



Australian Government
Department of Agriculture
and Water Resources

Ref: D16/674741

Snowy Water Licence Review
Intergovernmental and Strategic Stakeholder Relations
Department of Industry,
Crown Lands and Water Division
Locked Bag 5123
Parramatta NSW 2124

Attn: Kristin Morris

Dear Ms Morris,

Thank you for the opportunity to provide comment on this important review of the Snowy Water Licence (the Licence).

Please find attached the Department of Agriculture and Water Resources' submission on the Licence review.

We look forward to continuing to work closely with the Department of Industry, Crown Lands and Water Division, and other stakeholders to progress the Licence review.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Paul Morris'.

Paul Morris
First Assistant Secretary
Water Division

16/10/2017

Department of Agriculture and Water Resources' Submission on the Review of the Snowy Water Licence

The Department of Agriculture and Water Resources (DAWR) welcomes the opportunity to provide a submission to the current statutory review of the Snowy Water Licence (the Licence).

DAWR considers there should be no erosion of the current Licence conditions as a result of the review as any potential amendments to the Licence can have impacts on achieving Australian Government water policy objectives. DAWR is of the view that any changes to Licence conditions should be limited to those that improve the current arrangements and benefit the consumptive and environmental users consistent with the original objectives of the Licence.

The Australian Government policy objectives associated with the Snowy Scheme and the Licence are characterised into (i) Snowy Hydro Limited shareholder objectives, (ii) National Energy Market (NEM) objectives, and (iii) water objectives. The Minister for Agriculture and Water Resources is responsible for the water objectives, and the Minister for the Environment and Energy is responsible for shareholder and NEM objectives.

The Australian Government water policy objectives are set out under Schedule F of the Murray Darling Basin Agreement (Schedule 1 to the *Water Act 2007*) and the *Snowy Water Inquiry Outcomes Implementation Deed 2002* (the Deed).

The primary water policy objectives include:

- securing and maintaining the role of the Snowy Scheme in releasing a reliable source of high quality water for consumptive use in the Murray-Darling Basin as provided for under Schedule F of the Agreement; and
- ensuring the targeted levels of increased environmental flows to the Snowy River, Snowy Montane rivers and River Murray as outlined in the Deed are implemented.

Water released from the Snowy Scheme under the provisions of the Licence into the western rivers (Murray and Murrumbidgee) plays a critical role to deliver a reliable supply of high quality water for use in the Murray-Darling Basin. This water is crucial to the development of irrigated agriculture in the Murray and Murrumbidgee valleys and to sustaining critical human water supplies during times of drought. The Licence determines how much water is available to be allocated by Victoria and NSW to water entitlement holders. This is particularly important in dry years, where inflows from the Scheme can make up to 33 per cent of inflows to the River Murray and 60 per cent of inflows into the Murrumbidgee.

DAWR considers that any proposed changes to the Licence, particularly any changes impacting Schedules 3 and 4, must not adversely impact downstream users and should build on improving the current arrangements.

DAWR proposes the following issues be considered in the review to ensure there are no third party impacts:

- *Consistency between the Licence and the Murray Darling Basin Agreement*

The role of the Snowy Scheme in underpinning the security of supply to water users in the River Murray and Murrumbidgee River is reflected in the inclusion of release requirements from Schedule 4 of the Licence in Schedule F to the Agreement. In considering any potential amendments to the

release provisions in the Licence, there will be a need to ensure that changes are consistent and reflected in Schedule F of the Agreement.

DAWR advises that any proposed changes to the Licence that impact on Schedule F of the Agreement will require Basin government (through the Murray Darling Basin Ministerial Council), and Australian government approval to reflect the amendments to the relevant sections of the Water Act.

- *Review of changed provisions made in the 2011 review*

Since Corporatisation, the Licence document has attempted to codify water release requirements to ensure minimum delivery to western flowing rivers, improved environmental releases to the Snowy and Snowy Montane Rivers. The aim is also to provide more flexibility in forward delivery if required and provide more certainty to Snowy Hydro around the Above Target Water used to ensure their power generation activities.

DAWR understands that the current release formulas appear to be working. However, any proposals to reduce target storage limits in the Licence will need to be closely examined as this could transfer more of the storage capacity from below target to above target water and potentially impact on downstream users.

DAWR also considers that any proposed changes to Schedules 3 and 4 of the Licence must not adversely impact on the volumes of water and flexibility of delivery arrangements for downstream users. In this regard changes to within year release rules and downstream wet sequence protection rules (spill protection) would require a comprehensive detailed explanation on how these are to be determined and applied.

Changes made to Schedule 4 release arrangements introduced in the 2011 Licence review, including Relaxation, Flexible release provisions and establishment of drought accounts, were designed to improve management and certainty of release requirements for both Snowy Hydro Limited and downstream water users.

DAWR considers it would be timely to review the operation of these recent changes with users to determine if they are operating as intended and to make appropriate improvements that ensure the benefits for downstream users are not impacted.

- *Snowy Water Inquiry Outcomes Implementation Deed (SWIOID)*

The SWIOID is the legally binding intergovernmental agreement between NSW, Victoria and the Commonwealth that provides a framework for the implementation of the outcomes arising from the Snowy Water Inquiry.

The water savings and purchases secure commitments under the SWIOID to deliver a target annual average flow of 212 gigalitres (GL) to the Snowy River referred as Snowy River Increased Flows and to provide a target annual allocation of 70 GL of environmental water to the Murray River referred to as River Murray Increased Flows (RMIF).

The RMIF water has been secured through water savings and entitlement purchases made on the Murrumbidgee River, River Murray and Goulburn River in the period 2002 to 2012. The SWIOID does not set any environmental objectives for the use of RMIF water.

There has been significant progress made to date towards water recovery targets and environmental delivery requirements under this agreement. Since 2002 the Australian Government has provided \$138.7 million to directly support policy objectives under the Deed.

The DAWR would not wish to see any changes to the Licence that would impact on the capacity to continue to meet these obligations.

- *River Murray Improved Flows*

It should be noted that Schedule F (of the Agreement) requires that the Ministerial Council agree a Strategy for the use of RMIF on the Murray River. Changes to the Snowy Water Licence in 2011, allowed the development of a revised Strategy for the use of RMIF to be drafted and agreed by Basin Officials Committee that increase access to and flexibility in use of RMIF water. The revised Strategy is being used by NSW as the basis of a supply measure notified under the Basin Plan Sustainable Diversion Limit adjustment mechanism.

The DAWR proposes that any changes to the calculation and delivery rules for RMIF in the Licence review will need to be considered in the context of the proposed Sustainable Diversion Limit adjustment mechanism.

- *Removal of redundant licence provisions*

The DAWR notes there are several components of the Licence such as references to the Mowamba Borrow and works required to ensure delivery of environmental flows under the SWIOID that are now redundant and can be removed.

The DAWR would support a full review of the Licence text to identify any such clauses that could be removed from the Licence as part of the review process in the interests of clarity of the revised document.

- *The Water Consultation and Liaison Committee*

The Water Consultation and Liaison Committee was established under the Licence to review the Snowy Hydro Annual Water Operating Plan. The Commonwealth position on the committee is currently vacant following the transfer of water responsibilities from the Environment to the Agriculture Ministers. The DAWR is looking forward to the opportunity to take up the vacant Commonwealth representation on this important committee, to continue to provide input into this important planning process.