

MPII UPDATE

**Murrumbidgee Private
Irrigators Inc.**

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MAY 2010

FROM THE CHAIRMAN

The Water Reform debate is reaching a critical point with the anticipated role out of the Water Plan mid year. We mentioned in the last newsletter that the Sustainable Diversion Limit (SDL) could be one of the biggest hurdles we will be faced with in the history of water reform. For those of you that were not able to attend the recent Murrumbidgee Valley Water Forum in Griffith on the 21 April 2010, you will see the findings of the Forum page 2. The forum was well attended with approx 800 irrigators and community members.

I was on the Q & A panel at the forum and thrown questions from Andrew Greg-

son, CEO NSWIC with no pre-emptive notice. As a result I was placed in a challenging position of answering questions off the cuff publicly.

The Forum was a joint initiative of MPII and other regional organisations. Collectively we saw the need to get the message out to our members of "what is coming over the hill".

DEWHA will be holding information sessions early June, see details back page

Our CEO, Jennie Hehir is remaining busy attending meetings in Sydney and Canberra in relation to the Water Plan, IPART meetings in relation to water pricing and generally repre-

senting our interests at NSWIC and National Irrigators Council (NIC). We are very appreciative of both organisations and the weight that they bear in developing and debating water policy. Once the SDL figure is released it is hard to imagine the workload that will be involved.

NSWIC are developing a strategic plan to react to the role out of the Water Plan considering several scenarios. In closing I hope that you have not suffered too much damage from locusts and that this season proves to be the long-awaited break of the dreadful dry period.

Murray Shaw

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FROM THE CEO



The Department of the Environment, Water, Heritage and the Arts (DEWHA) are coming to visit us!!!! Deniliquin Tuesday June 1- Deniliquin RSL Club - Griffith Wednesday June 2 Griffith Leagues Club. I urge you to attend to drive home to the government that we do exist out here. It will be the last opportunity for you to convey your concerns and for you to have the opportunity to express first hand how any reduction in water allocation will decimate your business. Your presence alone at these

meetings will re-enforce the messages that we take to Canberra. Please read further detail on back page, and note that you need to RSVP. If you didn't attend the Griffith Water Forum on the 21 April, please take the time to read the write up on page 2 as it covers the Basin Plan in detail. If you have any further questions don't hesitate to call me. It is imperative that you understand how the Sustainable Diversion Limit will affect your water allocation. As Murray stated in his report MPII will keep you informed of any further developments. In the mean time we shall continue to be a part of all consultation processes driving home the message that any reduction in our water allocations will seriously affect our farming operations with a flow on effect to our communities.

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SUMMARY – MURRUMBIDGEE VALLEY WATER FORUM – HELD ON 21 APRIL 2010

The forum was held to inform the community, irrigators and local businesses about the soon to be released Murray Darling Basin Plan (Basin Plan) and our understanding of how certain aspects of the plan may impact on the community, businesses and on individuals.

We have been disappointed with the efforts of the Murray Darling Basin Authority to engage effectively with Murrumbidgee Valley communities to date. The forum is a result of our concern that most people in the Murrumbidgee Valley are unaware of the Plan and its potential consequences.

The presentation provided information about the Basin Plan from the understanding of the forum partners.

The MDBA will be holding their own information sessions once the draft Plan is released and we encourage you to attend. There will be a sixteen week 16 week consultation process.

The primary objective of the Murrumbidgee Valley Water Forum was to raise awareness amongst as many people as possible in our Valley communities that there is a MDB Plan to be released mid year and that it is likely to determine that there will be less water available in our Valley.

The Forum partners wanted to familiarise people with the key issues and terms within the Basin Plan and our understanding of what they might mean and how they will work, terms such as SDLs (sustainable diversion limits) and risk assignment (potential for compensation) etc. We wanted to advise what we as regional bodies have been doing to have effect on the Basin Plan, as well as to provide some thoughts as to what you as community members can do.

It's important to understand how we have arrived at this point, so a brief overview of Australia's water policy framework over the last 15 years or so was provided.

Most irrigators would consider everything in water pre 2000 as the good old days, and they were to a large extent – good rainfall and allocations, lower water prices etc. However irrigators' rights were not well described and there was no compensation for the loss of access to water which could be carried out at the Minister's discretion.

The Government controlled and managed the resource and water was shared on the basis of annual allocations based on water licences (issued by government). Trade commenced in late 1980's but was limited in volume – low priced water.

In 1994, the Murray Darling Basin Commission put a Cap on extractions. These were established to limit long term average diversions from river systems within the MDB.

Through this period we saw the emergence of two key issues;

- Irrigators seeking to strengthen their property right;
- Others in the community seeking to return more water to the environment.

The 1994 Coalition Of Australian Governments (COAG) agreement was the beginning of many of the reforms we are experiencing today. This agreement described the allocation of water to the environment, set a cap on extraction from the MDB, formalised consumptive entitlements and introduced guidelines around water trading and water pricing.

These reforms were driven by National Competition Policy payments, where states received Commonwealth payments for implementing reforms – or not, as the case may be.

The Cap on extraction from the MDB described in 1994 was designed to prevent a decline in river health and to ensure water security and reliability for water users. Whether or not Valleys remained within the cap was audited, but there were no harsh penalties for breaching it.

It is worth noting that the Cap in the Murrumbidgee Valley has never been breached.

This was a significant period for irrigators and saw high level coordination and effort through the NSWIC in an attempt to secure what is known as 'indefeasible' rights to water (in essence a property right similar to land).

We were unsuccessful in this bid but we were successful in securing compensation with Ministerial discretion in NSW. At the time, environmental interests were calling for a minimum cut of 10% across the state. This did not occur with most Water Sharing Plans (WSP) reducing by no more than 5% below the Cap.

Water Sharing Plans (WSPs) to date have been the key instrument in determining long-term extraction limits, rules and water sharing for each valley. In most cases, long-term extraction limits were at the same level or below the Cap. This also helped to ensure the Cap was not breached. It should be noted that, at least in the case of NSW, the issue of 'over allocation' is a non issue as the WSP limits and maintain usage/diversions well below the level of the Cap.

Irrigators were instrumental in creating the catalyst for the National Water Initiative (NWI) through which we sought to provide some certainty/protection for the rights of irrigators beyond the 10 year life of WSPs. Some states had

(and still have) no protection. For irrigators and our communities, this was about protecting their livelihoods after 2014. For environmental groups, this provided an opportunity to push for greater protection for the environment through increased environmental water.

However, this protection came with some strings attached. Full cost recovery in water pricing and beyond towards a rate of return (still arguing about whether govt costs are efficient). Trade liberalisation was generally a positive move and essential for a properly functioning property right, however there are still some third party impacts NWI sought to address over extraction and provide water for the environment.

The framework for 'risk assignment' was established (how the risks of reduced or less reliable water allocations are to be shared between water access entitlement holders and governments).

Risk assignment was agreed upon by governments, but not legislated therefore not really enforceable by law. Environmental groups were not really happy with what came out of NWI as they believed it failed to address 'over extraction'.

In 2006, the worst drought in 100+ years occurred with historically low rainfall and run off, resulting in ecological impacts and water cutbacks.

In following years, low allocations have ensued. Prime Minister Howard was facing another election and had no environmental legacy. He therefore commissioned the CSIRO Sustainable Yields studies and established the \$10 billion, 10 year National Plan for Water Security for the Murray Darling Basin.

The Commonwealth Water Act created the independent Board for the MDBA and defined the Murray Darling Basin Plan. It gives the power to establish and enforce Environmentally Sustainable Limits on diversions and establishes the Commonwealth Environmental Water Holder (CEWH). The Act gives additional roles to the ACCC and the Bureau of Meteorology that have caused added cost and impost on irrigation corporations. It establishes Risk Assignment in law but it is still not the same as guaranteed compensation. However, it is far better than what we had.

The Act defines a balanced 'front end' approach (social, economic and environment), however the detail contained within it focuses on environment only. In key areas, this is not like the version we all saw before being passed it – contains significant flaws.

The ALP took office and essentially re badged the National Plan for Water Security, adding some additional projects and therefore increasing the spend from \$10 billion to \$13.1 bn.

The Commonwealth Water Act tells the MDBA what has to be in the Basin Plan and is very prescriptive. Basically, it has been written using the Commonwealth's foreign affairs powers so that the Commonwealth can override state control of water, and meet its commitments on agreements such as the Ramsar Convention on wetlands. Object 3c of the Act states that in giving effect to those international agreements, the Basin's water resources must be managed to "optimise economic, social and environmental outcomes".

However Section 21, which describes how the Basin Plan must be written, is environment first, second and third – consumptive use comes it at item no. 4 (c) ii).

This is not a drought response (although it has played a major part in the political imperative), but a long term plan to rebalance the use of water in the Basin.

The Basin Plan is made up of three key parts – Environmental Watering Plan, SDLs and the Water Quality and Salinity Management Plan. The SDLs are set based on the needs of the environment. The Environmental Watering Plan implements the use of the water that becomes available once the SDLs are set – this includes planned environmental water and that purchased by the Commonwealth and through other programs such as The Living Murray, Water for Rivers etc. Water Quality and Salinity Management Plan is also part of it, but largely known from MDBC experience.

There are some other aspects of the Basin Plan, including new basin wide trade rules, which will be enforced by the ACCC. This has caused some issues for Irrigation Corporations in terms of intrusion into their businesses as well as increased compliance costs.

The Basin Plan will also include formal recognition that critical human needs, or urban water, must be given priority and will be quantified for each state.

The Basin Plan will set new limits on the amount of water that can be extracted, effectively a "new cap" – SDLs. This includes both surface water and groundwater (but separate figures for each). This is to be based on what is 'sustainable'. The "principles of ecologically sustainable development" state that lack of scientific certainty should not

Information – Murrumbidgee Valley—Water Forum (Continued)

be a reason for postponing the action to protect the environment. The Authority is instructed to use the “best available science” when setting what the needs of the environment are. The Act states there must be no net reduction in environmental water. We expect that there will be cuts, but they will vary across the Basin and between valleys. We don’t know what it will be in the Murrumbidgee or anywhere else as it has not yet been decided. Nor do we know how these cuts will be distributed across entitlement types.

The other way of achieving the 20 units needed for new environmental water needs assumes that part of the reduction has been offset by buyback/savings. If the government purchases 15 units of water for the environment then the consumptive use must be further reduced from 55 to 50 units. In this case there is a reduction in reliability from 100% to 91% (i.e. 50 units divided by 55 units) Every megalitre saved through efficiency programs, or bought by the Commonwealth, will reduce the size of the cut. This will occur on a valley by valley basis. So water bought in the Murrumbidgee will offset any cut in the Murrumbidgee. This portion of “held” environmental water will include other environmental water such as the Living Murray, Water for Rivers etc.

Buyback for the MV is currently around 7- 10% of total entitlements in the Murrumbidgee, not including water returned to the Snowy or savings “Held” environmental water retains its original characteristics – that is it is treated the same as an entitlement held by an irrigator (CEWH pays all costs etc.). Therefore, if there is a 20 per cent cut to the pool, the 15 units identified here will also be cut 20 per cent, meaning the remaining “gap” will in fact be a little wider. The buyback is a means to an end, not the end in itself. The SDL is the end. No one wants to see water go from the region, but if we understand that we are going to lose water through the SDLs, then the buyback and infrastructure investments will help soften the blow. In an ideal world, they would reduce the need for a cut at all (for remaining irrigators).

The MDBA will establish what is an environmentally sustainable level of take – that is what the environment needs. Effectively, we get what is left over. However before setting the final SDL, the Authority will consider what the social and economic impacts are of given SDLs. You may be aware it has recently been conducting surveys in the region to improve its understanding of the social and economic impacts.

It has the ability to some degree to ameliorate these impacts given there is a “risk range” in what the environment needs. For example, a particular wetland might ideally need 600 GL every six years, but if this will result in a cut that will do too much damage to the local community, it could be acceptable to reduce it to 400 GL every seven years. In the MDBA’s words, it is about getting the “lowest risk to the environment at the least social and economic cost”.

Collectively we are hammering the importance of striking the right balance on this and we’re not yet convinced that the Authority will fully consider the social and economic impacts.

“MDBA released a document on the 7 April 2010 giving some idea of how it will assess the environmental watering requirements of the Basin”

MDBA released a document on the 7 April 2010 giving some idea of how it will assess the environmental watering requirements of the Basin. Has identified 18 “indicator assets” – large environmental assets throughout the Basin with large water requirements.

The theory is that by delivering enough water to these assets, it will meet the watering requirements of all the environment in between, as well as downstream in some cases.

Tributaries, like the Murrumbidgee, will have to meet their own needs, as well as contribute environmental flows for downstream needs.

MDBA will use computer models to work out what these environmental watering requirements tally up to, and this will help define the SDLs.

Hypothetical example below;

If you have a 1000 ML licence and there’s a five per cent cut, you don’t lose 50 ML – you keep the 1000 ML entitlement, but its reliability will be reduced by 5 per cent when the new water sharing plan is written to take into account the new SDL’s. Irrigators will be compensated for the drop in value of their entitlement, depending on how the cut is evaluated under the risk assignment framework.

As introduced earlier in the legislative background, the National Water Initiative in 2004 establish a risk assignment framework – that is who bears the risk of any reductions in water availability. This framework has been adopted by the NSW Government in water law.

If there is less water because of climate change, climate variability, drought or bushfire, then irrigators will bear the risk – no compensation.

The Basin Plan will specify the size of any cut and how much of it can be attributed to the Commonwealth's share of new knowledge or policy.

If there is a cut because of new scientific knowledge about the needs of the environment, irrigators bear the first 3 per cent (of the original diversion limit or cap, not the cut) and the Commonwealth the rest. Compensation will be paid for that part.. If the cut is due to a change in government policy, then the Commonwealth is liable and will need to pay compensation.

We have argued that climate change should not be included in a prospective cut, but should only be that which actually occurs and which is dealt with by the allocation system – i.e. if it doesn't rain and there's no water in the dams, irrigators get lower allocations. We also argue the climate change predictions made by CSIRO are based on 2030, while the WRP for the Murrumbidgee will expire in 2024, so this can't be factored into this first iteration of the Basin Plan. We believe the MDBA has agreed with us and will not attribute any of the initial cut to climate change – but we'll see.

MDBA expected to release the proposed Plan in the middle of this year. This is followed by a formal 16 week consultation period. The MDBA is at pains to say they expect the first draft to change considerably to the final version – they claim they won't be defending a position, but genuinely seeking feedback..... we'll see, as past government draft legislation has tended to become actual.

The Plan continues through a process, including review by the States (but no veto power) before going to the Minister for final sign off. The Minister can seek amendments from the MDBA, but ultimately has the final say if it is signed off. The Basin Plan is ultimately implemented by the States. NSW has transitional plans that are protected until they expire in 2014 (Murrumbidgee is 1 July 2014). The new plan after that will have to be accredited under the Basin Plan, and will enforce the new SDL's, environmental watering plan and other rules. Qld and SA are the same, Victorian plans (in theory) expire in 2019.

WATER PRICE REVIEW RESTARTED:



An independent review into prices charged by the NSW Office of Water (NOW) for water planning and management has been restarted.

The review by the Independent Pricing and Regulatory Tribunal (IPART) was halted in January due to a lack of co-operation from the department, but IPART has restarted its investigation after last month's report by Pricewaterhouse Coopers recommended sweeping changes to the Office

of Water's infrastructure.

The report recommends reductions to the NSW Office of Water's proposed operating expenditure of \$28.2 million, or 11.8 per cent, over five years.

Public hearings into the Office of Water's pricing scheme will take place in Wagga Wagga 19 July, Tamworth and Sydney 23 July.

Until the IPART review is complete, current prices set for water planning and management will not increase with inflation.

MPII will be respond via a submission working closely with NSWIC The submission is due on the 16 June 2010.

YACTAC

.PLEASE NOTE IN YOUR DIARIES:

There is constant pressure being applied to the Yanco Creek system re - potential water savings via historical end of system flows and efficiency measures. YACTAC will distribute more detail on this serious issue in the near future. We encourages all members to attend the below meeting in June. The YACTAC executive is in the process of writing a booklet which will be launched soon. The booklet will showcase the system and provide an historical record of what has been achieved to this point. The aim of the booklet is to educate decision makers in understand the balancing of the environmental and community needs encompassing agricultural production of the Yanco Creek System

YACTAC General Meeting 17 June commencing 1.30pm - Ian Gilbert Room - JERILDERIE

We encourage all YACTAC members to attend this meeting as State Water will be presenting the meeting with proposals relating to water reform along the system.

Don't forget to check out our website
www.mpii.org.au

If you want to be put onto our email service please forward your address to
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We do not sell or provide email addresses to third parties.

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**COMMONWEALTH
\$300 MILLION ON FARM
IRRIGATION EFFICIENCY
PROGRAM (OFIEP)**

The Murrumbidgee Valley OFIEP consortium has finally received the go ahead to progress to stage 2 of the application process. At the time of writing, our project officers are contacting all irrigators who's expression of interest forms have been approved to progress to a stage 2 application. There is a possibility that some of these applications will not go ahead so to ensure that the funding allocated by the Commonwealth hits the ground, we are endeavouring to assist in having as many projects as possible approved. Jennie sent out letters to all members giving them the opportunity to apply. Many members have taken up this opportunity.

There will be another round of funding allocated later in the year, therefore if you have missed the opportunity in this round, or your project is rejected in this 1st round, you can apply again in the second round.

If you have any questions in relation to On Farm Works, please give Jennie a call - 0428 832357

**DEWHA — COMMUNITY WATER
INFORMATION SESSIONS**

- Deniliquin—Tuesday 1 June 2010
Deni RSL Club
- Griffith—Wed 2 June 2010
Griffith Leagues Club
Cnr Bridge Rd & Irrigation Way Griffith
Both sessions will run from 2pm to 5.30pm
Please RSVP 1800 218 478 or email
waterinformation@environment.gov.au

The Australian Government, Department of the Environment, Water Heritage and the Arts (DEWHA) invites members of MPIO to a series of public community information sessions on Australian Government water related policies and programs. The Murray Darling Basin Authority, Department of Agriculture, Fisheries and Forestry and the ACCC will also be attending the sessions to answer questions relating to the Basin Plan, drought assistance measures and water market rules and regulations.