWIC submits that it ought not be perpetuated in the SHL license.

We have consistently advocated that critical human needs should be defined as those needs for drinking, sanitation and health. In the event that the term is thus defined in the license, NSWIC will support this trigger on the Murray.

We submit that the Murrumbidgee trigger, a high security allocation below 50%, is inappropriate. In particular, we are unable to determine a timeframe on the trigger being enacted – is it the start of a water year or at some other point? Moreover, transfers from a DISV volume that would have benefited all water users – or been diverted to end of system flows in a wet sequence – to one class of users has clear equity issues. NSWIC submits that the suspension of the Murrumbidgee Water Sharing Plan to enter a period of special management, such as during the recent drought, is a far more equitable trigger mechanism.

Where the Drought Account Water Comes From

NSWIC is not convinced that DISV water should be diverted to the proposed drought accounts, at least not in its entirety. We believe that such diversion has potential impacts on productive water users and hence have submitted that publicly available modelling of any impacts ought be produced prior to variations being made.

NSWIC certainly sees the merit in the concept of drought accounts. We submit that it may be possible to *share* any DISV volume between releases and the drought accounts.

We note that the explanatory material suggest that the variation “is to set aside the requirement to release any DISV that has occurred in previous water years.”⁶ On currently disclosed figures, DISV is 481 gicalitres on the Murrumbidgee and 784 on the Murray. The proposed drought account limits are 150 gicalitres for the Murrumbidgee and 225 for the Murray. This leaves a balance of 331 and 559 respectively. NSWIC does not concur with the move to simply absorb this into SHL storages. The DISV release rules were designed to ensure that this water was released to the benefit of all, not simply retained for “critical” use in future. A proposed solution appears in the next section.

We note the suggestion that drought accounts would be recharged from DISV debts in future years. NSWIC does not concur with this and submits instead that recharge should occur from Above Target Water.

⁶ At page 2

Solving the DISV Release Problem

NSWIC submits that the issue of drought accounts and solving the DISV accrued release problem has been inappropriately combined. Whilst we may be content to see the creation of drought accounts, we do not believe that this solves the material issue of DISV releases which triggered the proposed variations in the first instance.

NSWIC submits that the solution to the DISV release issue lies not in altering the DISV accumulation process as it currently stands, but by altering the drawdown of that accumulation. We have no argument with DISV accumulation as it is based on natural sequences which little can be done to control. It is the release schedule – all in one year – that causes the problem. Fortunately, releases are within the realm of human control and hence can be addressed.

NSWIC submits that the solution lies in refining the release schedule of DISV accumulations over a longer *but still defined* period. That is, we believe that the releases must be determined by a time period rather than inequitable notions of most desired use in a drought sequence. It is our submission that the period be the three years subsequent to a DISV repayment being triggered under the current license. Variations to the release period, in our submission, should only be possible on direction by the responsible Minister on the advice of the irrigation industry.

We submit that the balance volume in the current DISV scenario after the creation of the drought accounts – 331 on the Murrumbidgee and 559 on the Murray – should be treated thus.

Call Out Provisions for River Murray Increased Environmental Flows

NSWIC does not disagree with the proposed variation.

Increased Flexibility for Releases from the Snowy Scheme

NSWIC has supported the pre-release regime during the course of the recent drought. We endorse the formalisation of the process in the license.

Wet Sequence Protection with Increased Flexibility for Releases

NSWIC supports the proposal for flexibility releases to be treated as above target water in the event that they result in a downstream spill.

ENDS