

APRIL 30 2021

Regulatory Impact Statement

Goulburn to Murray trade rule review- assessing changes to trade, tagging and operating arrangements

Submission prepared by RMCG on behalf of Greater Shepparton City Council

1. OVERVIEW

City of Greater Shepparton

City of Greater Shepparton welcomes the opportunity to provide this submission to the Regulatory Impact Statement (RIS) published by DELWP (Victorian Department of Environment, Land, Water and Planning) which proposes changes in the operating rules and trade rules to ensure that water traded from the Goulburn to the Murray can be delivered without unacceptable impacts on the environment or the reliability of other entitlements.

Greater Shepparton City Council (GSCC) is located in the heart of the Goulburn Murray Irrigation District (GMID) and the region is reliant on irrigation to ensure it remains a vibrant and economically important region for the production of agricultural produce. GSCC is also a member of the GMID Water Leadership group.

Despite a strong focus on the shortcomings of the proposed RIS report in this submission, the GSCC acknowledge there have been significant benefits throughout the irrigation industry, including for stakeholder-irrigators in our regions that are directly attributable to water trade and the implementation of water markets. However, the impacts have not all been positive and there have been considerable adverse impacts on the Shepparton region and the GMID.

DELWP's review of Goulburn to Murray trade rule and its proposed RIS

The Goulburn to Murray trade review is being undertaken by DELWP to enable sustainable delivery of water under new operating rules for the lower Goulburn River, and to make sure trade and use from all water accounts, including tagged accounts, reflect environmental thresholds. It also provides a preferred option for managing trade between the Goulburn and the Lower Broken Creek.

DELWP is conducting this inquiry in response to concerns by a number of people and groups within the Lower Goulburn region including GSCC in relation to the environmental damage being caused to the Goulburn weir in the last few years as a result of increased water trade out of the region. As part of this review, DELWP has prepared a regulatory impact statement (RIS) for consultation on long-term options to improve Goulburn to Murray trade rules, regulation of tagged water and to propose new operating arrangements.

This RIS sets out a preferred option and makes the case for regulatory change to address issues on the lower Goulburn River. As part of this process, DELWP is seeking feedback on the RIS from all interested stakeholders, which will help to inform a Victorian Government decision on long-term Goulburn to Murray trade and operating rules that will start to come into effect from 1 July 2021 over a one-year transitional period, with long-term arrangements fully in place by 1 July 2022.

Submission requirements

Stakeholders are invited to make formal submissions or comments on the RIS and the proposed operating rules, trade rule and tagged use regulations. Submissions may present analysis of alternative options and recommend changes to the proposed rules and regulations.

Submissions are required to be made in writing and submitted no later than 5pm on 30 April 2021 via the Engage Victoria website:

<https://engage.vic.gov.au/goulburn-murray-trade-rule-review>

All submissions will be treated as public documents and published on the Engage Victoria website unless they are marked as confidential.

Government Response to Submissions

After the consultation period, the Department will consider all feedback received from stakeholders and the community and consider whether any changes to the proposed operating rules, trade rule and tagged use regulations are required. The Department will make recommendations to the Minister for Water about the final form and content of these rules and regulations for the Minister to make the final decision.

A public notice on the Victorian Government's decision will be made, with the new trade rule and tagged use regulations proposed to start to come into effect from 1 July 2021.

This Submission

The government website for submissions invites people to respond to a specific survey which requests responses regarding

- i. Proposed Goulburn operating rules and trade options
- ii. proposed approaches to restricting grandfathered tags in Victoria
- iii. proposed options for long-term arrangements for the Lower Broken Creek

This submission strongly supports DELWP in undertaking this work to address the environmental damage on the Goulburn River.

This submission whilst commenting generally on the above questions, does not address them in detail as these are considered technical detail. Rather, this submission addresses the underlying issues surrounding the causes of the environmental damage and the approach that should be adopted.

2. FUNDAMENTALS OF DELIVERABILITY PROBLEM

2.1 Cause of the Deliverability Problem

In recent years there has been considerable angst in the downstream Murray region in terms of the ability to deliver water for both irrigators and environmental needs, particularly over the summer and autumn periods. The reasons for this are well explained by DELWP in its various documents and webinars and the details are not repeated here.

In brief, the five key drivers of the deliverability problem, two increase demand and three decrease supply. The drivers are:

- i. Water trade per se without accountability: The ability of downstream irrigators (Sunraysia and Riverland) to trade water from both upstream Murray and Goulburn irrigators, initially without restriction, has led to water previously used by irrigators in the Murray above the choke, and in the Goulburn Valley being transferred via the Barmah choke and the Lower Goulburn to meet increased demand. Many argue that state and federal government policies that encouraged water entitlement and allocation trade and horticultural development that have been in place since the late 1990's, have actively encouraged increased water use in the greater Victorian Sunraysia region.
- ii. Buyback (basin water recovery) coupled with water trade: Whilst water recovery of entitlements was uniformly applied throughout the southern basin, the downstream usage has had an overall net increase through:
 - a. The replacement of buyback in downstream Murray by "backtrade" of water from the upstream regions
 - b. The environment water recovery being delivered substantially downstream
- iii. Lower Darling River reduced contribution of regulated and unregulated flows downstream of Menindee due to increased water harvesting in NSW northern rivers and SE Queensland regions: The Darling River's contribution since 2008 has drastically reduced and this coincides with the rapid increase in the capacity of on-farm water storages in the northern Basin.
- iv. Murrumbidgee contributing less: In recent years the contribution of water traded from the Murrumbidgee to the lower Murray has declined, probably as a result of growing utilisation of previously unutilised High Security allocations in the Murrumbidgee Valley. The reasons for this are less clear and need further investigation.
- v. Barmah choke reducing in capacity: there has been a well publicised but sudden recognition that the Barmah choke capacity has reduced and is therefore restricting the ability to maintain long-held transfer capacity to meet downstream demand.

Whilst the problem of supplying water to users downstream of the choke has been exacerbated by the drought sequence, this is not the main reason for the deliverability problems and should not be used as an excuse for addressing each of the above five drivers of the problem. It is noted that the first four drivers are a result of previous policy decisions which have had deliverability consequences that were ignored when adopted.

2.2 Proposed Response to the Deliverability Problem – Fundamental Questions

The Victorian response to the deliverability problem to date, has centred around:

- i. Limits on maximum summer flows in the Lower Goulburn associated with water trade and the imposition of IVT (inter Valley Trade) rules to limit the flows due to adverse environmental impacts on the Goulburn river particularly the last four seasons.
- ii. Increasing downstream flows via the Broken Creek by modifying the trade rules which restrict Broken Creek irrigators trading water.

Goulburn preferred option; DELWP (Via the RIS,) is proposing to modify the Goulburn operating rules and trade rules to manage the deliverability problem. The response enables the current level of water trade on the Goulburn to more-or-less continue whilst minimising the environmental damage. This only seems a reasonable response if one assumes that it is the Goulburn systems responsibility to manage the problem.

However, when considered in the light of what has caused the problem, some fundamental questions challenge this approach:

- a) Why should the Goulburn system be substantially modified with an aim of overcoming downstream deliverability problems caused by others?
- b) Why should the Lower Murray system have an automatic right to expand their operations and contribute to deliverability problems for existing irrigators and the environment?
- c) Why isn't the reduced contribution to Lower Murray supply from the Darling and Murrumbidgee being addressed first?
- d) What complimentary measures are being taken to make sure users downstream of the Goulburn junction are unable to further develop demand for water from expanding orchards and vineyards, thus making the issue potentially worse?

The preferred RIS option is based upon an assumption that changes in the Goulburn operating should facilitate and "legitimise" the increased trade from the Goulburn to the Murray that has occurred over the last four seasons.

It is noted that further downstream development in Victorian Murray regions is currently being restricted and GSCC strongly supports that restriction. However, it is seen as "shutting the door after the horse has bolted".

This submission proposes that whilst changes to the Goulburn operating rules and water trade are desperately needed to prevent the recent environmental damage caused by unseasonal and prolonged maintenance of high flows and high river levels, this should be based on the primacy of protecting the Goulburn's environment first and foremost. This should not result in a "compromise" or an untried "best bet" option that legitimises the increased downstream trade to overcome deliverability problems caused by others. In the event the measures are later deemed unsuccessful, or require further restrictions to again be applied, it will be extremely difficult to implement further restrictions.

Broken creek preferred option: DELWP (Via the RIS,) is proposing to modify the Broken operating rules and trade rules to manage the deliverability problem. The response attempts to bring the Broken Creek diverters ability to trade water in-line with Goulburn irrigators enabling the maximum volume of water to be delivered downstream. Thus, the Broken Creek is used to offset the reduction in Barmah choke capacity and to deliver Goulburn IVT. This proposal also attempts to remove some trading “loopholes” which one or two irrigators have used to circumvent the current Goulburn trade restrictions. Again, this only seems a reasonable response if one assumes that it is the Goulburn systems responsibility to manage the problem.

However, when considered in the light of what has caused the problem, it can be shown that an additional fundamental question remains:

- e) Why is the reduction in Barmah choke capacity and the demand for Goulburn IVT, being offset by using the Broken Creek at the expense of the flexibility and operating capacity for Broken Creek irrigators?

In effect the preferred option treats the Broken Creek irrigators as part of the downstream Murray system for trading purposes, yet they are located and supplied by both the Goulburn and the Murray from the upstream sections. This is a clear reduction in the ability of Broken Creek farmers to operate and severely limits their trading options.

This submission proposes that whilst changes to the Broken Creek rules and water trade are needed to prevent “loopholes”, these irrigators should not be adversely restricted just to enable further water to be delivered via the creek to meet downstream deliverability issues.

3. SPECIFIC RIS PREFERRED OPTIONS

3.1 Proposed Goulburn Operating Rules and Trade Options

Option 2 is proposed to have 1,100 ML per day average base flows plus three pulse flows over summer and autumn, with a two-part trade rule to match (and tagging restricted in line with trade). This is described to have (long-term environmental recovery, low risk of further environmental damage).

This option appears to be an “untried” and “best bet” “compromise” option. As such it appears to be a reasonable proposal technically.

DELWP and the government is to be commended for undertaking this work to remedy the environmental damage inflicted by past policies on the Goulburn River environment. GSCC strongly supports measures to address this damage.

However, this option cannot be supported in its entirety because it is:

- a) untried;
- b) at best has a long-term environmental recovery target;
- c) a compromise that legitimises the increased trade that has occurred, including recent trade that has occurred over the last four years; and
- d) it does nothing to address the main drivers of the deliverability problems caused by other issues i.e. buyback and subsequent associated “backtrade”, past downstream water entitlement trade, observed reduction in flows into the Murray from the regulated Lower Darling and Murrumbidgee Rivers.

Rather it is proposed that the preferred option should

- i. adopt the precautionary approach on a trial basis and NOT the best bet compromise;
- ii. ensure both immediate and long term environmental recovery of the Lower Goulburn, not just plan for a longer term recovery as is proposed;
- iii. should have milestones, that if achieved, could enable a less restrictive scenario to be implemented; and
- iv. not solely focus on overcome deliverability problems without also addressing the issues of a structural reduced supply from the Darling, Murrumbidgee and increased demand by past horticulture expansion downstream. The issue of unrestrained and proposed NSW further expansion of horticultural developments downstream create a further risk.

The preferred option also flags the possibility of raising private pump operating levels so that higher pulses can be delivered without adversely affecting irrigators. The raising of pumps may provide additional flexibility to river operators, especially in delivering environmental flows in the spring period. However, once implemented it will be too tempting for operators to increase pulses to 6,000ML/day without necessarily protecting the river environment. This option of increased pulses needs considerable investigation and consultation before even being considered for implementation.

Therefore, GSCC rejects the preferred option proposed in the RIS and seeks an option that achieves the above proposals.

3.2 Proposed Approaches to Restricting Grandfathered Tags in Victoria

The RIS reviewed Tagging regulations in order to ensure the risks of tagged water use are managed consistently. This issue is clearly a “hang over” of previous policies and it is agreed that it should be addressed.

GSCC does not have a view on the options presented other than it wishes that any option is clearly explained to all users and puts the environmental health of the Goulburn River as paramount.

3.3 Proposed Options for Long-Term Arrangements for the Lower Broken Creek

The RIS has attempted to untangle the complex arrangement that exist for the Broken Creek where water can be supplied from both the Goulburn system and the Murray system upstream of both the Murray Choke and the Lower Goulburn. Entitlements on the system are held under the Goulburn system yet allocations are made according to the Murray system.

The Broken Creek is used by both the Murray system and the Goulburn system to deliver water downstream and avoiding the use of the Barmah choke and/or the Lower Goulburn. It appears that the proposal is attempting to maximise the use of the creek for delivering water for Goulburn IVT and also for the bypass of the Barmah choke. It is also aimed at preventing some loopholes enabling trade to circumvent Goulburn restrictions.

The proposal can only be supported if it can be demonstrated that the Broken Creek irrigators are not disadvantaged. This does not appear to be the case, and thus GSCC does not support the proposal without that demonstration and support by the Broken Creek irrigators.

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