

NSW Department of Primary Industries

Snowy Water Licence Review: August 2017

The Snowy Water Licence (SWL) came into effect with the Corporatisation of the Snowy Scheme in 2002. The licence has been periodically reviewed since that time and was varied in 2010 and 2011.

The licence is weighted towards use of the Scheme's water resource for electricity production and derivative trading in the National Electricity Market (NEM), at the expense of optimum water management, because, inter alia;

+ it is couched in terms, such as

*the Licensee may release water as it sees fit.....

*the Licensee must do all things reasonably necessary.....

*the Licensee must in good faith consider advice..... For example, with respect to development of the Annual Water Operating Plan.

+there are no realistic penalties for failure to comply with licence conditions.

+it gives Snowy Hydro Ltd (SHL) the right to release 1062 and 1026 gigalitres of water to the Murray and Murrumbidge Rivers, respectively; each Water Year (1 May – 30 April). Quantities that can only be changed at the request of water management agencies to, for example; manage downstream water requirements; **if SHL agree**. The only exceptions being – SHL can reduce annual releases if the Ministerial Corporation agrees; or during drought when the Dry Inflow Clause applies.

Thus it is not possible to optimise the Scheme's storages with those of the Murray-Darling Basin (MDB); as demonstrated in 2010-11 when water continued to be released from Lake Eucumbene at 30% capacity – for electricity generation – into Blowering and Hume Dams that were full.

- + there are no mandatory timing of release constraints, except a single constraint on releases from Jounama Dam – to pre Scheme flows – when Blowering Dam is spilling and the Tumut River channel capacity is being exceeded.
There are no such constraints on releases into the Upper Murray River when Hume Dam is spilling and the Murray Valley is in flood.
- + neither the Water Consultation and Liaison Committee (WC&LC) or the Ministerial Corporation can force changes to the Annual Operating Plan (AOP) to achieve better water outcomes.
- + SHL have complete control over the storage and timing of release of Above Target Water (ATW) – representing about 10% of all Snowy Scheme water – which could occur when either, or both, Blowering and Hume Dams are full.
- + Murray River environmental water is held in the ATW Account and can only be ‘called out’ when the account balance is greater than 800 gigalitres. This high value will severely limit opportunities to release the water. Given that the Murray River environmental water was obtained – at considerable expense to taxpayers from savings in the irrigation areas – its release should not be subject to discretionary actions of SHL. The constraint effectively negates the purpose of the provision.
- + the flexibility provisions; agreed to when the Licence was varied in 2011 provide SHL with additional discretionary rights over and above their rights to Required Annual Releases (RAR) and ATW. These provisions further weight use of the Scheme’s water for electricity production and derivative trading, at the expense of optimum overall water management.

Snowy Hydro’s year by year use of the Scheme’s water under its control is virtually opaque to the general public – the owners of the water – as its main water operations

document – the Annual Water Operating Plan – is only available to a select few government water agencies; as Snowy Hydro has always claimed that it is ‘commercial-in-confidence’, by virtue of its operation in the National Electricity Market. This is drawing a very long bow indeed.

Following conclusion of the Snowy Water Inquiry, wherein Snowy Hydro were criticised for lack of transparency and community involvement it was agreed between the parties that Snowy Hydro would issue a publically available report on its water operations for the previous year. As far as I can establish issue of this report has ceased.

In the Foreword to the 2014-15 Water Report, Paul Broad, CEO & MD, said the following: “This report is an important channel to educate and inform our stakeholders about the water operations of the snowy scheme.” Why then has he ceased to publish it?

Snowy Hydro must be required to reinstate the report, if for no other reason than that stated by Paul Broad.

Sumarising.

To optimise the value and use of water available within the MDB, the storages of the Basin – of which the Snowy Scheme is part – must be managed as an integrated entity to ensure that use of available water is maximized and that the water is delivered when it is needed, in the quantities it is needed; and that, spill from downstream storages is minimised.

This review of the Snowy Water Licence must achieve a more equitable balance between use of the Scheme’s water for communities, irrigators and the environment and its use for electricity production and trading.

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