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Snowy Water Licence Review
Intergovernmental and Strategic Stakeholder Relations
Department of Primary Industries Water
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WaterNSW Submission to the Snowy Water Licence Review

The Snowy Water Licence (Licence) is a significant instrument in the availability and security of water for entitlement holders in the Murrumbidgee and Murray Valleys. The Licence commenced in 2002 and has had a reasonable period of operation in which to review and assess its effectiveness in delivering its objectives. Separately, the environment in which the Licence now operates has shifted considerably since it was first developed and implemented.

WaterNSW believes that this review represents an appropriate opportunity to consider the performance of the Licence and identify potential opportunities to improve or further optimise the Licence arrangements. WaterNSW recognises the inherent complexity of the Licence in seeking to achieve, and balance, many outcomes. We anticipate that the review will be informed by many stakeholders representing diverse views.

Our submission is based on our expertise and experience as operator of NSW's surface water and groundwater systems and as an advocate of our customers across NSW. We seek to present our view on what we believe is in the best longer term interest of the water market and its participants. While WaterNSW is focused on improving water security outcomes for our customers, we accept that any changes to the Licence need to provide a better balanced outcome for all stakeholders. To be effective, this process needs to be undertaken in a collaborative and transparent manner.

WaterNSW is a NSW state-owned Corporation established under the *WaterNSW Act 2014* (NSW). We have water under management equivalent to approximately two-thirds of all water used in NSW. We own and operate a portfolio of assets, including 42 major dams, hundreds of weirs, regulators and pipelines, the largest surface and groundwater monitoring network in Australia. Our operations span 30 regulated rivers across NSW in addition to unregulated surface water and groundwater aquifers. Our purpose is to *improve the availability of water resources that are essential for the people of New South Wales*.

We plan, develop and own infrastructure to capture and convert the State's highly variable rainfall into a secure and reliable water supply that is delivered to customer's orders supporting the resilience of regional and rural NSW, Greater Sydney's drinking water and the environment. We operate our systems within the regulatory framework however we strive to be an active, rather than passive operator, always looking for opportunities to improve outcomes for customers.

WaterNSW owns and operates Blowering and Burrinjuck Dams to deliver water to downstream entitlement holders. WaterNSW also owns Hume Dam and operates the dam in collaboration with the Murray-Darling Basin Authority (MDBA) as part of the River Murray Systems Operations. Our submission is focussed on the water release requirements for the western rivers (western arrangements) of the Licence.

On balance, WaterNSW is of the view that the western arrangements contained in the Licence have proven effective in delivering against the key objective of the arrangements applying to the water diverted, captured, stored and released by the Snowy Mountains Scheme – to balance long-term water security needs against short-term energy security needs. The water sharing arrangements are complex as they seek to achieve a number of objectives, in particular:

- provide security of water supply to downstream entitlement holders over the long term;
- provide Snowy Hydro with operational flexibility to meet the peak energy needs of the east coast energy market in the short term;
- share and account for water between states;

- deliver environmental outcomes for the Snowy River, River Murray and montane rivers; and
- provide flood mitigation for communities and landholders downstream of the Snowy Scheme.

Further adding to the complexity, the arrangements seek to balance these outcomes within the physical limitations of Snowy Scheme and downstream tributaries and catchments.

While acknowledging the complexity of the arrangements, WaterNSW is of the view that there could be merit in reviewing particular aspects of the western arrangements to consider whether they could be improved to better deliver against the water and energy security objectives of the Licence. WaterNSW sees the potential opportunity for improvement given during wet periods water can spill from Blowering and Hume Reservoirs and during dry periods water allocations for regulated Murray and Murrumbidgee entitlements can be less than 100 per cent. Such outcomes 'on face value' appear inconsistent with the intent of the water sharing arrangements to, the extent possible, capture and store water during wet periods for release during dry periods.

The Licence seeks to achieve this outcome through several measures, with a key measure being 'relaxation' which is intended to adjust the Required Annual Releases (RAR) from the Snowy Scheme so the volume of water released is calculated with reference to extractive commitments less the known downstream resources available (storage and unregulated inflows). The Licence calculates relaxation with reference to 'Baseline Conditions' (as at 2002). In theory, relaxation should see RAR reduced during wet periods when entitlement demand is lower and storages are typically higher. This should leave more water stored in the Snowy Scheme to meet future entitlement demand and also reduce the likelihood of risk of spill of Blowering and Hume dams. In practice, there is a potential that the relaxation arrangements maybe sub-optimal. This could be a function of the relaxation arrangements themselves or other external factors.

Since commencement of the Licence, a number of significant changes have occurred with the potential to impact on the robustness of the Baseline Conditions and observed historical data, most notably new Murrumbidgee and Murray Regulated Surface Water Sharing Plans (which changed carry over rules impacting allocations and included Environmental Water Allowances), the commencement of the Murray Darling Basin Plan and the Millennium Drought (which represented a dry sequence worse than the design drought sequence on which the Licence was modelled). WaterNSW considers there is merit in reviewing the relaxation arrangements in the Licence to assess whether they can be improved or optimised to deliver both better water and energy security outcomes.

WaterNSW is cognisant of *dual purpose nature of the Snowy Scheme* and the need to ensure any change to the arrangements improves both water and security outcomes and not unduly favours one over the other. We are of the preliminary view that there is potential scope to improve flood mitigation capability for the Tumut and Murrumbidgee Rivers and the River Murray. Where there is broad stakeholder support for a review of the relaxation arrangements, WaterNSW is of the view that a collaborative approach between Snowy Hydro, WaterNSW and the Ministerial Corporation is essential to identify, model and develop any improved or optimised arrangements. WaterNSW would support such a review incorporating the Blowering Air Space Deed and the physical constraints in the Tumut River at Oddy's Bridge and at Tumut.

Should you require further information please contact Wilf Finn, Regulatory and Corporate Strategy Adviser on (02) 9865 2319.

Yours sincerely



David Harris
Chief Executive Officer