

**3 October 2017**

Snowy Water Licence Review  
Inter-governmental and Strategic Stakeholder Relations  
Department of Primary Industry Crown Lands and Water  
Locked Bag 5123  
Parramatta NSW 2124

Via electronic mail: [snowylicencereview@dpi.nsw.gov.au](mailto:snowylicencereview@dpi.nsw.gov.au)

To whom it may concern,

**Re: NSW Irrigators' Council Submission to the 10-year Review of the Snowy Water Licence**

The NSW Irrigators' Council (NSWIC) welcomes the opportunity to provide a submission to the Department of Primary Industry (Crown Lands and Water) (CLAW) on the 10-year review of the Snowy Water Licence<sup>1</sup>. The Snowy Hydro Scheme and the associated annual water release requirements which are specified in the Snowy Water Licence for both the Snowy Murray and Snowy Tumut developments are of vital importance to all irrigators in the NSW Murray and Murrumbidgee valleys.

Given the complexity of the Snowy Hydro Scheme, the licence requirements, and the interaction between the Snowy Water Licence and the Snowy Water Inquiry Outcomes Implementation Deed (the Deed), NSWIC would like to thank CLAW for providing the Council and its Members with two initial briefings on Snowy Water Licence review. We drafted this submission on the understanding that this is the first step in the Snowy Water Licence review and that stakeholders will be provided with a detailed discussion paper and further opportunity to comment on the substantive matters of this review. For that reason, NSWIC's submission will only provide an overview of the issues it believes warrant further investigations by the Department for this Licence review.

As a matter of principle, NSWIC expects that CLAW conducts rigorous risk assessments for any proposed amendments to the Snowy Water Licence (including the trigger of any compensation provisions) to ensure that there are no unintended impacts to irrigators' water access licences.

*Objectives of Snowy Hydro Limited*

NSWIC understands that Snowy Hydro Limited (SHL) is required to balance two – potentially conflicting – operational objectives:

- a) comply with SHL's water release obligations under the Snowy Water Licence while minimising operational risk; and
- b) maximise returns from its electricity generation business within the constraints of the Snowy Water Licence obligations.

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<sup>1</sup> We understand that the review has been initiated in line with the mandatory 10-year review specified in the Snowy Hydro Corporatisation Act 1997 (NSW).

Given that the Snowy Water Licence is the primary legal document that specifies how SHL is to account for, and release water to the two developments, it is vital that SHL's water release obligations are not diminished in favour of SHL's electricity generation objective.

**As a key principle, NSWIC submits that CLAW must ensure that NSW irrigators' water rights and interests are protected throughout the Snowy Water Licence review and no material changes are made to the licence which would disadvantage NSW irrigators or trigger any compensation provisions in the Snowy Water Licence. NSWIC also seeks assurance from CLAW that there will be no negative third-party impacts in respect to access to, or timing off irrigation water supply in the NSW Murray or Murrumbidgee valleys.**

From NSWIC's perspective, it is important that the purpose of the licence – the balance between hydroelectricity generation and water supply – is not compromised and that any potential licence amendments do not undermine the current water supply arrangements for NSW irrigators in the NSW Murray and Murrumbidgee valleys.

### *Purpose of Snowy Water Licence*

NSWIC understands that the current Snowy Water Licence attempts to balance the need for long-term storage and short-term water supply obligations to irrigators in both the NSW Murray and Murrumbidgee valleys. While NSWIC and its Members fully support the long-term storage functions of the Snowy Hydro Scheme, NSWIC is of the view that particular aspects of the Western River Release Requirements should be reviewed to assess whether the provisions meet the intended objectives of the licence or whether they could be improved.

### **Specific Comments**

NSWIC would like to provide the following specific comments to CLAW:

#### *1. Increased Flow Requirements*

In respect to SHL's obligations on eastern environmental flow releases, NSWIC abstains from making comments as these releases do not – to the best of NSWIC's knowledge - impact irrigators or the irrigation industry in NSW. We are however interested in the inter-agency discussions between CLAW and the NSW Office of Environment and Heritage as it pertains to the arrangements for environmental water management. NSWIC and its Members would welcome greater transparency and information around the environmental water management review process.

#### *2. Western River Release Requirements*

NSWIC understands that Schedule 4 of the Snowy Water Licence contains a series of rules that intend to balance the benefits of both hydroelectricity generation and water supply, whilst also protecting the stored water in the Snowy Scheme. NSWIC acknowledges that the provisions relating to releases, accounting, and transfers between valleys (both inter-temporary and intra-temporal) are intrinsically linked.

### Drought Account v DISV Reserve Account

Given the introduction of the "Drought Accounts" in the Snowy Water Licence in 2011, NSWIC considers it prudent to conduct an operational review of the 'Drought Accounts' to ensure that they meet the intended objectives of the Snowy Water Licence.

In addition, NSWIC seeks further clarification on the operations of, and interaction between, the "Drought Accounts" and the "Dry Inflow Sequence Volume" (DISV), as they relate to General Security allocations. In particular, NSWIC tries to understand how the introduction of the "Drought Accounts" have assisted in addressing the reduction in General Security allocations in dry years (i.e. in case of lower RAR as a result of a DISV).

## Relaxation Volume

NSWIC understands that the intention of Snowy Water Licence “Relaxation” provision is to allow for a reduction in the Required Annual Releases (RAR) if all downstream water needs are met. In such circumstances, the calculated “Relaxation” volume is reclassified as ‘Above Target Water’ (ATW) – water that is available to Snowy Hydro for further electricity generation. While the transfer of RAR to ATW is possible under the current provisions of the Snowy Water Licence, it is NSWIC’s understanding that a reserve is not.

NSWIC believes that a review of the relaxation provisions is warranted to assess whether the “Relaxation” provisions could be amended to enable an inter-temporal ‘transfers’ of the RAR (i.e. deferral of RAR from one water year to the next with appropriate triggers) to ‘smooth’ fluctuations in General Security allocation between water years.

In addition, NSWIC understands that the “Relaxation” volume is calculated with reference to a 2002 ‘Baseline Condition’. However, a number of significant changes have occurred since 2002 which could potentially impact on the appropriateness and robustness of the Baseline Conditions (i.e. the Millennium Drought, the introduction of the 2004 WSP in the NSW Murray and Murrumbidgee Valleys and the introduction of the Murray-Darling Basin Plan 2012). Given these significant changes, NSWIC considers it appropriate to review the relaxation provisions in the Snowy Water Licence.

## Interaction of Relaxation Volume and Wet Sequence Protection

Similar to NSWIC’s comment on the “Drought Accounts”, we consider it prudent to review the effectiveness of the Wet Sequence Protection provisions which was introduced in 2011. In particular, NSWIC seeks a detailed, evidence based explanation from CLAW that shows whether the “Wet Sequence Protection Mechanism” meets the intended outcome of the Snowy Water Licence.

## Operations in times of Flood

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 SHL is required to make required annual releases to downstream storages when there is no capacity for these storages to capture it.

While we understand that in instances where the Scheme is near full capacity this situation may not be avoided, however in all other circumstances it is hoped that the Licence would prevent releases to downstream storages when these storages are at risk of spilling. The significant spills at Hume and Blowering Dam in 2010, 2012 and 2016 caused the loss of large volumes of water that could have remained in Eucumbene (which was at the time at 20% to 60% capacity). This water could have then underpinned early season allocations in following years where allocations were lower.

NSWIC would be interested to understand whether the Snowy Water Licence could be amended to provide lower risk of spill from Hume and Blowering dams if there is capacity within the Scheme (i.e. provide lower water releases in wet years when downstream inflows are sufficient, and greater releases in dry years when downstream inflows are inadequate).

NSWIC understand that such ‘counter-cyclical’ operation of the Scheme would necessitate a detailed assessment of the required licence and operational changes, any potential impacts, trigger points and data requirements.

### *3. Key administrative Requirements*

NSWIC would welcome greater transparency around the preparation of the Annual Water Operating Plans (AWOP) which NSWIC understands is currently not publicly available. While NSWIC understands that some of the information contained in the document is confidential in nature, NSWIC

suggests that a public summary document could be prepared to inform all stakeholders of the decision-making process.

## **Other Comments**

### SDL Offset Project – Snowy Water Licence Schedule 4 Amendments

NSWIC understands that the River Murray Increased Flows (RMIF) water has not been called upon by government for a number of years due to a dispute regarding the cost of water delivery between respective governments. Consequently, NSWIC understands that this water is accumulating in storage on an annual basis (at a rate of 70 gigalitres per annum) and is not being used to achieve environmental outcomes in the River Murray system as was intended. NSWIC considers this a deeply dissatisfying outcome as the accumulation provision effectively changed the characteristics of the entitlement that has previously been recovered under Waters for River.

In addition, NSWIC believes the accumulation of the RMIF is dissatisfactory, in particular considering the emphasis over the last two decades on transferring water from extractive use to environmental purposes. The fact that a large parcel of this water is not being utilised at all is a waste of both tax payers' funds, and an insult to the broader communities' commitment to providing water for a healthy basin system.

In this context, NSWIC has given in-principle support to the SDL Adjustment Mechanism Supply Measure Project to the extent that:

- a) these projects do not cause any third-party impacts for water licence holders in the NSW Murray and Murrumbidgee valleys; and
- b) these projects are able to reduce the amount of productive water that needs to be recovered through water entitlements under the Murray-Darling Basin Plan 2012 (Cth).

NSWIC is aware that one of the SDL Adjustment Mechanism Supply Measure Projects relates to Schedule 4 of the Snowy Water Licence – i.e. the River Murray Increased Flows call out provision. To the extent that the current intergovernmental licence and formal rules for the operation of SHL would allow greater flexibility in the use of environmental flows - without third party impacts - NSWIC would be supportive of an assessment of this particular SDL project and the consequential amendments to the Snowy Hydro Licence.

As NSWIC has outlined on several occasions, the Council has given in principle support for the NSW proposed SDL Adjustment Mechanism Supply Measure Supply Measure Projects, subject to further extensive stakeholder consultation and a detailed and thorough risk assessment of the projects and their potential implications on irrigators' access to, and supply off irrigation water. NSWIC considers it prudent that it is assessed whether the call out provisions could be improved to have a better correlation between environmental releases and environmental benefits – to the extent these benefits can be measured.

However, NSWIC seeks further information on the potential risk that CLAW has identified - in particular around the changes to the operational behaviour of the Snowy Scheme which may restrict the desired call out of RMIF water.

### Snowy Hydro 2.0

While NSWIC understand that the recent announcement of a possible expansion to the Snowy Hydro Scheme is not part of the Snowy Water Licence Review, NSWIC would like to raise its concerns that an expansion of the scheme could have unintended consequences in that it would incentivise SHL to hold on to water until a release is absolutely necessary and required - i.e. the yields of the water within the scheme for electricity provision is greater than releasing it for downstream use. While NSWIC understand that this incentive does not implicate the total volume of RAR available to irrigators, it could implicate irrigators through the timing of releases and the relaxation volume.

## Further information

For further information on the content of the submission please contact:

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