

Goulburn to Murray Trade Review 2021-22 Interim Measures

How we're addressing what we heard through consultation

Introduction

The Department of Environment, Land, Water and Planning (DELWP) would like to thank persons and organisations for making submissions as part of the public consultation process for the Goulburn to Murray trade review Regulatory Impact Statement (RIS) and the exposure drafts of the Order for amendment of the Trading Rules for Declared Water Systems (Revised Goulburn to Murray Trade Rule) and the Water (Tagged Water Allocations) Regulations 2021.

34 online surveys were completed, and 35 written submissions were made. In addition, a petition coordinated by Environment Victoria was submitted to the Water Markets email by 302 supporters through the Environment Victoria website. A Closing the Loop report summarising what we heard is available online: <https://engage.vic.gov.au/goulburn-murray-trade-rule-review>.

The Goulburn to Murray trade review RIS proposed a package of complementary changes, including options for:

- operating rules that prescribe the volume of water that can be delivered out of the Goulburn River during summer and autumn so that it is closer to natural flow patterns,
- trade rules that are set to allow trade that matches opportunities to deliver water under the proposed operating rules; and
- tagged use regulations that restrict use from tagged accounts in line with allocation trade rules, including options for managing tagged use under grandfathered entitlements.

The RIS also investigated feasible infrastructure options and options for management of trade between the Goulburn and the Lower Broken Creek.

Proposed interim changes for 2021-22

Through consultation we heard strong, mixed views particularly on operating rules which underpin trade between the Goulburn and Murray systems. In response to what we heard from the community, to continue avoiding damage to the lower Goulburn river and to provide certainty to the market for the year ahead, we're proposing a year of interim trade and operating rules while we learn more about how to use more variable flows to deliver inter-valley trade over summer and autumn within ecological tolerances. A decision on long-term trade and operating rules will be announced next year, incorporating what we learn through this trial year.

Operating rules, monitoring and pulses

For the year ahead, we will build on the last two years of interim operating arrangements by moving from monthly targets to more variable flows and test interim operating rules in line with Option 2 of the regulatory impact statement. This means that through this trial year we will aim to deliver similar volumes of water over the summer and autumn period as last year, but in a more environmentally sensitive flow pattern, with prescribed periods of lower flows averaging 1,100 ML per day – lower than we've seen in any recent years. We will also test larger freshes of up to 6,000 ML per day, but only at times when larger freshes have previously been delivered for ecological benefit, in late spring/early summer and in autumn. A smaller fresh of up to 3,000 ML per day will be delivered in late January, early February peaking in February, but only after a prescribed period of at least six weeks of lower flows has been met. We've taken on board feedback through consultation and won't deliver mid-summer freshes above this volume until we have more certainty about how the river would likely respond. Instead, we will be monitoring the outcomes of

these proposed freshes while we undertake further ecological assessment of summer freshes with the help of the scientific panel, Traditional Owners and environmental managers.

We heard strong mixed views around operating rules through consultation. These operating rules are being trialled as they are a substantial improvement on the sustained high flows under the base case, are expected to prevent the type of environmental damage seen in 2017-18 and 2018-19 and allow for some recovery of the river overtime, while still providing trade opportunity to support irrigators and other water entitlement holders. The operating rules are also expected to provide protection of cultural heritage sites not protected under the base case and would likely see the recreational values of the river maintained or improved relative to the higher base flows. Stakeholders in support of these operating rules saw them as the best balanced option between environmental protection and support for irrigators who rely on trade and meet the definition of a sustainable working Goulburn River. However, trialling these rules for the first year acknowledges the uncertainty around components of the rules and allows for any lessons learnt from putting these rules into practice in the coming year to be built into long-term operating rules.

As part of the Victorian Government's State Budget 2021-22, announced in May, part of the \$8.4 million set aside for water market support will go towards monitoring over the next three years and to help inform a long-term decision. Monitoring through implementation will be key to ensuring the rules are working as intended and provide opportunities for improving these rules, including learning more about using larger pulses through summer and autumn to deliver inter-valley trade in a more sustainable pattern. Throughout this period DELWP will continue to work with river operators on operational improvements to ensure rules can be practically implemented. DELWP will also continue to work with the Murray-Darling Basin Authority to monitor delivery risks in the River Murray to ensure any risks arising as a direct result of trade from the Goulburn can be mitigated using existing operational levers.

Clear triggers are included in the draft Goulburn operating rules for a full review of the rules if the lower Goulburn River was not responding as expected and we are continuing to see the type of damage we have seen in recent years like 2017-18 and 2018-19. Monitoring will be undertaken in collaboration with partner agencies including river operators and catchment management authorities, Traditional Owner groups and independent experts. Findings from the first year of monitoring will also inform the feasibility of using higher pulses to increase trade opportunity.

The draft operating rules also propose that an adaptive management approach be taken, which means improvements can be included in operating rules as they are identified. Once a decision on long-term operating rules is made, a full review of the operating rules is triggered if there is the mass failure of the banks at designated reaches caused by regulated flows or if other significant issues arise.

In making comment on the operating rules, including 1,100 ML per day flows with three pulses, the Victorian Government acknowledge that the scientific panel were clear that these operating rules provided an inferior outcome to flows of 940 ML per day from the environment risk and opportunities assessment report, but a superior outcome to the base case and other options.

Noting that there was uncertainty, the scientific panel advised that the proposed rules would avoid the kind of damage to the river caused in 2017-18 and 2018-19 from sustained high flows to deliver inter-valley trade. The risks of erosion would be substantially reduced, and it is probable that the river would slowly heal, given adequate sediment inputs from tributaries and continuation of current environmental flow management. This would result in significant to high improvements to environmental outcomes relative to the base case over 15 years and had an overall low risk rating.

Through the risk assessment undertaken as part of assessing the options, these flows are expected to provide protection of cultural heritage sites currently not protected under the base case if the expected ecological outcomes are seen.

Similarly, expected improved environmental outcomes would likely see the recreational values of the river maintained or improved relative to the sustained higher flows in the base case. For the year ahead, these periods of lower flows, which will average 1,100 ML per day, will be lower again than in 2020-21 when flows averaged around 1,300 ML per day. in 2020-21 under interim monthly flow targets. These lower flow periods will improve the community's ability to use the lower Goulburn for recreation, with safer, more accessible sandbars compared to recent years. River heights at flows of 1,100 ML per day are around 10 cm higher than with flows of 940 ML per day.

Flows lower than 1,100 ML per day with fewer pulses are not considered a feasible option for the limited trade opportunity they would provide for entitlement holders in the Goulburn and downstream irrigation communities. Flows higher than 1,100 ML per day with more frequent pulses increase the risk of further damage to the environment, which does not meet the objectives of the review.

In response to concerns and suggestions made we have updated the draft operating rules for Goulburn inter-valley trade deliveries to make explicit that current processes to provide flexibility for environmental water managers will continue – this includes provisions for recession flows, ability to bring the first IVT pulse forward to support the delivery of a late spring fresh when this would not result in higher delivery risks in the River Murray, and water quality mitigation measures. We will continue to work with partner agencies towards improving operating rules for balanced and shared benefits.

We heard concern about the uncertainty about possible impacts of proposed pulses over 3,000 ML per day. As part of the trial of operating rules during 2021-22, this will be tested and monitored through two higher “freshes” – or pulses of up to 6,000 ML per day – to be delivered in early summer and autumn to seek shared benefits for the environment while running down the remaining Goulburn inter-valley trade account balance from previous years. While not currently delivered every year, late spring/early summer and autumn freshes are current practice by environmental water managers to achieve a range of objectives and annual pulses at these times are supported by the recommendations of the recent Kaiela (Lower Goulburn River) Environmental Flows study. With the support of monitoring we will continue to seek to make any identified improvements to the shape and timing of pulses to ensure we are not seeing the type of damage that has occurred in recent years.

The impact of a pulse above 3,000 ML per day in January or February is more uncertain as freshes above these volumes are less common at this time. Scenarios assessed by the scientific panel included pulses up to 6,000 ML per day. While they provided comments on operating rules that prescribed a mid-summer pulse up to 6,000 ML per day, the panel’s own assessment included a scenario with a mid-summer pulse of 4,500 ML per day, with the overall risk of such pulses considered low under this option. In response to stakeholder concerns and uncertainty around a pulse of up to 6,000 ML per day in mid-summer, more work will be done as part of the feasibility study to understand the shape, timing and magnitude of a mid-summer pulse to avoid the type of damage occurring that was seen in previous years.

Through this interim year we will continue our investigation of moving privately-owned in-channel pumps. The outcomes of this investigation, additional ecological assessment of summer freshes, trial of carefully timed larger freshes and first year of monitoring will all be made publicly available. This work will help inform long-term trade and operating rules, and will ensure that a final decision ahead of 1 July 2022 will be made on the best available information.

Trade rule for 2021-21 and trade opportunity in transition to long-term rules

To ensure trade opportunity is matched to what can actually be delivered and provide for a smooth transition to long-term rules, an interim two-part Goulburn to Murray trade rule with a rolling limit in winter-spring and a net trade cap in summer-autumn will be in place from 1 July 2021 to 30 June 2022. In line with Option 2 of the regulatory impact statement, throughout winter and spring trade will be possible whenever the rolling balance of the Goulburn inter-valley trade account is drawn down below 190 GL, and a net trade cap will apply from 15 December. This type of two-part trade rule was overwhelmingly supported through consultation as it allows only what can sustainably be delivered to be traded and provides more certainty around when access to trade is available for irrigators into the future.

Importantly, two changes have been incorporated into this rule in response to feedback and suggestions during consultation.

Firstly, any remaining undelivered water in the inter-valley trade account on 30 June 2021 will be set aside so that it does not affect trade opportunities under the rolling limit on 1 July 2021. This will help to smooth the transition to longer-term rules and will mean that trade opportunity on 1 July 2021 is expected to be around 50 GL. The water that is set aside will be delivered as part of the trial of two higher pulses in early summer and autumn in the coming year.

In recent month the volume in the Goulburn inter-valley trade account has been drawn down significantly, and as at 17 June 2021 only 29 GL remained in the account.

Secondly, through consultation, we heard concern that the trade opportunity is heavily dependent on delivery of inter-valley trade through winter and spring and if this water is not actually delivered then trade opportunity would not be as high as expected. While the default delivery pattern that river operators must follow under the operating plan will include more winter and spring deliveries in line with traded demands, there are reasons river operators may not deliver water as prescribed. To provide flexibility for river operators and more certainty for those relying on trade, an ability to defer delivery in winter and spring has been added to both the draft operating plan and the Goulburn to Murray trade rule. This gives river operators the ability to defer delivery of water in winter and spring if Lake Victoria is at risk of spill, but without restricting trade opportunity. This will give river operators additional flexibility in how this water is delivered outside summer months to make best use of the resource. This creates opportunities to make the best use of unregulated flows in the Murray system, in line with current practices, but ensures irrigators who rely on trade will not be impacted as a result.

Putting in place this two-part rule while we test operating rules is important to enable the existing inter-valley trade account balance to be run down and to make sure that long-term trade rules can be brought in next year without significant shocks to the market. For the last two years, while there have been interim monthly limits agreed by river operators, there has not been a trade rule in place that matches what can be traded to what can be delivered. This has meant that at times the inter-valley trade balance has been over 200 GL for long periods. This has impacted future trade opportunity, added to delivery risks and increased the risk that monthly limits will have to be exceeded to manage the demand for this trade. Introducing the interim trading rule will prevent potentially significant shocks to the water market that could arise as a result of unsustainable volumes of trade this year, which would significantly reduce opportunities for trade from the Goulburn in subsequent years. If the current rule remained in place, the balance of the inter-valley trade account could be close to 200 GL at the end of the coming year resulting in potentially no trade opportunity in 2022-23 and higher delivery risks if we return to dryer conditions.

The expected trade opportunity in 2021-22 under the new interim two-part trade rule is about 130 GL under average conditions, and more trade would be available if the season is dry and allocations are low when it is needed most. This would consist of around 50 GL of trade opportunity on 1 July and a further 80 GL of trade opportunity created under the 190 GL rolling limit as water is delivered during spring. The interim operating and trade rules will enable this level of trade while avoiding further environmental damage and enabling some recovery from recent high volumes of inter-valley trade deliveries over summer and autumn. We have seen that during 2020-21, the interim monthly targets, which average around 1,300 ML per day, were successful in slowing damage to the lower Goulburn but there has continued to be some damage to the banks occurring from flows sustained at this level. The interim operating rules will average around 1,100 ML per day and are expected to result in a low risk of further damage from unseasonal flows and enable some recovery over time.

The trade opportunity from the Goulburn to the Murray for 2021-22 is expected to be around be 130 GL under average conditions, which is more than in most years since the Basin Plan was introduced (2012), but less than in the record years of trade (2017-18 and 2018-19) that lead to the significant environmental damage in the lower Goulburn River. These two years were times of extreme drought in NSW, with zero allocations for NSW general security entitlements in the Murray and water was not available from the Murrumbidgee River.

While trialling larger freshes of water this year won't create additional trade opportunity during 2021-22, it will help run down the deliver the remaining inter-valley trade balance from June 2021 to ensure trade opportunity is available in the 2021-22 water season. It will also provide more information about how we can use larger freshes of water to deliver inter-valley trade in future without increasing delivery risks.

Tagged water use restrictions

Interim regulations, that restrict tagged water use to keep a level playing field for all types of trade, will continue until a decision about enduring regulations is made.

Through consultation we heard that continuing to manage transfers of tagged water was an important step in managing flows in the lower Goulburn and preventing a loophole around allocation trade limits. We also heard strong support for restricting grandfathered tags over time and advocating for bringing these into line faster, as these grandfathered arrangements provided an unfair advantage that undermines inter-valley trade rules. Restricting tagged water use in line with allocation trade will keep a level playing field for all types of trade.

Managing trade between the Goulburn and the Lower Broken Creek

Based on the concerns we heard from the customers in the Lower Broken Creek that proposed tagged use rules were too restrictive and too conservative to manage risks, the current tagging exemption for the Lower Broken Creek will continue into 2021-22 while DELWP works to design a new locally relevant tagging rule that provides more certainty year-round for local water users, while preventing this system being exploited as a loophole around trade limits or creating additional delivery risks within the Creek or beyond in the River Murray. DELWP will undertake more consultation with the customers in the Lower Broken Creek while this work is underway.

Delivering water from the Goulburn inter-valley trade account through the Lower Broken Creek when there is spare capacity is proposed to continue, in line with current practice. However, rules for the Lower Broken Creek will not reserve capacity for inter-valley trade deliveries.

For over a decade, GMW has been transferring Murray and Goulburn system water through the Lower Broken Creek at the request of the Goulburn-Broken Catchment Management Authority to meet environmental flow objectives. Historically, the use of the Lower Broken Creek to deliver water from the Goulburn inter-valley trade account was primarily for meeting ecological targets for water quality and habitat provision. In recent years, higher IVT demand has led to the volume of transfers increasing in lower Broken Creek, which helps reduce ecological damage from water transfers in the lower Goulburn River and Barmah Choke.

The Lower Broken Creek is a much smaller waterway than the lower Goulburn River, which means that the amount of water from the Goulburn inter-valley trade account that can be delivered through this system is quite small. However, sustained high flows over summer could still cause ecological damage, including bank erosion.

The Goulburn Broken Catchment Management Authority is undertaking a monitoring program to better understand the environmental thresholds of the Lower Broken Creek and inform future flow management.

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Printed by Department of Environment, Land, Water and Planning

ISBN 978-1-76105-657-4 (pdf)

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