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Via electronic mail: jeremy.kinley@dpi.gov.au

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Dear Jeremy,

Re: NSW Irrigators' Council Submission to the 10-year review of the Snowy Water Licence – Draft Report

The NSW Irrigators' Council (NSWIC) welcomes the opportunity to provide comments to the Department of Industry's draft report on the 10-year review of the Snowy Water Licence (Draft Report). As outlined in our previous submission, the Council and its members appreciate that the Department of Industry was available throughout the initial consultation period to respond to stakeholder questions and provide detailed briefings to NSWIC's membership.

Despite the complexity of the Snowy Water Licence, NSWIC congratulates the Department of Industry for a concise and structured Draft Report that provides an adequate policy and regulatory background to the Snowy Hydro-Electric Scheme and captures the key issues that were raised by the 24 submissions made to the Department of Industry (including an approach to address the issues raised in submissions).

With the Basin Plan being less than 12 months away from full implementation and the NSW Water Resource Plans less than 6 months away from being submitted to the Murray-Darling Basin Authority for accreditation, NSWIC supports the Department's proposed approach to divide the review of the Snowy Water Licence into three distinct phases – commencing and completing minor administrative changes by the end of 2018.

Further investigations into the more complex provisions of the Snowy Water Licence will require more time, a detailed work plan and sufficient resources to assess (and consult on) all risks and opportunities to Snowy Hydro Limited and downstream water users. While NSWIC does not doubt that the Department will apply due diligence in its future investigation of the Snowy Water Licence provisions, NSWIC urges the Department to develop a detailed stakeholder consultation program as part of its work plan that allows all interested stakeholders to participate and provide feedback to the next stages of the Snowy Water Licence review. In particular, it will be essential that more substantive changes to the Snowy water arrangements are being considered with the full involvement of water users.

In addition, NSWIC remains of the view that changes that were made to the Snowy Water Licence in 2011 require special considerations because these changes have never been fully reviewed – hence raising questions as to whether they are fit-for-purpose or have led to unintended consequences. In particular, the introduction of the 'drought accounts' in 2011 and their interactions with the 'Dry Inflow Sequence Volume' (DISV) warrant a thorough operational review to ensure that these account meet their intended objectives.

Further, NSWIC supports the Department's intention to investigate other key water release provisions of Snowy Hydro Limited (e.g. the relaxation volume, flex provisions, spill compensation mechanism and improved flood mitigation as well as early season release commitments) - noting that NSWIC has raised each of these issues in its previous submission to the Department. While the Council expects that the Department will conduct a thorough assessment of each of these issues, it will be equally critical to explain to stakeholders the operation and application of the compensation provisions contained in the Snowy Water Licence. Without an understanding of how these compensation provisions operate, it will be difficult to assess which existing licence provisions could be feasibly amended. NSWIC urges the Department to provide a detailed explanation of the compensation provision prior to the end of 2018.

Finally, NSWIC would appreciate ongoing engagement with the Department of Industry throughout the Snowy Water Licence Review (2018 – the end of the work plan) and we are available at any stage to assist with clarifying any issues raised in this submission.

Detailed Comments

The following sections provide more detailed comments to the Department of Industry's Draft Report.

Proposal 1 – Public Reporting (Priority: High)

NSWIC supports the Department's proposal to change the Snowy Water Licence to require Snowy Hydro Limited to prepare a public version of the Annual Water Operations Plan (AWOP). This document should be available no later than the start of the NSW annual water accounting year. Further, the proposed change should also require Snowy Hydro to update the public version of AWOP if there are changes to Snowy Hydro's operating plans within the water year.

NSWIC supports the public release of the Water Consultation and Liaison Committee (WCLC) agreements. The public release of these documents would provide further transparency to the decisions made by the WCLC.

Proposal 3 – Collaboration on Water Operations (Priority: High)

NSWIC supports the proposal for Snowy Hydro Limited to more closely consult with the Murray-Darling Basin Authority and WaterNSW on the implementation of the AWOP during a water season.

Proposal 4 – Contents of the Annual Water Operations Plan (Priority: Medium)

NSWIC supports this proposed change that would oblige Snowy Hydro Limited to provide the WCLC (upon request of a member), updated projections of quarterly forecast releases in a timely manner.

Proposal 11 – Call out of River Murray Increased Flows (Priority: High)

While NSWIC supports further investigations of the "River Murray Increased Flows" provision (RMIF), the Council would like to point out the RMIF is also a proposed supply measure project under the Sustainable Diversion Limit Adjustment Mechanism (SDLAM). Any further investigation to amend the RMIF must consider the potential impact on the supply measure benefits under the SDLAM and any risks to WAL holders. Notwithstanding the previous point, NSWIC would welcome if the Department of Industry would find further ways to amend the RMIF that could not only improve the operation of the mechanism but could **enhance** the benefits of the SDLAM supply measure benefit.

As outlined in our previous submission, the Council has given its in-principle support for the NSW-led proposed SDLAM supply measure projects, subject to further extensive stakeholder consultation and a detailed and thorough **risk assessment**.

Proposal 12 (A & B) – Dry Inflow Sequence Volume (DISV) (Priority: High)

NSWIC supports further investigations into the interaction between the ‘Dry Inflow Sequence Volume’ provision (DISV) and other elements of the Required Annual Releases (RAR) as well as the effectiveness of the DISV in managing release requirements through the Millennium drought and the climate. Given the opaqueness of the DISV calculations and its application, NSWIC and its members would welcome further detailed information on the DISV from the Department.

Proposal 13 (A & B) – Relaxation Mechanism (Priority: High)

NSWIC supports the proposal to correct a drafting error for the Snowy Tumut development and the inclusion of the WCLC drafting of Schedule 4, Clause 10.1.

As highlighted in our previous submission, NSWIC would also support further investigations into options to amend the relaxation provisions. Identification of opportunities to defer releases to future years to improve water availability provides an important opportunity to optimise the operation of Snowy Hydro that could benefit all WAL holders. For example, NSWIC believes there is merit to explore whether the Relaxation provisions could be amended to enable an inter-temporal ‘transfer’ of RAR (e.g. the deferral of RAR from one water year to the next with appropriate triggers) to smooth fluctuations in General Security allocation between water years.

Proposal 14 (A & B) – Pre-Releases and Flex (Priority: Medium)

NSWIC supports corrections in the drafting of the terms ‘agreed annual release’ and ‘recovery amount’ as per proposal 14A.

In addition, NSWIC supports further investigations into the Flexibility and Pre-release provisions, including the interaction with other RAR provisions. In line with NSWIC’s previous submission, NSWIC believes opportunities to improve the current arrangements exist.

Proposal 15 B – Timing of Releases (Priority: High)

NSWIC is pleased that the Department is considering options to improve licence rules around the timing of releases to increase water use efficiency and flood management outcomes. While not explicitly mentioned, NSWIC believes that this area of work also requires further investigations into the interaction effect between the Blowering Airspace Deed and the Snowy Water Licence – noting that the probability of flooding must not be increased through any amendments.

Proposal 16 – Inter-Valley Transfer (Priority: Medium)

As agreed by the WCLC in 2009, an inter-valley transfer should be complemented by a transfer in water availability for each development. As far as NSWIC understands this has been in operation in accordance with this agreement since 2009, however this arrangement has not been codified in the Snowy Water Licence. As such, NSWIC supports the proposed amendment to codify this arrangement in the Snowy Water Licence for the calculation under Schedule 4, clause 2.1 and 3.1.

Also, NSWIC supports the proposed change to alter accounts to reflect inter-valley transfers between the Snowy-Tumut and Snowy-Murray developments and vice versa. NSWIC understands that some of the inter-valley transfers have been advances of future allocations, therefore, once these volumes are repaid the respective development accounts should be adjusted to ensure repayment to the development from which it was advanced from.

Proposal 19 – Sharing of Net Evaporation (Priority: Medium)

The issue of ‘sharing of net evaporation’ is of lower priority to NSWIC and its members. While the Council believes that an assessment of this issue is warranted, the impact of any changes to the evaporation calculations need to be considered (e.g. both for WAL holders’ allocations and the Sustainable Diversion Limit Adjustment Mechanism Supply Measure (SDLAM)).

Proposal 20 – Modelling support (Priority: High/Pre-requisite)

NSWIC supports the recommendation to improve the modelling capabilities to support the investigation committed for the next phase of the review.

Proposal 21 – Expert review of performance (Priority: Medium)

NSWIC supports the initiative to engage an expert panel to review Snowy Hydro’s and the Water Administration Ministerial Corporation’s performance. Snowy Hydro’s Water Licence is complex, with multiple interactions between its parts. The results of the review must be released publicly to stakeholder.

Other Issues

(Related to Proposal 15 A) – Unused Spills (Priority: Medium)

NSWIC understands that Snowy Hydro Limited has proposed changes to the unused spills provisions of the Snowy Water Licence which NSWIC understands could impact future RAR. As proposal 15A indicates, the Department will conduct further investigation into the spill compensation and flood mitigation arrangements. As these provisions are of direct relevance to WAL holder’s allocation, NSWIC stresses that detailed stakeholder consultation and a thorough risk assessments will be required.

Interaction of Relaxation and Wet Sequence Protection (Priority: Medium)

Similar to NSWIC’s comment on the ‘drought accounts’, the Council continues to see merit in reviewing the effectiveness of the Wet Sequence Protection provisions which was introduced in 2011. In particular, NSWIC seeks a detailed, evidence-based explanation from the Department that shows whether the “Wet Sequence Protection Mechanism” meets the intended outcome of the Snowy Water Licence.

Also, NSWIC would like to better understand the operational requirements of the Snowy Water Licence in cases where Hume or Blowering dam is near or at capacity. From NSWIC’s perspective, it should be avoided that Snowy Hydro is required to make RAR to downstream storages when there is no capacity for these storages to capture it.

Conclusion

While NSWIC considers the proposed work plan for the Snowy Water Licence Review to be ambitious, NSWIC strongly encourages the Department of Industry – Water to establish and maintain an ongoing stakeholder engagement program as part of its implementation plan that allows interested stakeholders to participate in the investigations of options to optimise water arrangements. This will particularly be important if any substantive changes to the water release arrangements in the NSW Murray and Murrumbidgee are being proposed. Stakeholders need to be fully involved and given the opportunity to understand the options, including any risks and opportunities of any proposed changes.

NSWIC is looking forward to working with the Department on the next steps of the review of the Snowy Water Licence. In order to assist the ongoing review of the licence, NSWIC would urge the Department of Industry to establish a standing reference committee (that includes irrigation representatives) to provide

input and feedback once the Department has finalised its work plan and considers investigating any issues outlined in the draft report around the optimisation of any watering arrangements.

ENDS.