



**RICEGROWERS' ASSOCIATION
OF AUSTRALIA INC**

SUBMISSION TO THE 10-YEAR REVIEW OF THE SNOWY WATER LICENCE

August 2017

1. INTRODUCTION

The Ricegrowers' Association of Australia (RGA) welcomes the opportunity to submit to the Department of Primary Industries Water Invitation to inform the ten year review of the Snowy Water Licence dated July 2017.

2. THE RICEGROWERS' ASSOCIATION OF AUSTRALIA

The RGA is the collective voice of rice growers in Australia. The RGA represents the interests of around 1200 voluntary members. The main objective of the RGA is to provide members with strong and effective representation on issues affecting the viability of their businesses, their communities and their industry.

The RGA is made up of eight branches located across the Riverina rice growing regions of NSW. Each branch annually elects representatives to form the RGA Central Executive. The Central Executive represents their respective branches in determining RGA policy and projects.

The RGA is a member of the National Farmers Federation, National Irrigators Council and NSW Irrigators Council.

3. THE NSW RICE INDUSTRY

The NSW rice industry is located predominantly within the Riverina region of south-west NSW, with a small industry also situated in the Northern Rivers region of north NSW. Collectively, the NSW rice industry is home to bulk of Australia's total rice production

The NSW rice industry is reliant upon irrigation, mainly sourced from the Murray and Murrumbidgee valleys. Provided water is available, the NSW rice industry is considered one of the world's most successful rice growing industries, delivering significant yields while leading the world in water use efficiency.



According to the United Nations Conference on Trade and Development (UNCTAD), Australia is classified as the most efficient producer of rice in the world. The NSW rice industry is a world leader in water usage at 12 megalitres per hectare, with the world average being 15 – 20 megalitres per hectare, and with some countries using upward of 50 megalitres per hectare. In addition, for the five year period to 2016/17, NSW rice yields averaged 10.2 tonnes per hectare, with an average yield of 11.0 tonnes per hectare recorded in 2015/16.

The regions rice growing success is mainly due to the temperate climate, the largely pest and disease free growing environment (requiring minimal chemical use), the heavy clay soils and the gravity fed irrigation systems which ensure efficient water delivery and use.

In a typical year the NSW rice industry produces around eight hundred thousand tonnes of paddy rice with a farm gate value of around \$350 million. The total industry value is well over \$1 billion each year. This makes the rice industry a significant economic contributor to the Riverina region of NSW. Furthermore, it is argued that a multiplier should be applied to this figure to account for the numerous times these profits change hands within the community, and this would in turn enhance the value of vesting to the community. Needless to say, the towns of Griffith, Leeton, Coleambally, Finley, Jerilderie, Deniliquin, Wakool and Moulamein are highly dependent on rice production for their social and economic wellbeing.

Additionally, rice growers have individually invested over \$2.5 billion in land, water, plant and equipment and collectively invested around \$400 million in mill storage and infrastructure through SunRice.

4. THE RGA'S POSITION

The Australian Rice Industry is predominantly located within the two valleys serviced by the Snowy Hydro Scheme - the Murrumbidgee and Murray valleys.

The review provides a significant opportunity to review the provisions of the licence and ensure they remain fit for purpose considering the substantial changes that have taken place within the water sector over the last five year.

It is of critically important to that any proposed changes to the Snowy Water Licence (the Licence) are subject to a rigorous risk assessment process and stakeholder consultation to ensure there are no unmitigated impacts to the reliability or accessibility of water entitlements. Included in this assessment must be consideration of the impacts on the timing of water releases. In particular, it is essential that water release obligations are not diminished in favour of electricity generation objectives and that all possible opportunities to increase water availability for irrigators are sufficiently explored.

The RGA provides the following specific comments regarding the terms of reference:

4.1. Increased Flow Requirements

4.1.1. Accumulation of RMIF

The RGA understands that the RMIF water has not been called upon for a number of years due to a dispute between respective governments regarding the associated cost of water delivery. Consequently the RGA understand that this water is accumulating in storage on an annual basis (at a rate of 70 gegalitres per annum) and is not being used to achieve environmental outcomes in the River Murray system, as was intended.

If this is the case, this is an extremely disappointing outcome, 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 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.

4.1.2.SDL Offset Project – Snowy Water Licence Schedule 4 Amendments

The RGA supports the SDL Adjustment Mechanism outlined within the Murray Darling Basin Plan. Accordingly, the RGA supports the proposed Supply Measure that seeks to amend the call out provisions for the RMIF outlined in Schedule 4 of the Licence. However the RGA's support for this Supply Measure is subject to the project not resulting in any unmitigated third-party impacts for entitlement holders in the NSW Murray and Murrumbidgee valleys.

The RGA would like to understand in further detail the likely intended and unintended consequences of this Supply Measure, and in particular the potential implications on irrigators' access to, and supply of irrigation water prior to the project proceeding. For this reason, the RGA seeks that a detailed and thorough risk assessment of the project be carried out and that this be the subject of further extensive community and stakeholder consultation.

4.2. Water Release Requirements

4.2.1. Timing of Releases

The RGA seeks greater certainty and more advanced notice on future allocation announcements to enable irrigators to make better irrigation water planning decisions.

To this end, the RGA urges DPI Water to investigate all possible opportunities to increase the volume of the Required Annual Releases delivered in the first quarter of the Water Year. Timing of both releases and information about releases is of upmost importance to irrigators who predominately plan the bulk of their water use between July and September each year.

One suggested mechanism for achieving this is to incorporate triggers within the Required Annual Releases (RAR) provisions which would compel SHL to release the RAR earlier to enable earlier allocation announcements in the water year (where downstream storages are not at risk of spilling).

4.2.2. Operation in times of flood

Drought Account

The RGA seeks that there be a review of the operation of the respective Drought Accounts.

While the RGA understand the need for and supports the initiative of having Drought Accounts, it is the RGA's understanding that the current Drought Accounts are transferred water at the expense of General Security Irrigators, yet favours critical human needs. The RGA understands that the volume transferred to the Drought Accounts is generally sourced from the Required Annual Release, hence reducing the total release. As General Security entitlements are generally the beneficiary of the Required Annual Release, any reduction to this release is generally reflected in General Security allocations.

Instead the RGA suggests that the transferred volume should be reflected in the allocations of water to those critical human need entitlements that benefit from the Drought Account. For this to occur, the respective Water Sharing Plan/Water Resource Plan would need to also be amended to apportion this reduction to the relevant water users. To minimise the impact for the relevant water users, it may be necessary to transfer a smaller volume of water per annum to the Drought Accounts over a greater length of time.

Drought Account versus DISV Reserve Account

The RGA seeks further clarification regarding the function of the Drought Accounts versus the DISV Reserve Accounts and questions whether or not there is a need for two separate accounts. It appears that both accounts fulfil a similar function of reserving water for periods when water availability is significantly reduced.

4.2.3. Operation in times of flood

The RGA would like to better understand the Licence's operational requirements when either Hume or Blowering Dam is near or at capacity.

A disappointing outcome for irrigators would be for SHL to make Required Annual Releases to downstream storages when there is not the capacity within these storages to capture the new inflows, or when these storages are at high risk of spilling. While we understand that in instances where the Scheme's storages are at near full capacity this situation may not be avoided, in all other circumstances it is hoped that the Licence would prevent releases to downstream storages when Hume and Blowering are at risk of spilling.

In particular the RGA would like to understand whether there is an opportunity to use the scheme as an additional storage when Hume and Blowering are at risk of spill and 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). The RGA understand that 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.

In particular the RGA refers to the following two provisions:

Relaxation Volume

The RGA 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.

RGA believes that rather than re-classify this water as 'Above Target Water', the relaxation volume should be released to irrigators in future years when conditions become dry again and the DISV triggers mean that the full RAR will not be released. In other words the relaxation volume could be used in a similar manner to a carryover product to make up the difference in any future shortfall in the RAR (to the extent possible). In the meantime SHL could continue to use this water for electricity generation purposes. This would assist to 'smooth' fluctuations in the Required Annual Release between water years.

It is understood 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. Given these changes, we consider it also appropriate to review the relaxation provisions.

Wet Sequence Protection Volume

The RGA considers requests a review of the effectiveness of the Wet Sequence Protection provisions introduced in 2011. In particular, we seek a detailed, evidence based explanation from DPI Water that

shows whether the “Wet Sequence Protection Mechanism” meets the intended outcome for which it was introduced.

4.3. Administrative Obligations

4.3.1. Annual Water Operating Plan

As outlined above, the RGA seeks greater certainty and more advanced notice on future allocation announcements to enable irrigators to make better irrigation water planning decisions.

The RGA feels that one possible avenue to achieve this is to increase transparency regarding SHL’s Annual Water Operating Plans (AWOP). In particular, the RGA feels that it is extremely important that DPI Water is notified of SHL’s Plans for Required Annual Releases at the earliest possible opportunity, so this information can be incorporated into the allocation determinations.

The RGA understands DPI Water’s reluctance to account for releases in allocation determinations ahead of the water physically entering the Dam. However considering how critical this information is to irrigators’ decision making, the RGA feels that it is extremely important that information about all known future releases is notified to irrigators at the earliest possible opportunity. In the past, DPI Water has advised irrigators of future likely allocation increases that represent future planned Required Annual Releases. This is critical information for irrigators’.

4.4. Other Matters

4.4.1. Snowy Hydro Borrow

The rice industry has been a party to a number of agreements now whereby Above Target Water has been ‘borrowed’ to irrigators at a commercial price. The RGA believes that this is a good initiative that respects the balance between electricity generation and irrigation water availability by allowing for water to be shared between the competing priorities based on the different timings of need (i.e. time-sharing of water).

The RGA would encourage DPI Water to look at how this market mechanism can be further developed so that it is permanently available to irrigators.

4.4.2. Snowy Hydro 2.0

While the RGA understands that consideration of the Snowy Hydro 2.0 proposal falls outside the terms of reference for this review. The RGA would like to highlight its concerns that the proposal may result in unintended negative consequences for the reliability and/or timing of allocation determinations against the entitlements held by irrigator’s in the Murray and Murrumbidgee valley.

Any such consequence would negatively impact on the market value of those entitlements and consequently result in detrimental economic impact to the respective valleys.

4.4.3. Licence Complexity

The RGA notes the significant level of complexity contained within a number of provisions within the licence and seeks that where appropriate and possible, opportunities to simplify these provisions be investigated.

5. CONCLUSION

The RGA thanks DPI Water for the opportunity to participate in the review of the Licence and looks forward to opportunities to further participate in the review process.

6. CONTACTS

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