

SNOWY RIVER ALLIANCE Inc

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Snowy Licence Revision
Corporate Licensing Unit
NSW Office of Water
PO Box 323
Penrith NSW 2750

By email: information@water.nsw.gov.au

Submission to Proposed Variations to the Snowy Water Licence: Revised requirements for release of water accumulated under dry inflow sequence during drought years.

The proposed variations do not just apply to the Dry Inflow Sequence Volumes (DISV) - the stated justification of the current licence revisions - but go much further than that and are significant changes that will impact on the long-term security of Snowy Scheme storages as well as unjustifiably limiting the release of taxpayer-funded River Murray Increased Flows.

Considering the significance of the proposed licence variations the one-month period for comment is quite inadequate.

It is also of serious concern that there is no Snowy Scientific Committee to comment on the proposed variations, particularly in relation to the proposed variation of the River Murray Increased Flows provisions.

(1) Requirement to Release Dry Inflow Sequence Volume

The information provided for public submissions to the Licence variations (p2) states that the current Licence provisions required Snowy Hydro Ltd (SHL) to release the accumulated DISV from the previous four years "as soon as inflows to the Snowy scheme allow it" and this "resulted in some forced releases through the year" that negatively impacted on downstream water users. A perusal of the Snowy water licence reveals that there is no specific requirement to immediately release the accumulated DISV. Yet the release of water last December, (i.e. the incident referred to above) from the Snowy Scheme into the Tumut River when Blowering Dam was already spilling, occurred when Lake Eucumbene and Tantangra Dam storages were less than half full and water was being diverted out of Eucumbene Dam to Tumut Pond. Tumut 3 power station was operating at the same time¹ resulting in water releases to Jounama Pondage, upstream of Blowering. The issue therefore appears to be a matter of general water management, rather than the licence requirements regarding DISV, and the question must be asked as to why the NSW Water Consultation and Liaison Committee (WCLC) was not involved as the required advisory and oversighting authority in the decision to release accumulated DISV at that time.

¹ ABC 7:30 Report 15/2/2011 *Questions over Snowy Hydro water management*
<http://www.abc.net.au/7.30/content/2011/s3139726.htm>

(2) Establishment of Drought Accounts

The proposal to establish 'Drought Accounts' in the Murray Valley (225GL) and Murrumbidgee Valley (150GL) from the current accumulated DISV (total 1265GL) appears to be more for the benefit of Snowy Hydro Limited profits than for irrigators of the Murray and Murrumbidgee. The current DISV is Below Target water owed the irrigators whereas the proposed Drought Account will be held as Above Target water over which SHL has complete discretion.

Above Target water is water from inflows to the Scheme in any water year that is not required to provide the minimum Required Annual Releases (RAR). Once it is deemed to be Above Target water by Snowy Hydro Ltd, it remains so regardless of the level of Scheme storages in future years. It is this water, which gives the Scheme its operational flexibility and underpins its financial contracting capability. 60% of SHL's electricity revenue is from releases of Above Target water². The NSW Office of Water has given no rationale for the volumes of the proposed Drought Accounts and the proposed total volume of 375GL will be insignificant in the event of long-term drought in comparison to the Required Annual Releases of 2088GL (1062GL to the Murray and 1026GL to the Murrumbidgee).

Surely it would be in the best interests of Murray/Murrumbidgee irrigation communities for the accumulated DISV to remain as Below Target water to be drawn upon when it is most needed following a decision by the WCLC.

There is no explanation as to why the trigger for use of the proposed Murray and Murrumbidgee Drought Accounts will differ: the Murray trigger being a shortfall in water available for conveyance needs, whereas the Murrumbidgee trigger is high security allocation below 50%. It would appear that the Office of Water's intention is to secure releases of the ACTEW entitlements for Canberra's water supply from Tantangra Dam into the upper Murrumbidgee in the event of drought.

The transfer of accumulated DISV water into the proposed Drought Accounts is in reality the transfer of hundreds of gigalitres of Below Target water owed irrigators, into SHL's Above Target water account, which underpins Company profitability.

(3) Call Out Provision for River Murray Increased (Environmental)Flows

The proposal to include a call out provision for River Murray Increased Flows in the licence, whilst appearing to address shortcomings of the current Licence provisions regarding RMIF releases, will actually give Snowy Hydro Ltd greater control of the taxpayer-funded RMIF and further restrict releases.

In 2002 the Commonwealth Government committed \$75 million in funding to Water for Rivers to obtain 70GL/ year for the River Murray as part of the intergovernmental Snowy agreements to restore 21% flow to the Snowy River below Jindabyne Dam. Unfortunately, under the Snowy Water Licence the accumulated RMIF account water is held by Snowy Hydro Ltd as Above Target water over which it has complete discretion.

The Office of Water information for public submissions states (p3) that RMIF is released whenever SHL release more water than RAR. However there has been only one instance of RMIF being released: in 2005/06 when 38GL RMIF was released in a deal to secure Victoria's agreement to WAMC proposal to permit advance releases to NSW irrigators (Weekly Times September 30, 2009). No further releases have been made and the current accumulated account RMIF is now at 160GL.

It is evident from the 2005/06 RMIF deal that the WAMC (with the agreement of the WCLC) can already in effect 'call out' the RMIF if it suits them so it is not clear how the proposed licence variation will differ. Nevertheless a proposal to formalise a call out provision is to be welcomed. However it is of considerable concern that under the proposed variation the WAMC may only call out RMIF once in any water year and only IF Snowy Hydro Ltd's Above Target water account is more than 800GL and only sufficient water to reduce the Above Target water down to 800GL.

² *Corporatisation of the Snowy Mountains Hydro-electric Authority, Draft Environmental Impact Statement*, Department of Industry, Science and Resources, Canberra, 2000 p32.

In effect taxpayer funded water savings for the River Murray will continue to sit in Snowy Hydro Ltd's Above Target water account generating the Company profits in perpetuity rather than being released to the River Murray on an annual basis for the environmental benefit of the river particularly in drought years. This is an unjustifiable use of taxpayer funded water savings and does not contribute to improved environmental outcomes for the River Murray as was the intention under the intergovernmental Heads of Agreement in 2000 and the Snowy Water inquiry Outcomes Implementation Deed in 2002

The water savings obtained by Water for Rivers to off-set environmental releases for the Snowy and Murray Rivers result in a concomitant reduction in RAR: Snowy Hydro Ltd has already benefited once from the water savings; it is completely inappropriate to benefit twice by then withholding release of the RMIF on any grounds.

A call out provision for RMIF must not be restricted by or depend in any way on the volume of Above Target water. The Snowy Water Licence should be amended instead to remove RMIF from identification as Above Target water and provision made for the annual release of the RMIF allocation according to the advice of the Snowy Scientific Committee.

The environmental interests of the River Murray would be better served if the Commonwealth funded water savings for the RMIF were transferred to the control of the Commonwealth Environmental Water Holder.

(4) Increased flexibility for releases from the Snowy Scheme

Forward borrowings by Snowy Hydro Ltd to various irrigators for an undisclosed fee during the previous drought period in contravention of the Target Storage rule jeopardised Snowy Snow storages to such an extent that in late 2007 the NSW Office of Water (Then DWE) considered canceling the minimal Snowy River environmental flows.

The proposed Licence variation to establish annual flexibility releases of 200GL of Below Target water each to the Murray and Murrumbidgee as a permanent pre-release of RAR effectively increases the Required Annual Releases to the Murray and Murrumbidgee by 200GL, to 1262GL and 1226GL respectively. This will be the first time in the Scheme's history that the minimum RAR will be increased.

This proposal will put the long-term storages of the Snowy Scheme at serious risk of failure in the event of severe drought or the on-going effects of climate change. The existing RAR were formulated to avoid storage failure in the event of a drought as severe as that which occurred in the 1940's. Target storage levels were set for both the Snowy-Tumut and the Snowy-Murray development to enable the Scheme to provide minimum annual releases through the repeat of such a severe drought³. Once storages were below Target Storage level additional water above the RAR could not be released.

The proposed flexibility releases will put at risk the capacity of the Scheme to provide the current RAR in the long term.

Why is the NSW Office of Water considering this proposal at all when Snowy Mountain Rivers Increased Flows have still not been delivered by SHL to the upper Snowy River below Guthega Dam and Island Bend as required by the Snowy Water Licence from 2007/08 and 2009/10 respectively?

Conclusion

Snowy River Alliance opposes the proposed variations because they will put at risk the long-term security of Snowy Scheme storages, thus impacting negatively on the current established RAR to

³ *Corporatisation of the Snowy Mountains Hydro-electric Authority, Draft Environmental Impact Statement*, Department of Industry, Science and Resources, Canberra, 2000, p51.

the Murray and Murrumbidgee valleys; and will not ensure that River Murray Increased Flows are delivered more frequently or reliably (or on an annual basis). It is deplorable that the once again the NSW Office of Water is proposing variations to the Snowy Water Licence in the absence of the independent advice of the Snowy Scientific Committee.

It appears that the aim of the proposed Licence variations is to secure Snowy Hydro Ltd's control of increased volumes of Above Target water into a drying future rather than for the benefit of irrigation or the environment.

The brief time granted for comment on such significant variations to the Licence is completely inadequate and it would be in the best interests of all stakeholders that the variations proposed are held over for consideration by a full statutory review.

Yours sincerely
Louise Crisp
On behalf of Snowy River Alliance.

For further information please contact:

John Gallard
Chairperson, Snowy River Alliance
Dalgety NSW 2628

Louise Crisp
Vice-chair Snowy River Alliance
Bairnsdale Vic 3875