



Australian Dairy Industry Council Inc.

13 October 2017

Snowy Water Licence Review
Intergovernmental and Strategic Stakeholder Relations
Department of Primary Industries Water
Locked Bag 5123
Parramatta, NSW 2124

Via: snowylicence.review@dpi.nsw.gov.au

Dear Sir/Madam,

RE: Snowy Hydro Licence Review

The Australian Dairy Industry Council (ADIC), appreciates the opportunity to provide input to the Snowy Hydro Licence Review.

The ADIC is the dairy industry's peak policy body. It co-ordinates industry's policy and represents all sectors of the industry on national and international issues through its two constituent bodies, Australian Dairy Farmers Ltd (ADF) and the Australian Dairy Products Federation (ADPF).

Australian dairy is a \$13 billion farm, manufacturing and export industry, comprising of about 6000 dairy farms, of which more than 1500 dairy farms are located in the Murray Darling Basin. Dairy farms in the Basin produce about 28% of Australia's milk and provide thousands of jobs on farms, in regional processing and local service industries.

Water released from the Snowy Hydro Scheme into the Murray and Murrumbidgee rivers underpins the security of water supply for irrigated dairy farms in the NSW Riverina and southern Riverina, northern Victoria and South Australia. As such, the dairy industry has an interest in the Snowy Hydro Licence Review and any potential changes in the rules governing the timing, nature and volume of water releases.

This submission will broadly address issues relevant to all three terms of reference, being:

1. **'Increased flow requirements'** – also known as environmental releases.
2. **'Water release requirements'** – predominantly western river releases.
3. **Administrative obligations** – specifically the Licensee's rights in relation to water.

Of specific interest are the 'relaxation' rules applying to the Required Annual Release (RAR) of 1062 GL into the Murray River and 1026GL into the Murrumbidgee River; the conditions for calling out releases of Above Target Water; and, transparency in the Snowy Hydro's management and releases of water in the scheme.

While this submission focuses on the Murray part of the Hydro scheme, many of its recommendations are equally relevant to the Tumut system that releases water into the Murrumbidgee River. Several dairy farms around Wagga draw water from the Murrumbidgee system, and the river's consumptive and environmental flows are a fundamental part of the Murray Darling Basin Plan.

Relaxation water

ADIC understands that the relaxation rules enable the 1062GL Required Annual Release (RAR) into the Murray River to be reduced by up to 262 GL if conditions are wet and downstream needs have been met. In the Murrumbidgee, the relaxation volume is up to 226GL. The retained volume is rebadged as Above Target Water, but up to 100GL can still be called out by the Ministerial Corporation in the following water year to be released into the respective rivers.

We understand that relaxation is triggered soon after full allocations are met in the Murray or Murrumbidgee systems, but that this can occur too late for Snowy Hydro to plan accordingly and the full RAR will have already been released by the time relaxation is triggered.

In a NSW Department of Primary Industries briefing on the licence review in Melbourne on 27 September, stakeholders were advised that the relaxation rules could be 'improved'. It was suggested that Snowy Hydro could be permitted to forecast by September/October whether the relaxation volume was likely to be needed, and retain the volume in storage accordingly.

While this proposal works to Snowy Hydro's commercial advantage by adding to its Above Target Water reserve, it raises several potential issues for the Murray and Murrumbidgee rivers, irrigators and the environment. These issues must be resolved first before any agreement to change the relaxation rules.

The first issue is that when the RAR is released in full in wet conditions, presumably it contributes to maintaining downstream storages throughout the system at higher levels. This in turn helps to underpin water security for the following year. Alternately, the RAR makes it more likely that downstream storages will spill and increase unregulated environmental flows with associated ecosystem function benefits.

While not part of the Murray Darling Basin Plan's environmental entitlements, these unregulated flows do deliver incidental environmental benefits that may be lost if the RAR were to be reduced more often by changes in the relaxation rules. This could increase pressure to make up the difference with further water recovery from irrigators under the next Basin Plan post-2024.

Recommendation 1: The relaxation rules should not be changed without a full evaluation of the potential effects on environmental health in the Murray River, and implications for Basin Plan water recovery efforts in future.

The second issue is the volume and timing of the relaxation water available to be called back for release. As the rules stand, only 40 per cent (ie 100GL of the Murray's 262GL maximum RAR relaxation) can be called back in the following year. If it is not called back for some reason, then Snowy Hydro gets the commercial advantage of the full 262GL. If conditions downstream turn dry in the third year, then the original 100GL can't be called back to assist when it is really needed.

The retained RAR portion from any one year should remain available over several years to be called back if needed downstream. There is also an argument that the full 262GL should be available for call back, not just 100GL. In the meantime, Snowy Hydro would still have access to the water in the Above Target reserve to manage for its commercial benefit.

Recommendation 2: The rules enabling the Ministerial Corporation to call back relaxation water for release must be made more flexible in volume and timing, so that retained RAR volume remains available over several water years to be called back if needed downstream.

Above Target Water

Above Target Water can be released at Snowy Hydro's discretion, or called upon by the Ministerial Corporation for release for particular purposes such as the RAR relaxation described above, the 70GL River Murray Increased Flows (RMIF), or under severe drought accounting (with volumes repaid when inflows into the Snowy storages improve).

The RMIF are part of the original Snowy environmental flows deal in 2002 to increase environmental releases into the Snowy, Murray and montane rivers. The RMIF's 70GL, like the Snowy River's 212GL, was recovered through water savings projects in the Murrumbidgee and Murray systems west of the Divide. It is not part of the Murray Darling Basin Plan's recovery target, but rather already accounted in the Plan's Baseline Diversion Level and therefore assumed to be delivering environmental benefits.

Yet, under the current Snowy Hydro Licence rules, the RMIF can only be called on for release into the Murray River if the Above Target Water in storage is more than 800GL. This has meant the RMIF has only been called on and released twice in the last 15 years. In the meantime, Snowy Hydro is reaping commercial benefits from 370GL of RMIF allocations that have accumulated over the years and are still sitting in the Hydro Scheme storages.

Irrigation-dependent industries and communities are under enormous pressure in the Murray system to provide more water entitlements for the environment under the Murray Darling Basin Plan.

It does not feel fair that Snowy Hydro can reap the commercial value of the RMIF allocations retained in the scheme, when it would help improve environmental outcomes and reduce the pressure on irrigation-dependent communities if it were available for release every year as part of the Commonwealth and States environmental watering plans.

A case can be made that the RMIF should be separated from Snowy Hydro's Above Target Water account, as recovery of the RMIF's 70GL was paid for by the Commonwealth and the States for environmental purposes. The priority should be on using this water to best environmental purpose under the Snowy Hydro Licence, rather than managed to Snowy Hydro's best commercial interest.

Recommendation 3: The RMIF should be separated from the Above Target Water account, and the timing and volumes of its releases managed as part of the Commonwealth and State watering plans under the Murray Darling Basin Plan.

Transparency

Snowy Hydro's management and release of water in the Hydro Scheme is generally opaque.

Stakeholder evaluation of any proposed changes in the Snowy Hydro Licence are stymied by Snowy Hydro's propensity to claim changes such as those proposed in this submission will come at a high cost to consumers and government shareholders in forgone renewable power generation.

Yet Snowy Hydro does not release the basis for its claims for independent scrutiny, often claiming information such as the total volume of Above Target Water held in storage at any given time is commercial in confidence.

This makes it impossible to weigh up the genuine costs and benefits of any trade-offs between Snowy Hydro's commercial interests and those of the downstream communities and the environment. A suggested change in the relaxation rules is a case in point.

The lack of transparency is concerning given that Snowy Hydro is gaining a commercial advantage under the current rules from water included in its Above Target reserves that arguably belongs to other stakeholder such as irrigators (RAR relaxation water) or the environment (RMIF).

Recommendation 4: An independent, transparent and publicly available evaluation be undertaken of any proposed licence rules changes affecting the timing and volume of Snowy Hydro releases, to ensure the costs and benefits to all stakeholders in the scheme are fully understood. This evaluation released at the same time as the draft review report is released for public comment.

Conclusion

ADIC welcomes the opportunity to discuss the matters raised in this submission. Please contact: David Inall, Chief Executive Officer, Australian Dairy Farmers, P: 03 8621 4200, E: dinall@australiandairyfarmers.com.au. ADIC also looks forward to the draft review reports being released for further comment early in 2018.

Yours sincerely,



Terry Richardson
Acting Chair, ADIC