



NSW Prerequisite Policy Measures Implementation Plan

Submission to the
NSW Department of Industry

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Southern Riverina Irrigators

SRI is a peak organisation providing advocacy for our membership comprised of five landholder associations representing irrigators operating within the footprint of Murray Irrigation Limited in the southern Riverina of NSW.

Formed in the 1960s, SRI now represents over 1,600 water users committed to producing food and fibre through environmentally and economically sustainable practices.

Our key principles are:

- We recognise the property rights of water entitlements
- Water reform must deliver against the “triple bottom line”.

Key industries

Our region is highly productive utilising water sourced from the NSW Murray above the Barmah Choke. Industries have developed to suit the highly variable water product that is predominant in the region. Despite seasonal variabilities, we continue to produce high quality crops sustainably and efficiently contributing significantly to the gross value of irrigated agricultural production.

Industry	2015-16 (\$M) (23% water allocation)	Average 2010-2016 (\$M)
Rice	\$26.5	\$105.3
Cereals	\$72	\$60.8
Other broadacre (inc cotton)	\$10	\$10
Dairy	\$112	\$99
Livestock	\$58	\$56

Source: ABS Gross Value of Irrigated Agricultural Production 2015-16, NSW Murray

SRI provides the following formal commentary on the Prerequisite Policy Measures (PPMs) Implementation Plan provided to members of SAPs in May 2018.

We note that the Implementation Plan is dated May 2017 and that PPMs have been discussed through various forums since that time. Our core concerns remain:

- No negative impact on accessibility or reliability of water;
- Any change to the characteristic of an entitlement must apply across all entitlements of same type regardless of ownership;
- There must be no increased cost passed on to water users as a result of implementing PPMs.

Summary

The PPMs are a requirement of the Basin Plan to effectively make real-world operating conditions match the model that was used to underpin the Basin Plan. SRI remains concerned that the baseline modelling used by the MDBA was not based on current operating conditions or practice.

SRI acknowledges that NSW is committed to only implementing PPMs to the extent that *“third party impacts relating to both physical and reliability impacts can be negated, offset or are acceptable to the community”* consistent with clause 7.15(1)d) of the Basin Plan.

This principle is pivotal to ensuring the irrigation industry in NSW, and more specifically the Murray and Murrumbidgee Valley’s has a strong and sustainable future.

SRI supports all four principles adopted by NSW, however, as with all regulatory reform, how the rules are drafted will determine whether they deliver against the principles. The rules must clearly state that PPMs apply only to held water and do not apply to planned environmental water.

One of the biggest risks to irrigators is changes to accessibility and reliability of water allocation. Therefore, any action that requires extra water to be released from storage without debit from an account, will risk future allocation.

SRI appreciates NSW is endeavouring determine processes to ensure unnecessary system losses are not socialised to the detriment of other water users. We do not agree with the MDBA position that proposals by NSW to address this has the potential to discriminate against the environment, however, we would encourage NSW to be transparent with the modelling and assumptions.

Any policy change must apply across all products of the same type regardless of ownership. We acknowledge that productive water users may have little need for the attributes created by the PPMs, however, the principle that ownership not influence character must not be compromised.

Finally, the Commonwealth Government committed to fully fund the Basin Plan, therefore any costs associated with the implementation of the Basin Plan must be met by the Commonwealth. This principle must equally apply to the costs associated with any policy measure that is a requirement of the Basin Plan. At the very least, NSW must ensure that any policy measure resulting in increased costs for river operators, that is not a policy measure widely adopted by the majority of water users, must be considered a service for which a fee applies.

PPMs

Implementation of PPMs requires amendments to Water Sharing Plans and must be incorporated into the Water Resource Plans. NSW has the lions share of WRPs to develop to the same time-table as the other States. Further complicating the issue is the delay caused by the Senate dismissal of the Northern Basin Review and the uncertainty that created about the SDL Adjustment Mechanism.

SRI would support any extension to the time-frame to enable NSW to take the time required to consult fully and undertake full risk analysis of PPMs. As far as PPMs are concerned, we note that trials for environmental water re-use have been in place since 2011. These trials deliver on the objective of the PPMs and therefore meet the goal of having PPMs “implemented” by end June 2019, even if the final regulations have yet to be ratified.

1. PPM1 – Piggybacking

Piggybacking allows a water holder to order a flow, from a storage, on top of an, or to complement a, downstream unregulated event. Concerns to be addressed in the rules:

- Access and reliability of supplementary flow events.
- Impact on storages and allocations across all water availability scenarios.

1.1. Supplementary flows

SRI acknowledges NSW has proposed that the environmental water licence holder will work with the river operator and licence holders to assess the likely take from supplementary events so they can make “appropriate” orders to optimise environmental outcomes while allowing access to supplementary flow events. While this proposal would represent a win-win for all stakeholders, the vagueness is particularly concerning.

Supplementary water licence holders want reassurance that flows that, in the past, would lead to the announcement of supplementary access, will not be prioritised as environmental events.

1.2. Impact on storages and allocations

The implementation plan rightly identifies the risks piggybacking may have on water allocation reliability due to the fact that water would be released from the dam whereas previously the order to the site would have been met by unregulated flows.

We acknowledge the modelling by the MDBA showing the ordering behaviour of an environmental water holder may be counter cyclical to other water users and therefore may have little impact on reliability in years of average or wet inflow sequences. However, in years of dry inflow sequences to the storage, downstream unregulated events can make a significant difference to water availability.

SRI would like to better understand the impacts of this policy measure on access, yield and reliability across scenarios and not based on averages.

2. PPM2 – E-flow reuse

The key issue with environmental flow reuse is accountability. Most environmental sites have no accurate measuring device. Further, where the intention is to achieve overbank flows, measuring devices are irrelevant. This lack of accountability is at the heart of the risk posed by multi-site watering.

We acknowledge that NSW has committed to taking a conservative approach to accounting for losses from e-flow reuse, however, whatever approach this is must also be transparent to give other water users confidence. We acknowledge the proposal for river operators to produce “assumed use” statements for each e-watering event.

The NSW preferred option to use combination debiting is fair in principle as it socialises risk where there can be confidence through measurement devices and then transfers risk to the e-water holder where there is no capacity to measure.

We do not agree with the MDBA this transfers too much risk onto e-water holders. Currently NSW operates a one for one trade system whereby a water holder from NSW can transfer volume to a South Australian water holder at a rate of 1ML:1ML. This is in part in recognition of the fact that the River Operator will manage the system and the transfer to minimise losses. For example, rather than delivering that one ML from Hume Dam, where possible the operator may use unregulated tributary flows, rainfall events, or call the order from Lake Victoria to minimise transmission losses. If a water holder is allowed to nominate the storage from which their order originates, there must be some mechanism to account for the transmission losses that will occur, not only at an environmental site but also along the length of the river channel that would not normally have been the delivery path.

Accountability also extends to accounting for where return or reuse flows are enhanced by rainfall events. Currently rainfall events contribute to the resources of the system. If an environmental water holder delivers water to a site where it is held and possibly then augmented by rainfall, how will the return flows be credited? How will river operators discriminate between rainfall volumes, which would usually contribute towards inflows and allocations, and return flows from an ordered multi-site watering event?

3. Inter-valley trade

The PPM Implementation Plan does not explain how the implementation of the PPMs will affect intervalley trade limits. The paper says new rules in the Murray-Lower Darling WSP will be required to recognised environmental water entering the system from the Murrumbidgee.

3.1. Clarification of e-water

Currently any water flows that enter the Murray system from the Murrumbidgee are re-socialised and form part of the Murray river resource which can be used to meet downstream demand. This includes any flows resulting from planned environmental water releases. The rules must clarify that e-flow reuse only applies to held environmental water. If it applies to planned e-water it has the potential to change the resource reliability.

3.2. Inter-valley trade limits

NSW must explain how e-flows from one system to another will be treated with regards to the IVT. If the IVT is closed from the Murrumbidgee to the Murray, will e-flows be exempt? If so, is that going to have a negative effect on other water users? What impact will it have on the water market if one water holder has capacity to transfer downstream while others are blocked?

This issue must be clarified for market transparency.

4. Conclusion

SRI agrees with the principles being applied by NSW in the implementation of the PPMs; however, we will not know until we see the proposed rules in the WSPs and WRPs if those principles have been met.

We look forward to working with the agencies involved as WSP amendments are finalised and to develop PPM Procedure Manuals to ensure the principles can be delivered against.

Gabrielle Coupland
Chair