



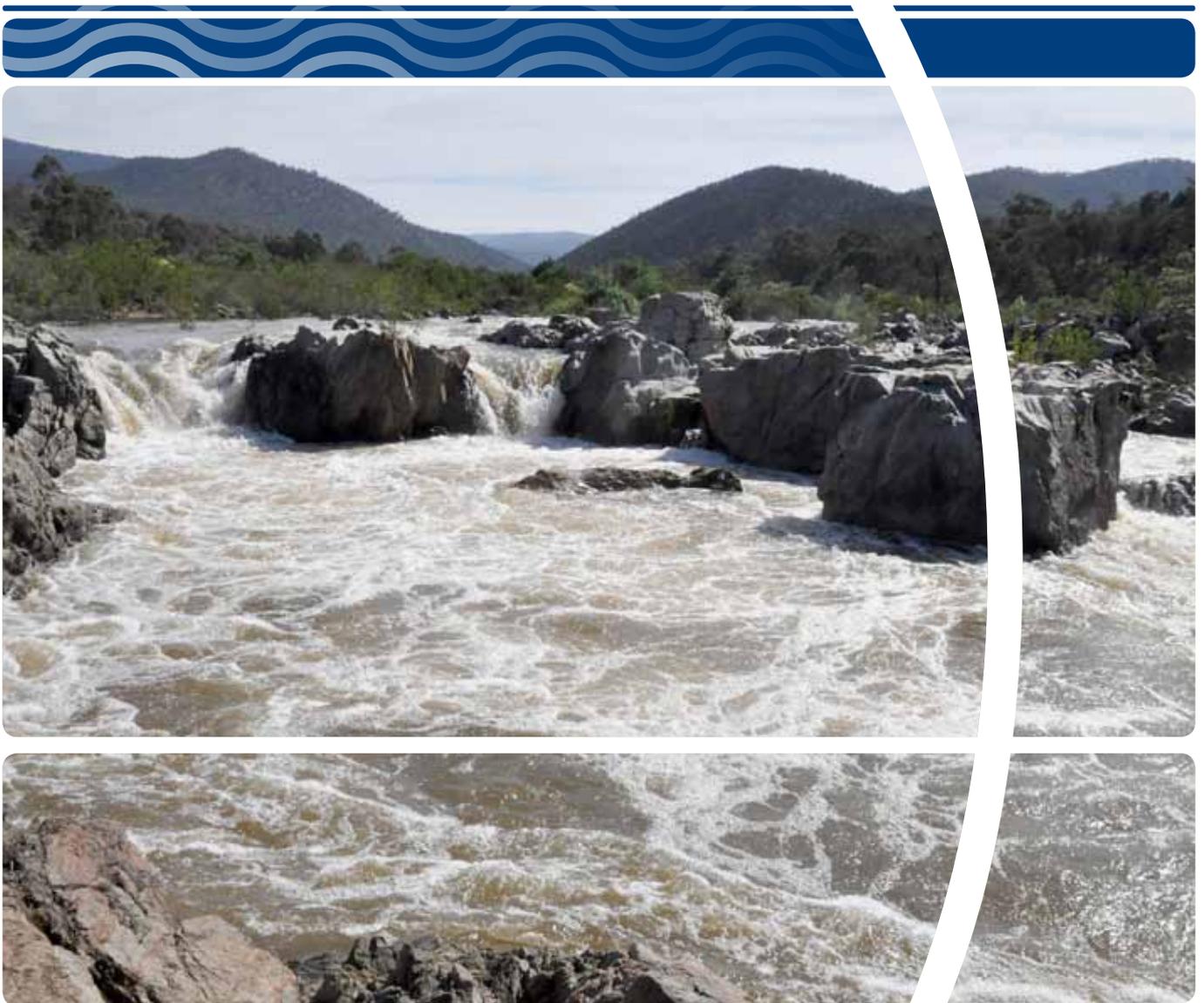
Office
of Water

Final report

Revision of Snowy Hydro Water Licence

Requirements for the release from Snowy Hydro's storages of water 'deficit' accumulated under dry inflow sequence during drought years

Response to submissions June 2011



Leading policy and reform in sustainable water management

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The NSW Office of Water manages the policy and regulatory frameworks for the State's surface water and groundwater resources to provide a secure and sustainable water supply for all users. The NSW Office of Water also supports water utilities in the provision of water and sewerage services throughout New South Wales.

Final report***Revision of Snowy Hydro Water Licence******Requirements for the release from Snowy Hydro's storages of water 'deficit' accumulated under dry inflow sequence during drought years******Response to submissions June 2011***

October 2011

Cover: photograph of Snowy River at Pinch Falls

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Introduction

Snowy Hydro Limited (SHL) was issued with a Snowy Water Licence (the Licence) on 30 May 2002 under the *Snowy Hydro Corporatisation Act 1997* (the Act) for a period of 75 years. The Licence defines SHL's water rights and obligations with respect to the operation of the Snowy Scheme.

Following the historic drought conditions experienced in recent years, and the dramatic improvements in water availability in 2010, it has become clear that some of the current provisions of the Licence require increased volumes of water to be released from the Snowy Scheme in a manner that is not beneficial for water users or the environment. In particular, the Licence currently requires that any cumulative deficit in releases from the Snowy Scheme that are the result of inflows being below the "design drought" be released as soon as inflows into the Snowy Scheme improve.

The Water Administration Ministerial Corporation (WAMC), through the NSW Office of Water invited public submissions from 15 June to 15 July 2011 on proposed variations to the Licence. The variations were deemed necessary to provide more flexible and sensible rules to benefit water users and the environment. The information package prepared for the public consultation described the proposed variations and reasons for it. A summary of the proposed variations is listed in this report and a full list with explanations can be viewed on the NSW Office of Water website www.water.nsw.gov.au/snowy.

This report collates the issues raised in the submissions received, provides responses to the issues within the scope of the proposed amendments and also attempts to clarify issues that have either been raised due to misunderstanding or incomplete understanding of the Licence requirements or the proposed variations. Where relevant, actions to address the issues raised have also been included.

Background information

Under the current Snowy Water Licence, when inflows into the Snowy Scheme fall below the lowest inflows observed prior to the issue of this Licence (the "design drought" upon which the Snowy Scheme was based) a "Dry Inflow Sequence Volume" (DISV) is calculated. The DISV represents the reduction in the Required Annual Release (RAR) to the Murrumbidgee and/or Murray Valleys as a result of a sequence of inflows being lower than the "design drought". In a succession of dry years the DISV can accumulate.

Due to the extent and severity of the recent drought, the cumulative DISV became a substantial volume. At the end of the 2009/10 water year, the cumulative DISV over the four year period since 2006/07 stood at 481 gigalitres for the Murrumbidgee Valley, and 784 gigalitres for the Murray Valley.

Under the current provisions of the Licence, all accumulated DISV must be "repaid" as soon as inflows to the Snowy Scheme recover sufficiently to allow it. Releasing this volume in addition to the RAR in 2010-11 would have exceeded the capacity of the storages downstream of the Snowy Scheme in the Murray and Tumut Valleys. This could have resulted in extended periods of unseasonal high flows downstream of the dams.

The Act and the Licence provide for reviews of the Licence at regular intervals. The first review, five years after corporatisation, was completed May 2010 and a general review of the Licence is scheduled to be undertaken in 2017. The Office of Water considers that addressing the DISV issue is too important to await the next scheduled review of the Licence, and the opportunity to create a lasting reserve for a future drought could be lost.

Under Subsection 26(1)(d) of the Act, the Licence may be varied by WAMC for any special purpose for which the WAMC considers that a variation is necessary. The Office of Water is proposing that the Licence be varied under this provision to ensure that the currently accumulated DISV is not released at a time that would not benefit consumptive users or maximise benefits for environmental purposes.

Section 30 of the Act authorises the state of NSW to enter into an agreement to compensate SHL for any action taken by the state in relation to the Licence. Upon corporatisation of SHL in 2002, and consistent with Section 30 of the Act, an agreement was made between the state of NSW and SHL. This agreement has the effect that any variations proposed to be made to the Licence that are not agreed to by SHL can lead to the requirement for SHL to be compensated.

As SHL has also agreed to the proposed variations to the Licence, the Office of Water is proposing that the Licence also be varied under section 26(1)(e) of the Act.

Proposed variations

The variations proposed by the Office of Water cover five key areas:

1. The removal of the requirement to release, as soon as the inflows to the Snowy Scheme allow, any accumulated Dry Inflow Sequence Volume (DISV).
2. The establishment of a “Drought Account” for each valley: 150 gegalitres for the Murrumbidgee Valley and 225 gegalitres for the Murray Valley. The water in these accounts can be used if inflows again reach critically low levels. The accounts are credited with water when a recovery occurs following a period when a DISV is triggered (and at other times at the discretion of the NSW Office of Water).
3. An option each year to call out the water savings that are kept within the Snowy Scheme for environmental flows into the Murray Valley, known as River Murray Increased Flows (RMIF). At present, release of RMIF to the Murray River only occurs when SHL chooses to make releases greater than the Required Annual Release. To date very little of the volume recovered since 2002 has been released. (This is not a component of the cumulative DISV.)
4. An option each year for SHL to release water in excess of the Required Annual Release (also known as “Flexibility Release” or “Flex”) and have the additional release treated as an early delivery of the next year’s Required Annual Release. Currently, except where there is a persisting DISV, any such releases are treated as a release of “Above Target” water, which is water not required to be released to meet Required Annual Releases.
5. A requirement for SHL to release some Above Target water if any Flexibility Release results in additional release or spill of water from downstream storages in the following water year and does not contribute to consumptive use. This is also known as “wet sequence protection”.

The majority of the proposed variations are in Schedule Four of the Licence that describes releases to the Murray and Murrumbidgee Valleys.

Public consultation

Under section 27 of the Act, the Office of Water is required to undertake public consultation in connection with any variation to the Licence. The Office of Water undertook a public consultation

process and invited submissions on the proposed variations between 15 June to 15 July 2011. A total of 12 submissions were received. The submissions can be viewed on the Office of Water website www.water.nsw.gov.au/snowy.

Letters have also been received from the NSW Treasurer and the Victorian Minister for Water confirming their support for the proposed variations. The Commonwealth Government did not provide any submission, but the proposed variations have been discussed at senior officer level.

Analysis of issues raised in public submissions

In summary the issues and concerns raised in submissions relate to:

- the existing Licence conditions and accounting rules;
- the effects or intent of the proposed variations;
- inequities in the sharing of the resource between power generation, irrigation and the environment; and
- some general comments outside the scope of the proposed variations, including suggestions of different management arrangements or accountabilities.

Several issues raised could also be attributed to the roles of Snowy Hydro, the Licence regulator (the NSW Office of Water), Snowy Scientific Committee and involvement of Victorian and Commonwealth Governments in the management of the Licence.

In order to clarify some of these key issues additional information and explanations are provided in the following text. A detailed analysis of the issues raised is provided in Appendix I.

Removal of the requirement to release accumulated Dry Inflow Sequence Volume (DISV).

The majority of submissions supported this key variation to the Licence. Some other submissions assumed that the Licence does not require any accumulated DISV to be released as soon as inflows to the Snowy Scheme improve sufficiently for this to occur.

Clause 12 of Schedule 4 of the Licence sets out how RAR is to be calculated each year and it currently includes the accumulated DISV from previous water years. This requires SHL to release that volume of water in addition to the nominal Required Annual Release each year.

In any year, as soon as inflows recover sufficiently, the nominal RAR must be released, together with the DISV that has accumulated in previous water years.

The proposed variations will specifically address this issue, and remove the requirement placed on SHL to make those additional releases when this circumstance arises.

Some submissions suggested that the Water Consultation and Liaison Committee should be called upon to advise on appropriate management arrangements whenever this situation arises. These proposed variations to the Licence, as well as previous variations, have been developed in consultation with the members of the Water Consultation and Liaison Committee. The advice of members of Water Consultation and Liaison Committee has formed the basis of the proposed variations.

Establishment of a 'Drought Account' for each of the Murray and Murrumbidgee Valleys

The majority of submissions (8 out of 12) also supported this key variation to the Licence. Issues that were raised in other submissions regarding this variation were mainly to seek further information about the basis for setting the volumes of the two accounts, and that there were differences between the accounts for the Murray and Murrumbidgee Valleys.

The impacts of the drought, combined with local factors in each valley have meant that the two valleys have different needs, and the proposed Drought Accounts have been sized based on the needs of each downstream valley during extreme droughts, not on the volume of the DISV that accumulated through the recent drought. Setting aside all of the accumulated DISV volumes in the Drought Accounts is likely to impact on water availability for irrigation, and is not consistent with the critical water needs of each valley.

In the Murray valley, 225 GL is the volume required for the new conveyance reserve that is now required to ensure that critical human water needs can be met through a repeat of a drought of similar magnitude to the recent one. This volume has been determined through a detailed modelling process by the Murray-Darling Basin Authority, and is set out in the new Schedule H to the Murray-Darling Basin Agreement.

In the Murrumbidgee Valley, the impact of the recent drought was less severe, and 150 GL to be set aside is required to support town water supply, important regional industries, and 50% of high security entitlements.

Some submissions were also concerned that the Drought Accounts would be accounted as Above Target Water within the Snowy Scheme, and would impact on the long-term operation of the Scheme. The Snowy Scheme is operated to a target storage principle, where a target storage level has been set to provide for the Required Annual Releases each year. Inflows to the Scheme that occur when its storage levels are above the target level are accounted as "Above Target Water" that SHL may release at its discretion.

Although the water in the proposed Drought Accounts will be accounted as "Above Target Water", unlike other Above Target Water that water will not be able to be released at SHL's discretion. Rather, that water must be released in accordance with the proposed criteria in sections 10.2 and 10.3 of Schedule 4 of the Licence. The Drought Accounts cannot be released for any other purpose than the very explicit conditions (triggers for release) proposed in these variations to the Licence.

It is not in the best interests for irrigation communities to have the Drought Accounts accounted as Below Target Water. By accounting the Drought Accounts as Above Target Water, that water in the Drought Accounts will reside in that part of the Scheme storages reserved for Above Target Water. This means that the Scheme can still accumulate and be required to release the full volume of Below Target Water in addition to the Drought Accounts, and not impact on the reliability of the Required Annual Releases.

Option to call out the water savings that are kept within the Snowy Scheme for environmental flows in the Murray Valley, known as River Murray Increased Flows (RMIF)

Most submissions supported this variation. Some other submissions stated that the proposed variations would increase SHL's control of the release of RMIF. The Licence does not currently permit *any* call out of RMIF, and RMIF is only available if SHL chooses to make releases in excess of the Required Annual Release. The Water Consultation and Liaison Committee also does not have powers to direct SHL to release RMIF in any year. The proposed variations clearly provide an ability to call out RMIF each year to support environmental watering actions in the Murray Valley.

A number of submission were concerned that a volume of 800 gigalitres of Above Target Water was required to be held within the Snowy Scheme before RMIF could be called upon. These restrictions on call out of RMIF are intended to avoid unacceptable impacts to the National Electricity Market (NEM). Given its functions in the NEM, SHL believes that it must maintain a minimum of 800 gigalitres of water storage in the Snowy Scheme at any given time. The proposed variations are a balanced outcome that represents a significant step forward for environmental water management without impacting on the capacity to generate power.

A number of submissions called for the Commonwealth Government or the Snowy Scientific Committee to have a greater role in management of RMIF. The water savings that have been made in the western rivers have been jointly funded by NSW, Victoria and the Commonwealth Governments. Release of water to the Snowy River is informed by advice from the Snowy Scientific Committee, and the use of RMIF and other environmental water in the Murray River is directed by water and environmental managers from NSW, Victoria, South Australia, and the Commonwealth (including the Commonwealth Environmental Water Holder).

Option for SHL to release water in excess of the Required Annual Release (also known as 'Flexibility Release' or 'Flex')

Most submissions either supported the proposed variations for Flexibility Releases, or did not comment on them. Five submissions expressed concern that the proposed Flexibility Releases would put at risk the Scheme's ability to provide the Required Annual Releases in the long term.

The long-term storage of water in the Snowy Scheme will not be put at risk through the proposed variations. The target storage principle is maintained in the Licence, and remains unaffected by the proposed variations.

Flexibility for releases from the Snowy Scheme has already been in operation through the recent drought, consistent with existing provisions in the Licence.

For the Flexibility Releases to date, it has been the practice to put aside any releases in excess of the Required Annual Release when determining water availability for regulated water users, as that water forms part of the following year's Required Annual Release. In this way the allocations to water users in the following water year have remained unaffected.

The provision of Required Annual Releases from the Snowy Scheme cannot be prejudiced by this practice in the long-term, as it is merely changing the timing of releases between one year and the next. The risk for downstream water users would only occur if the storages downstream of the Snowy Scheme in each valley were not able to retain the additional releases for delivery in the following year, and additional spills of water were to occur. This is why "wet sequence protection" has been included in the proposed variations.

Wet sequence protection for Flexibility Releases

Similar to the Flexibility Releases, the proposed variations to the Licence to provide “wet sequence protection” was either supported or not addressed by most submissions. One submission expressed concern that these proposed variations should be extended further to include any releases that “reduce water resources for the Murray-Darling Basin”.

The wet sequence protection included in the proposed variations is linked to the additional flexibility being given to SHL. That protection ensures that downstream water users are not prejudiced if SHL releases additional water in a year under the Flexibility Release arrangements. The NSW Office of Water has sought the inclusion of these variations in the proposal as a fundamental requirement of any Flexibility Release arrangements

The corporatisation of the Snowy Scheme and the Snowy Water Licence represent a balance between water and electricity interests that was agreed by the three shareholder governments in 2002 that was intended to be enduring. These proposed variations again represent a balanced outcome between water and electricity interests and are not intended to fundamentally reframe the release requirements of the Licence.

Other issues

Some submissions stated that there was insufficient consultation in the development of the proposed variations. The NSW Office of Water recognises that the operation of the Snowy Scheme is a key component of managing the Murray and Murrumbidgee river systems that is of vital interest to downstream water users and the environment, and is committed to an open and consultative approach to water management.

Due to the nature of the issues being addressed and the need to act relatively quickly has meant that delays in implementing these measures (while lengthy consultation occurs) will likely mean that this opportunity to better manage the current accumulated DISV will be lost.

The proposed variations have been developed in close consultation with SHL and representatives of the Murray-Darling Basin Authority, and the Victorian and Commonwealth Governments, to ensure that appropriate advice was available from water managers within the Murray-Darling Basin.

Concern was also expressed that detailed modeling of the proposed variations has not been made available to downstream water users. Modeling to support these decisions is normally standard practice for the Office of Water. However, there is no model currently able to simulate SHL release patterns (based on National Electricity Market requirements), and it is unlikely that a model could be developed with the capability to be of assistance in the timeframe required. Despite this, the Office of Water and the MDBA have, through existing modelling of the Murrumbidgee and Murray regulated rivers, considered the likely impacts of these proposed variations. It is the Office of Water’s view that the overall benefits of the proposed variations significantly outweigh any potential disbenefits, and that the variations are a practical and beneficial improvement on the current arrangements.

The proposed variations to the Licence will require some consequential amendments to be made to the Murray-Darling Basin Agreement, which governs the sharing of water in the Murray River between NSW, Victoria, and South Australia. These amendments have been discussed by senior officials in NSW, Victoria, and the Murray-Darling Basin Authority, and will be developed in consultation with the Authority, Victoria, and South Australia as soon as possible when the proposed variations to the Licence are formally made.

Conclusion

After detailed analysis of the submissions, the Office of Water has recommended to the Minister for Primary Industries that the Snowy Water Licence be amended as proposed.

Table 1: Analysis of issues raised in the public submissions 15 June - 15 July 2011

Submitter	Proposal Key Area	Support	Draft Response and Action
<p>1</p> <p>Mr Peter O'Neill Acting Chief Executive SA Department of Water GPO Box 2834 Adelaide SA 5001</p>	<p>General comments:</p> <p>“In principle” support for the proposed variations, in particular the requirement to release the DISV. Identifies that “it is important to South Australia that the proposed arrangements minimize any negative impacts on downstream water users.</p> <p>States that it has had discussions with the NSW Office of Water and lists three questions which require a response:</p> <ol style="list-style-type: none"> 1. Will, the terms of the Licence ensure that any accumulated DISV will be used firstly to fill the Drought Reserve Account and secondly, to support future Required Annual Releases? 2. Will New South Wales (acting through the Ministerial Corporation) be required to exercise its right under the Licence to release water from the proposed Drought Account when the proposed trigger occurs? 3. Will there be amendment of the relevant rules to ensure that when flex releases are made and cause a spill or pre-release from the Hume Reservoir or Lake Victoria, the flex water will spill before any deferred water held in the storage under Schedule G. <p>Identifies that some of the proposed changes will require consequential amendments to the MDB Agreement and the recently agreed Water Sharing Schedule (Schedule H) and South Australia’s Storage Right (Schedule G).</p>	<p>Yes (qualified)</p>	<ol style="list-style-type: none"> 1. Clause 16 of the proposed variations set out the mechanisms for managing any “Recovery Volumes” (being inflows that would previously have been released because of any accumulated DISV from previous water years) within the Snowy Scheme. The operation of clause 16 makes it clear that Recovery Amounts are required to be: <ul style="list-style-type: none"> • first credited to the Drought Accounts until they are full, and then • credited to the DISV Reserve Accounts. These DISV Reserve Accounts effectively act to delay the onset of any future DISV occurrence. Any Recovery Amounts beyond that needed to fill the Drought Accounts are retained as BTW in the Snowy Scheme, which will support future years’ Required Annual Releases. 2. There will need to be consequential amendments to the Murray-Darling Basin Agreement to reflect these proposed variations to the Licence. NSW will commit, through the MDB Agreement process, to exercise its right under the Licence to release water from the proposed Drought Account when the proposed trigger occurs, and the MDBA requests the NSW Office of Water to do so. 3. As mentioned above, the proposed variations to the Licence will require minor amendments to

Submitter	Proposal Key Area	Support	Draft Response and Action
			<p>the Murray-Darling Basin Agreement. However, this issue goes beyond the changes that are likely to be considered as part of that process. Consideration of the overall benefits of the proposed variations to the Licence is important, as they provide a number of key outcomes that will benefit all three states, including:</p> <ul style="list-style-type: none"> a. to reduce spill or pre-release of water from storages downstream of the Snowy Scheme as Recovery Amounts become available, b. the Drought Account that will be able to provide for the new conveyance reserve under Schedule H of the MDB Agreement, and c. the ability to call out RMIF each year.
	1. Requirement to Release Dry Inflow Sequence Volume		
	In principle support.	Yes	
	2. Establishment of Drought Account:		
	Comments that “reserving water in the Drought Account will potentially reduce the volume of spill and unregulated flows in the River Murray system. However the impact of 225 GL being reserved in a wet year would be minimal against a benefit of having a conveyance requirement during dry years.”	Yes	
	3. Call out Provisions for River Murray increased (Environmental) Flows:		
	In principle support.	Yes	

Submitter	Proposal Key Area	Support	Draft Response and Action
	4. Increased Flexibility for Releases from the Snowy Scheme:		
	In principle support.	Yes	
	5. Wet Sequence Protection with increased Flexibility for Releases:		
	In principle support.	Yes	
2 Mr Barry Dunn PO Box 34 Cooma NSW 2630	General comments:		
	<p>The background section of the submission makes two general points:</p> <ol style="list-style-type: none"> Any proposal to diminish BTW reduces its balancing effect and jeopardizes future annual release entitlements. It is important for overall water management of the MDB that inadvertent releases from the Scheme at the end of long dry sequences, when wet sequences occur, do not result in unnecessary spill from downstream storages. 		<ol style="list-style-type: none"> BTW will not be diminished through the proposed variations. In fact, the proposed variations will ensure that BTW is not forced to be released from the Snowy Scheme at a time where it serves little purpose. The timing of releases from the Snowy Scheme are important for the supply of water for the Murray and Murrumbidgee Valleys. The proposed variations are seeking to provide a better outcome following a long drought.
	1. Requirement to Release Dry Inflow Sequence Volume		
<p>Supports the variation to create drought reserves and leave the remaining DISV as BTW as this would be “considered as sound water management practice”.</p> <p>Identifies that “the proposed changes to the Licence do not contain a mechanism for managing the remaining DISV in the Scheme”.</p> <p>Suggests that the remaining DISV should not affect any future generation of ATW, and should be managed by the Water Consultation and Liaison Committee as part of the annual planning process.</p>	Yes	<p>Clause 16 of the proposed variations set out the mechanisms for managing any “Recovery Volumes” (being inflows that would previously have been released because of any accumulated DISV from previous water years) within the Snowy Scheme. The operation of clause 16 makes it clear that Recovery Amounts are required to be:</p> <ul style="list-style-type: none"> first credited to the Drought Accounts until they are full, and then credited to the DISV Reserve Accounts. 	

Submitter	Proposal Key Area	Support	Draft Response and Action
			<p>These DISV Reserve Accounts effectively act to delay the onset of any future DISV occurrence. It is appropriate for any Recovery Amounts beyond that needed to fill the Drought Accounts be retained as BTW in the Snowy Scheme, which will support future years' Required Annual Releases.</p> <p>The members of the Water Consultation and Liaison Committee have been involved in the development of the proposed variations.</p> <p>If there were to be a succession of wet years following a DISV event, and BTW reached the Target Storage Level in the Snowy Scheme storages it is appropriate that inflows would then continue to provide ATW, as they do now. To do otherwise would undermine the current sharing of storage capacity between BTW and ATW.</p>
2. Establishment of Drought Account:			
	<p>Notes that the proposed drought reserves only represent about 30% of the respective DISV's from the recent drought.</p> <p>Raises the issue of the appropriateness and mechanism (from a reduction in the annual release below RAR or from the remaining DISV) for crediting the accounts with BTW upon request by the NSW Office of Water.</p>	reservatio n	<p>The proposed Drought Accounts have been sized based on the needs of each downstream valley during extreme droughts, and not on the volume of the DISV that was accumulated during the recent DISV event between 2006 and 2010. Setting aside increasingly large volumes of water in Drought Accounts could merely hasten the onset of the next DISV occurrence, and would impact on all water users unless the triggers for use of the Drought Accounts were changed.</p> <p>It is acknowledged that DISV events are likely to occur infrequently, based on the historical climate</p>

Submitter	Proposal Key Area	Support	Draft Response and Action
			records, and that is why the proposed variations include the ability for the RAR to be reduced to provide an opportunity to re-credit the Drought Accounts if necessary. It should also be acknowledged that the circumstances in which a drought account is likely to be called upon would be equally rare, and would also be expected to be coincident with DISV episodes.
3. Call out Provisions for River Murray Increased (Environmental) Flows:			
	States that the concept seems sound but queries the 800 GL triggers appropriateness and suggest 400 GL would provide a more environmentally acceptable release mechanism.	Yes (qualified)	Given its functions in the NEM, SHL believes that it must maintain a minimum of 800 gigalitres of water storage in the Snowy Scheme at any given time. The “call out” trigger has therefore been set at this volume.
4. Increased Flexibility for Releases from the Snowy Scheme:			
	<p>Contravenes the Target Rule Principle of operation and as a result increases the chances of recurring irrigation cut backs, particularly if global warming is to increase the variability of inflows.</p> <p>It is not just a matter of releasing ATW as compensation for spilled BTW, as the irrigation and riparian communities may well have benefited from both (a) the BTW released at another time, as well as (b) the ATW tagged for compensation.</p> <p>While a 200 GL pre-release of BTW in one year may present acceptable risk when BTW in storage is close to target, the same security does not apply when BTW is almost depleted. To reduce the likelihood of this proposal having adverse downstream impacts, there needs to be limits set on the amount that can be pre-released in any year relative to the amount of BTW in storage, and also limits set on the cumulative amount that can be pre-released across multiple years. An alternative would be</p>	No	<p>The long-term storage of water in the Snowy Scheme will not be put at risk through the proposed variations. The target storage principle is maintained in the Licence, and remains unaffected by the proposed variations.</p> <p>Flexibility for releases from the Snowy Scheme has already provided benefits to water users during the drought. For the flexibility releases to date, it has been the practice to put aside any additional releases in excess of RAR, as that water forms part of the following year’s RAR, and hence allocations to water users. The risk of “recurring irrigation cutbacks” would only occur if the storages downstream of the Snowy Scheme in each valley were not able to retain the additional releases, and</p>

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	to introduce an effective financial penalty if SHL increase the frequency or severity of water wastage as a result of such pre-releases.		<p>additional spills of water were to occur. This is why “wet sequence protection” has been included in the proposed variations.</p> <p>ATW is particularly important for SHL’s operations, and the requirement to release ATW if wet sequence protection is required is likely to be a more effective incentive to “reduce wastage” than financial penalties.</p>
5. Wet Sequence Protection with increased Flexibility for Releases:			
	<p>Proposal does not fully compensate downstream water users. The concept to compensate downstream users needs to be extended to all Scheme releases that reduce water resources of the MDB. It should go further and address the water wastage that results from Scheme releases to the River Murray whenever Hume Dam is spilling, and not only as a result of the releases of Proposal 4 above.</p> <p>It was standard procedure prior to corporatisation of the Scheme that Scheme releases to the River Murray were curtailed while Hume Dam was spilling in order to conserve water. However this procedure was not carried through into the Snowy Water Licence.</p>	No (inadequate)	<p>The Licence already contains provisions addressing Unused Spills from Hume Dam.</p> <p>The corporatisation of the Snowy Scheme and the Snowy Water Licence represent a balance between water and electricity interests that was agreed by the three shareholder governments in 2002 that was intended to be enduring. These proposed variations again represent a balanced outcome between water and electricity interests and are not intended to fundamentally reframe the release requirements of the Licence to provide extensive “compensation” for perceived “wastage” through minimizing spills of water from downstream storages.</p> <p>For water management, these proposed variations are focused on addressing the management of releases following a significant DISV occurrence, and the ability to better manage RMIF for environmental outcomes. The wet sequence protection included in the proposed variations is linked to the additional flexibility being sought by SHL.</p>

Submitter	Proposal Key Area	Support	Draft Response and Action
<p>3</p> <p>Ms Juliet Le Feuvre</p> <p>Healthy Rivers Campaigner</p> <p>Environment Victoria</p> <p>PO Box 12575,</p> <p>A'Beckett Street,</p> <p>Melbourne VIC 8006</p>	General comments:		
	<p><i>Note: the submission is essentially the same as made by SRA (10)</i></p> <p>The effect of the variations goes much beyond the DISV and are significant changes that will impact on the long-term security of Snowy Scheme storages as well as limiting the release of taxpayer-funded River Murray Increased Flows</p>	No	The proposed variations will improve the DISV arrangements, and provide the ability to better manage RMIF for environmental outcomes. They do not impact on the long-term security of the Snowy Scheme, and they clearly provide additional flexibility for the calling-out of RMIF that is not currently available.
	1. Requirement to Release Dry Inflow Sequence Volume		
	The licence doesn't contain a specific requirement to immediately release the accumulated DISV. The issue therefore appears to be a matter of general water management, rather than a need to change the licence requirements regarding DISV	reservation	Clause 12 of Schedule 4 of the Licence describes how RAR is to be calculated each year and it currently includes the accumulated DISV from previous water years. This requires SHL to add that volume of water to the nominal Required Annual Release each year. In any year, as soon as inflows recover sufficiently, the nominal RAR must be released together with additional water for DISV that has accumulated in previous water years.
	2. Establishment of Drought Account:		
The proposal is more for the benefit of SHL's profits than for irrigators of the Murray and Murrumbidgee. The current DISV is BTW owed to the irrigators whereas the proposed Drought Account will be held as ATW over which SHL has complete discretion. ATW is water from inflows to the Scheme in any water year that is not required to provide the minimum RAR. Once it is deemed to be ATW by SHL, it remains so regardless of the level of Scheme storages in future years. Surely it would be in the best interests of Murray/Murrumbidgee irrigation communities for the accumulated DISV to remain as BTW to be drawn upon when it is most needed, rather than being transferred to a drought	reservation	The Drought Accounts are not ATW that SHL can use at its discretion. That water can only be released in accordance with the proposed criteria in sections 10.2 and 10.3 of Schedule 4 of the Licence. It can be thought of as BTW that has been transferred into the ATW "airspace" within the Snowy Scheme. It has certain characteristics that mean it cannot be released by anyone for any other purpose than the very explicit conditions (triggers for release) being proposed in these variations to the Licence.	

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	<p>reserve which can only be accessed at the discretion of SHL.</p>		<p>It is not in the best interests for irrigation communities to have the Drought Accounts accounted as BTW, as this would reduce the overall volume of BTW that could then be accumulated within the Snowy Scheme. This is because there is only a certain proportion of the Snowy Scheme storages' capacity that can be used to store BTW.</p> <p>By accounting the Drought Accounts as ATW, that water in the Drought Accounts is assumed to reside in that part of the Scheme's storage capacity reserved for ATW. This means that the Scheme can still accumulate the full volume of BTW in addition to the Drought Accounts, and not impact on the reliability of the Required Annual Releases.</p>
<p>3. Call out Provisions for River Murray increased (Environmental) Flows:</p>			
	<p>The proposal will give SHL greater control of the taxpayer-funded RMIF and further restrict releases. The intergovernmental Snowy agreement of 2002 includes the provision of 70 GL of increased flows for the RMIF to be held by SHL as ATW over which it has complete discretion. There has been only one instance of RMIF being released: in 2005/06 when 38GL RMIF was released.</p> <p>A proposal to formalise a call out provision is to be welcomed. However it is of considerable concern that under the proposed variation RMIF it may only be called out once in any water year and only if SHL's ATW account is more than 800 GL and even then only sufficient water to reduce the ATW down to 800 GL. In effect, taxpayer funded water savings for the River Murray will continue to sit in SHL's ATW account generating the Company profits, rather than being released to the River Murray on an annual basis for the environmental benefit of the river particularly in drought years.</p>	<p>In principle, but claims perverse outcome</p>	<p>The proposed variations clearly provide the ability to call out RMIF, where there is currently no such provision in the Licence. Whilst these proposed variations do not provide unfettered access to RMIF, they represent a significant improvement in the ability for environmental managers to utilize RMIF each year.</p> <p>Given its functions in the NEM, SHL believes that it must maintain a minimum of 800 gegalitres of water storage in the Snowy Scheme at any given time. The "call out" trigger has therefore been set at this volume.</p> <p>The proposed variations are a negotiated outcome that represents a significant step forward for environmental water management without</p>

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	The environmental interests of the River Murray would be better served if the CWth funded water savings for the RMIF were transferred to the control of the CWth Environmental Water Holder		unacceptable impacts to power generation activities.
	4. Increased Flexibility for Releases from the Snowy Scheme:		
	<i>not addressed</i>		
	5. Wet Sequence Protection with increased Flexibility for Releases:		
	<i>not addressed</i>		
4 Ms Jennifer McLeod Acting General Manager Murray Irrigation Ltd. PO Box 528, Deniliquin NSW 2710	<p>General comments:</p> <p>Believes the variations obviously benefit SHL but the benefits to NSW Murray GS licence holders are not obvious. Insufficient discourse by the NSW Office of Water to allow better understanding of implications on NSW Murray GS irrigators.</p> <p>The DISV and Drought Accounts need to be dealt with separately to the flexibility release (flex). More consultation and assessment needs to be carried out to comprehensively evaluate the impact of flex on storages and down-stream users.</p> <p>By splitting the two issues, the DISV can be dealt with through the current process while the treatment of flex releases can be subjected to further assessment and industry consultation.</p> <p>Not enough information provided to give MI confidence that the changes will not have negative impacts on Murray GS irrigators.</p>	reservations	<p>The Snowy Water Licence is complex and the variations are also complex in nature. The NSW Office of Water has provided technical briefings to downstream users (including MIL) through this process, and will continue to do so.</p> <p>The DISV must be dealt with now, to minimise release of DISV at a time when it is not providing significant benefits, and to optimise opportunities to credit drought accounts without impacting on water users.</p> <p>These amendments have been negotiated with SHL, and it has not been possible to implement individual parts of this package in isolation of the other parts.</p> <p>Delays in implementing these measures (while lengthy consultation occurs) will likely mean that this opportunity to better manage the current accumulated DISV will be lost.</p>

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	<p>1. Requirement to Release Dry Inflow Sequence Volume</p> <p>Supports the removal of the requirement to release DISV as soon as inflows to the Snowy Scheme improve;</p> <p>Doesn't support any proposal that accumulated DISV be absorbed back into the Snowy Scheme. Proposes that accumulated DISV in excess of that proposed for credit into Drought Accounts should be released as and when capacity is available in lower storages. i.e. change the trigger for DISV release to be based on downstream storage capacity as well as upstream inflows where there is sufficient Snowy storage capacity to do so.</p> <p>The drawdown of the DISV to be contingent on a stated downstream storage capacity agreed to by the Ministerial Corporation. The DISV is accumulated as a result of reduced RAR releases which are part of the resource set that irrigation interests should be able to expect to be included in the base planning case for water resource assessment</p>	Yes (qualified)	<p>“Recovery amounts” not credited to the drought accounts are retained as BTW to support future releases. Describing this as being “absorbed back into the scheme” suggests water will be lost or devalued, and this is not the case.</p> <p>Proposal to call out releases when there is capacity in d/s storages may well provide better outcomes for water users, but likely to be sub-optimal for power generation.</p>
	<p>2. Establishment of Drought Account:</p> <p>Supports the establishment of Drought Accounts to be held within the Snowy Scheme but questions certain aspects of the accounts as described.</p> <ol style="list-style-type: none"> Why is the Drought Account for the Murray Valley to be capped at 225GL? There is no supporting evidence to explain how this figure was calculated. The DISV for the Murray Valley in March 2010 was 784GL yet the initial credit to the Drought Account is to be 559GL less than that. Murray Irrigation agrees, once established, a drought account of 225GL that ensures a volume available to meet the tiered water sharing arrangements, required under the MDB Agreement. will benefit water users. Why does clause 16.3(2) limit the amount that can be credited into the Drought Account for the Murray Valley to just 100GL in any 	Yes (qualified)	<ol style="list-style-type: none"> 225 GL is the volume for the new conveyance reserve that is now required to ensure conveyance (river losses) to deliver critical human water needs can be met through a repeat of a drought of similar magnitude to the recent one. This is set out in the new Schedule H to the MDB Agreement. Any remaining “recovery amounts” will be used to directly support allocations to NSW and Vic water users. This clause does not limit the total amount that can be credited to the Drought Accounts each year. This clause only relates to any volume that the NSW Office of Water nominates (unilaterally)

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	<p>given year (following the initial credit)? There is no explanation or supporting evidence to explain how this figure was calculated.</p> <p>3. Why are there different trigger points for the two valleys? It is not equitable for the Murray and the Murrumbidgee to have different trigger points for the release of water held in the Drought Accounts. Water used for critical human need has no immediate commercial benefit, whereas high security water allocations do.</p> <p>Supports the Ministerial Council having the power to call on water contained in these accounts when the above triggers are met.</p>		<p>to transfer to the Drought Accounts <i>in addition to</i> any Recovery Volumes that may be able to be credited. This allows for the Drought Accounts to be refilled over several years if there were no Recovery Volumes available. The annual limit of these “Nominated Transfer Volumes” ensures that power generation is not affected excessively in any particular year.</p> <p>3. Given the impacts of the recent drought on each valley, it is clear that the two valleys have different needs. The impacts of this drought were more severe in the Murray than the Murrumbidgee, and critical human water needs were more at risk.</p>
3. Call out Provisions for River Murray increased (Environmental) Flows:			
	<p>Supports the call out provisions for the RMIF. Previously the RMIF was held as ATW and its release was at the discretion of SHL.</p> <p>Believes it is sensible for the Ministerial Corporation to have the authority to direct the release of environmental flows provided there are no third-party impacts downstream from this release.</p> <p>The MDBA must review the ability to deliver environmental water as a result of channel capacity constraints prior to the call out.</p>	Yes	
4. Increased Flexibility for Releases from the Snowy Scheme:			
	<p>Not convinced the option of flexibility to RAR has been adequately investigated to ensure there are no significant third-party impacts.</p> <p>Believes an assessment should be carried out to investigate the impacts of any proposed flex rules on NSW GS water allocations. This assessment should be carried out in both wet and dry cases.</p>	reservation	<p>Delays in implementing these measures (while lengthy consultation occurs) will likely mean that this opportunity to better manage the current accumulated DISV will be lost.</p> <p>These amendments have been negotiated with SHL,</p>

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	<p>An assessment should also be carried out to consider what additional evaporation losses might occur in Hume Dam as a result of these flex rules and; if they cause significant increases to evaporation savings, whether there is a need to adjust the RAR to account for it.</p> <p>Consideration should also be given to smaller flex volumes such as 50 or 100 or 150GL. A flex of 200GL is a significant proportion of the 1062 RAR.</p> <p>In 2004/05 and 2005/06 when the Snowy Advances were negotiated with SunRice, the NSW Irrigation Corporations, SHL and the NSW Government providing flex provisions to SHL was an important element of the negotiation for irrigation interests. This opportunity will no longer be available once the flex provision is included in the Snowy Water licence.</p>		<p>and it has not been possible to implement individual parts of this package in isolation of the other parts.</p> <p>Modeling to support these decisions is normally standard practice for the NSW Office of Water. However, there is no model currently able to simulate SHL release patterns (based on National Electricity Market requirements), and it is unlikely that a model could be developed with the capability to be of assistance in the timeframe required. Despite this, the NSW Office of Water and the MDBA have, through existing modeling of the Murrumbidgee and Murray regulated rivers, considered the likely impacts of these proposed variations. It is the NSW Office of Water's view that the overall benefits of the proposed variations outweigh any potential disbenefits, and that the variations are a significant improvement on the current arrangements.</p>
5. Wet Sequence Protection with increased Flexibility for Releases:			
	<p>Once flex releases have been fully assessed and the impacts considered; Murray Irrigation supports the requirement to treat flex releases as ATW in the event they cause a downstream spill. We believe this requirement should also apply to any released DISV and flex provisions provided to SHL when DISV exists that may also result in downstream spills.</p> <p>The importance of this provision is shown by the current circumstances in the Snowy-Murray Development, where 222GL of 2011/12 RAR was pre-delivered in 2010/11 and subsequently has been pre-released from Hume Dam. This equalled around 6.5 percent of the NSW GS allocation and has directly impacted on the volume available to NSW at 1 July 2011.</p>	Yes qualified	As above.

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<p>5</p> <p>Ms Elizabeth Watson</p> <p>Murrumbidgee Irrigation</p> <p>PO Box 492,</p> <p>Griffith NSW 2680</p>	<p>General comments:</p> <p>Would support changes to water management rules and systems if they are beneficial to stakeholders, do not have negative impacts on third parties, are equitable, and are efficient.</p> <p>Under the current licence conditions, the DISV, accumulated in the Scheme during the recent period of drought, must be repaid as soon as inflows to the Scheme recover sufficiently to allow it.</p> <p>The original intent of the License is to record under-supplies of RAR water during dry sequences, and ensure that water is subsequently paid back in full to the Murrumbidgee Valley resource pool when it becomes available. The variations must maintain this intention without being over-prescriptive about the timing of the pay-back. The more flexible timing enables benefit sharing between all stakeholders.</p>	<p>Yes (qualified)</p>	<p>The NSW Office of Water believes that this package of amendments addresses the intent expressed by MI.</p>
	<p>1. Requirement to Release Dry Inflow Sequence Volume</p> <p>Supports the proposed variation to release requirements, as long as accounting provisions under the licence are consistent with this intention. In particular, DISV recovery water releases should not be double counted. If this is incorrect and the proposed revisions to the SHL license mean that the DISV recovery water cannot accumulate beyond the annual RAR figure, the licence should be altered to reflect the arrangements outlined above (in terms of concept and accounting procedures).</p> <p>Submits that the NSW Office of Water needs to continue to work with licence holders in both the Murrumbidgee and the Murray Valleys to determine the most appropriate management and release of the DISV recovery water to ensure that the water delivers maximum benefit to stakeholders.</p>		<p>Yes (qualified)</p>

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			The Snowy Water Licence is complex and the variations are also complex in nature. The NSW Office of Water has provided technical briefings to downstream users (including MI) through this process, and will continue to do so.
	2. Establishment of Drought Account:		
	Supports the establishment of the drought account in principle. However, notes the concerns of NSWIC that the timing and trigger require further consultation.	Yes (qualified)	
	3. Call out Provisions for River Murray increased (Environmental) Flows:		
		yes	
	4. Increased Flexibility for Releases from the Snowy Scheme:		
	<p>Not clear on how the water held in the Drought Account or the remaining DISV would be accounted for by SHL upon release. In particular can't support an approach that effectively enabled either DISV recovery water or water from the drought account to be debited in the year of release and then debited again the following year as a pre-release.</p> <p>Any release of DISV or Drought Account water cannot be treated as flexibility releases if that results in double-counting.</p>	Yes (qualified)	Agree – see 1 above
	5. Wet Sequence Protection with increased Flexibility for Releases:		
		yes	

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<p>6</p> <p>Mr Andrew Gregson Chief Executive Officer, NSW Irrigator’s Council PO Box R1437 Royal Exchange NSW 1225</p>	General comments:		
	<p>The NSWIC as a peak irrigator representative should have been involved in the design of the proposed variations.</p>		<p>The NSW Office of Water has negotiated the proposed variations with SHL, in conjunction with officials from Victoria and the MDBA. The timing of the proposed variations is important, as the DISV arrangements must be dealt with now, to minimise release of DISV at a time when it is not providing significant benefits, and to optimise opportunities to credit the proposed Drought Accounts without impacting on water users.</p> <p>These amendments have been negotiated with SHL, and it has not been possible to involve individual stakeholders in that process. Delays in implementing these measures (while lengthy consultation occurs) will likely mean that this opportunity to better manage the current accumulated DISV will be lost.</p>
	1. Requirement to Release Dry Inflow Sequence Volume		
<p>The aim of the DISV arrangement was to prevent and effective hoarding of water in a period immediately following a drought. Supports that aim and believes it should be continued, but not convinced that the proposed amendments achieve that aim.</p>	<p>Yes reservatio n</p>	<p>The NSW Office of Water is proposing these variations to ensure that water is not forced to be released at a time where it is of little benefit to downstream users or the environment.</p> <p>The Snowy Water Licence is complex and the variations are also complex in nature. The NSW Office of Water has provided technical briefings to key downstream user representatives (including MI and MIL) through this process, and we would welcome the opportunity to discuss the proposed amendments further with your organisation.</p>	

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	<p>2. Establishment of Drought Account:</p> <p>Supports the concept of drought accounts as proposed, but does not believe that they are either the solution to the DISV issue or are necessarily linked to that issue in any event.</p> <p>Notes that even if the two issues were intrinsically linked, the proposed drought account volume is below that of currently outstanding DISV debt volumes, showing empirically that one is not the solution to the other.</p> <p>From the proposed variations, not able to ascertain how the excess volume would be treated.</p> <p>The accounting rules change to direct water from one usage to another. Concerned that this may impact water users given that the drought accounts, as posed, serve to benefit one class above another.</p> <p>Completion of modelled impacts and publication of those results would be useful for all stakeholders. Withholds support from the measure until such time as this is completed.</p> <p>Differing trigger points for the Murray and Murrumbidgee:</p> <ul style="list-style-type: none"> • Murray trigger provides insufficient water to enable depending on the definition of critical human needs which is to be subjective. Supports trigger if defined in the Licence as those needs for drinking, sanitation and health. • Murrumbidgee trigger, a high security allocation below 50%, is inappropriate. In particular, can't determine a timeframe on the trigger to be enacted: is it the start of a water year or at some other point? Transfers from a DISV volume that would have benefited all water users or been diverted to end of system flows in a wet sequence to one class of users has clear equity issues. The suspension of the Murrumbidgee WSP to enter a period of special management is a far more equitable trigger mechanism. 	<p>Yes qualified & reservations</p>	<p>The Drought Accounts, and the DISV Reserve Accounts that are being proposed will ensure that Recovery Volumes following a significant DISV occurrence is no longer required to be released at a time when it is of little value to water users or the environment. The form of these accounts has been negotiated with SHL to ensure that there are no unacceptable impacts to water users, or to SHL's electricity generation business.</p> <p>The proposed Drought Accounts have been sized based on the needs of each downstream valley during extreme droughts, and not on the volume of the DISV that was accumulated during the recent DISV event between 2006 and 2010.</p> <p>Clause 16 of the proposed variations set out the mechanisms for managing any "Recovery Volumes" (being inflows that would previously have been released because of any accumulated DISV from previous water years) within the Snowy Scheme. The operation of clause 16 makes it clear that Recovery Amounts are required to be:</p> <ul style="list-style-type: none"> • first credited to the Drought Accounts until they are full, and then • credited to the DISV Reserve Accounts. <p>These DISV Reserve Accounts effectively act to delay the onset of any future DISV occurrence. It is appropriate for any Recovery Amounts beyond that needed to fill the Drought Accounts be retained as BTW in the Snowy Scheme, which will support future years' Required Annual Releases.</p>

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	<p>Not convinced that DISV water should be diverted to the proposed drought accounts, at least not in its entirety. Believes that such diversion has potential impacts on productive water users and have submitted that publicly available modelling of any impacts ought to be produced prior to variations being made.</p> <p>Sees merit in the concept of Drought Accounts but does not concur with the move to simply absorb this into SHL storages. The DISV release rules were designed to ensure that this water was released to the benefit of all, not simply retained for critical use in future. Does not concur with this and submits instead that recharge should occur from ATW.</p> <p>Issue of drought accounts and solving the DISV accrued release problem has been inappropriately combined. The releases must be determined by a time period rather than inequitable notions of most desired use in a drought sequence. Suggests that the period be the three years subsequent to a DISV repayment being triggered under the current license.</p> <p>Variations to the release period, should only be possible on direction by the responsible Minister on the advice of the irrigation industry</p>		<p>The Murray Drought Account of up to 225 GL is based on the volume for the new conveyance reserve that is now required to ensure conveyance (river losses) to deliver critical human water needs can be met through a repeat of a drought of similar magnitude to the recent one. This is set out in the new Schedule H to the MDB Agreement. Any remaining “recovery amounts” will be used to directly support allocations to NSW and Victorian water users, and it is up to each state to manage allocations to its water users to ensure critical human water needs are met.</p> <p>Modeling to support these decisions is normally standard practice for the NSW Office of Water. However, there is no model currently able to simulate SHL release patterns (based on National Electricity Market requirements), and it is unlikely that a model could be developed with the capability to be of assistance in the timeframe required. Despite this, the NSW Office of Water and the MDBA have, through existing modeling of the Murrumbidgee and Murray regulated rivers, considered the likely impacts of these proposed variations. It is the NSW Office of Water’s view that the overall benefits of the proposed variations outweigh any potential disbenefits, and that the variations are a significant improvement on the current arrangements.</p> <p>The proposed variations, and the operation of the Drought Accounts will support the priorities for water availability that are described in the NSW Water Management Act, in that critical human water needs</p>

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			and critical supplies for High Security entitlements have a higher priority than supply to General Security entitlements.
	3. Call out Provisions for River Murray increased (Environmental) Flows:		
		yes	
	4. Increased Flexibility for Releases from the Snowy Scheme:		
		yes	
	5. Wet Sequence Protection with increased Flexibility for Releases:		
		Yes	
7 Professor Diane Bell Chair River, Lakes & Coorong Action Group Inc. PO Box 307, Strathalbyn SA 5255	General comments:		
	<p><i>Note: This respondent bases her comments on, and is aligned with, the SRA's submission (10).</i></p> <p>Variations to the Licence have consequences for Murray environmental flows and thus are of deep concern for downstream communities.</p> <p>Opposed to restrictions of any sort on the release RMIF and supports the annual release of RMIF.</p> <p>The variations fail to strike the required 'balance' between the competing needs of hydro-electricity generations and the environment</p>		<p>The NSW Office of Water appreciates the importance of RMIF in achieving environmental outcomes for the Murray River system as a whole and, together with officials from the Victorian Dept of Sustainability & Environment and the MDBA, we have pursued better arrangements for the management of RMIF. The NSW Office of Water believes that the proposed variations will provide a significant improvement for achieving environmental outcomes from MRIF.</p> <p>The corporatisation of the Snowy Scheme and the Snowy Water Licence represent a balance between water and electricity interests that was agreed by the three shareholder governments in 2002 that was intended to be enduring. These proposed variations again represent a negotiated outcome between water and electricity interests for the better</p>

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			<p>management of specific matters currently affecting water management.</p> <p>These proposed variations are focused on addressing the management of releases following a significant DISV occurrence, and the ability to better manage RMIF for environmental outcomes. The wet sequence protection included in the proposed variations is linked to the additional flexibility being sought by SHL.</p> <p>These proposed variations are not intended to fundamentally reframe the release requirements of the Licence to change the fundamental balance between hydro-electricity, and downstream water users (including the environment).</p>

Submitter	Proposal Key Area	Support	Draft Response and Action
	<p>1. Requirement to Release Dry Inflow Sequence Volume</p>		
	<p>This appears to be a matter of general water management, rather than the licence requirements regarding DISV, and questions why the WC&LC was not involved as the required advisory and oversighting authority in the decision to release accumulated DISV at that time.</p> <p>Decisions made in NSW impact on South Australia yet downstream communities do not appear to be understood as stakeholders in this process</p>	<p>No <i>not required</i></p>	<p>The members of the Water Consultation and Liaison Committee have been involved in the development of the proposed variations.</p> <p>The Snowy Water Licence is complex and the variations are also complex in nature. The NSW Office of Water has provided technical briefings to downstream users through this process, and will continue to do so.</p> <p>The DISV must be dealt with now, to minimise release of DISV at a time when it is not providing significant benefits, and to optimise opportunities to credit drought accounts without impacting on water users.</p> <p>Delays in implementing these measures (while lengthy consultation occurs) will likely mean that this opportunity to better manage the current accumulated DISV will be lost.</p>
	<p>2. Establishment of Drought Account:</p>		
	<p>This represents a transfer of hundreds of GLs of BTW owed to irrigators into SHL's ATW account, which underpins SHL's profitability.' Concerned that decisions do not appear to be in the long-term interests of maintaining a healthy river system.</p>	<p>No</p>	<p>The proposed variations are based on consideration of many factors, including the management of water for the benefit of downstream irrigation communities through drought, the impacts on electricity generation by SHL, and on the environment.</p> <p>The Drought Accounts are not ATW that SHL can use at its discretion. That water can only be released</p>

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			<p>in accordance with the proposed criteria in sections 10.2 and 10.3 of Schedule 4 of the Licence. It can be thought of as BTW that has been transferred into the ATW “airspace” within the Snowy Scheme. It has certain characteristics that mean it cannot be released by anyone for any other purpose than the very explicit conditions (triggers for release) being proposed in these variations to the Licence.</p> <p>It is not in the best interests for irrigation communities to have the Drought Accounts accounted as BTW, as this would reduce the overall volume of BTW that could then be accumulated within the Snowy Scheme. This is because there is only a certain proportion of the Snowy Scheme storages’ capacity that can be used to store BTW.</p> <p>By accounting the Drought Accounts as ATW, that water in the Drought Accounts is assumed to reside in that part of the Scheme’s storage capacity reserved for ATW. This means that the Scheme can still accumulate the full volume of BTW in addition to the Drought Accounts, and not impact on the reliability of the Required Annual Releases.</p>
	3. Call out Provisions for River Murray increased (Environmental) Flows:		
	Water savings for the River Murray which have been funded by tax-payers money, should be released to the River Murray on an annual basis for the environmental benefit of the river and not continue to sit in SHL’s ATW account where it generates profits in perpetuity for the company	No	The proposed variations will provide the ability for environmental water managers to call on these water savings for the benefit of the ecology of the Murray River each year.

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	<p>4. Increased Flexibility for Releases from the Snowy Scheme:</p> <p>Why is the NSW Office of Water considering this proposal at all when Snowy Montane 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?</p>	No	<p>The delivery of Snowy Montane Rivers Increased Flows a separate and unrelated matter to the issues being addressed in the proposed variations.</p> <p>The increased flows for the upper Snowy River have not been available for release because of the record drought conditions that have been experienced across south-eastern Australia in the last five years.</p> <p>As described above, the DISV must be dealt with now, to minimise release of DISV at a time when it is not providing significant benefits, and to optimise opportunities to credit drought accounts without impacting on water users.</p>
	<p>5. Wet Sequence Protection with increased Flexibility for Releases:</p>		
<p>8</p> <p>Dr. Jane Roberts Ecologist PO Box 6191, O'Connor ACT 2602</p>	<p>General comments:</p> <p>Welcomes the move to be 'smarter' with water: this is in keeping with societal needs into the future.</p> <p>Welcomes the move to have the River Murray Increased Flows released: as these were purchased at cost and with considerable effort with the intention of returning flows to the river environment, rather than be kept in upland storages.</p> <p>Concerned about the attitudes and values that appear to be driving a few of the variations which are conferring opportunities or special circumstances to certain stakeholders. The general principles of equitability and fair treatment for all stakeholders should apply</p>		<p>The proposed variations are strongly influenced by the events surrounding the recent historic drought that has been experienced across south-eastern Australia, and the subsequent dramatic improvements in water availability. In managing the impacts of drought, a key consideration is the impacts on communities that rely on water availability. The Water Management Act 2000 accords the highest priority for water to town/urban water needs during times of drought, followed by the recognized needs of the environment. These proposed variations seek to strengthen outcomes for both of these priorities.</p>

Submitter	Proposal Key Area	Support	Draft Response and Action
	<p>1. Requirement to Release Dry Inflow Sequence Volume</p> <p>Welcomes increased operational flexibility in principle, but in the interests of equivalence amongst stakeholders, provision should be made in the Licence for early release of SRIF and SRMIF: this would parallel the opportunity for early release for consumptive use. The need and opportunity for this, on ecological grounds, would be included as part of SSC's annual recommendations to the WAMC.</p> <p>Establishing an additional reserve in the form of a Drought Account for the Murrumbidgee and Murray Valleys is certainly needed. Requests that in the interests of equivalence amongst stakeholders in protection of a Drought Account, the rationale and the trigger for activating the Drought Reserve be equivalent in both valleys, and be expressed as 'critical human needs, intensive industry, stock requirements and permanent plantings'.</p> <p>In the interest of public confidence in its future management of water resources, the NSW Office of Water should advise what time frame and dry condition probabilities it has applied in arriving at quantities of 225 GL for the Murray Valley and 150 GL for the Murrumbidgee Valley</p> <p>Insertions 10.2 (2) and 10.3 (2) Inadequate and unrealistic timeframes for notification: the two proposed dates allow only 4 days for the process of decision and notification to take place. This is unnecessarily restrictive and is likely to result in missed opportunities if the four days coincide with a week-end and a public holiday. Recommend: Date for notification be changed to 10th October, as this will allow at least five working days to elapse between these two critical dates.</p>	<p>Yes <i>heavily qualified re timing and equivalent triggers in both valleys</i></p>	<p>The current arrangements for SRIF and SMRIF are not affected by these arrangements. The proposed variations seek to take advantage of an opportunity to better manage Recovery Volumes following a significant DISV occurrence, and timing is important.</p> <p>There have been many recommendations made by the SSC and others proposing variations to the long-term operation of the Licence, and it is appropriate that these be dealt with through the existing review mechanisms in the Licence.</p> <p>The impacts of the drought, combined with local factors in each valley have meant that the two valleys have different needs, and the proposed Drought Accounts have been sized based on the needs of each downstream valley during extreme droughts. In the Murray valley, 225 GL is the volume required for the new conveyance reserve that is now required to ensure critical human water needs can be met through a repeat of a drought of similar magnitude to the recent one. This volume has been determined through a detailed modeling process by the Murray-Darling Basin Authority, and is set out in the new Schedule H to the Murray-Darling Basin Agreement.</p> <p>In the Murrumbidgee Valley, the impact of the recent drought was slightly less severe, and the 150 GL to be set aside is required to support TWS, High Security water users and some important regional industries.</p>

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			The proposed insertions 10.2 (2) and 10.3 (2) will not be restrictive, as these events are likely to be rare, and accompanied by heightened water management processes. During the height of the recent drought there was typically a cycle that included resource assessment and forecasting, management oversight, and consultation with water users that was repeated every 2 weeks.
	2. Establishment of Drought Account:		
	not addressed		
	3. Call out Provisions for River Murray increased (Environmental) Flows:		
	not addressed		
	4. Increased Flexibility for Releases from the Snowy Scheme:		
	not addressed		
	5. Wet Sequence Protection with increased Flexibility for Releases:		
	not addressed		
9 Snowy Hydro Ltd GPO Box 4351, Sydney NSW 2001	General comments:		
	<i>Note: SHL's submission does not speak for or against any aspects of the proposal but simply 'ring fences' the proposal by describing it in detail as the way SHL understands and accepts it</i>		
	1. Requirement to Release Dry Inflow Sequence Volume		
		confirms	

Submitter	Proposal Key Area	Support	Draft Response and Action	
	2. Establishment of Drought Account:			
		confirms		
	3. Call out Provisions for River Murray increased (Environmental) Flows:			
		confirms		
	4. Increased Flexibility for Releases from the Snowy Scheme:			
		confirms		
	5. Wet Sequence Protection with increased Flexibility for Releases:			
		confirms		
	10 Ms Louise Crisp Vice-chair Snowy River Alliance, PO Box 654 Bairnsdale VIC 3875	General ccomments:		
		<i>Note: the submission is essentially the same as made by Environment Victoria (3)</i>		
		<p>Variations do not just apply to the 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 the Scheme's storages as well as unjustifiably limiting the release of taxpayer-funded RMIF.</p>		<p>The proposed variations will improve the DISV arrangements, and provide the ability to better manage RMIF for environmental outcomes. They do not impact on the long-term security of the Snowy Scheme, and they clearly provide additional flexibility for the calling-out of RMIF that is not currently available</p>
		<p>Opposes the proposed variations because they will put at risk the long-term security of the Scheme's storages, thus impacting negatively on the current established RAR to the Murray and Murrumbidgee valleys; and will not ensure that RMIF are delivered more frequently or reliably (or on an annual basis).</p>		

Submitter	Proposal Key Area	Support	Draft Response and Action
	<p>1. Requirement to Release Dry Inflow Sequence Volume</p>		
	<p>There is no specific requirement to immediately release the accumulated DISV. Yet the release of water last December, from the 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 time 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 Water Consultation and Liaison Committee was not involved as the required advisory and oversighting authority in the decision to release accumulated DISV at that time</p>	<p>No <i>not required</i></p>	<p>The clause 12 of Schedule 4 of the Licence describes how RAR is to be calculated each year and it currently includes the accumulated DISV from previous water years. This requires SHL to add that volume of water to the nominal Required Annual Release each year.</p> <p>In any year, as soon as inflows recover sufficiently, the nominal RAR must be released, together with additional water for DISV that has accumulated in previous water years.</p> <p>The proposed variations will specifically address this issue, and reduce the requirement placed on SHL to make releases when this circumstance arises.</p>
	<p>2. Establishment of Drought Account:</p>		
	<p>Is more for the benefit of SHL's profits than for irrigators of the Murray and Murrumbidgee. The current DISV is BTW owed the irrigators whereas the proposed Drought Account will be held as ATW over which SHL has complete discretion.</p> <p>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 RAR to the Murray and the Murrumbidgee. Surely it would be in the best interests of the irrigation communities for the accumulated DISV to remain as BTW to be drawn upon when it is most needed following a decision by the WCLC.</p> <p>No explanation as to why the trigger for use of the proposed Murray and</p>	<p>No</p>	<p>The Drought Accounts are not ATW that SHL can use at its discretion. That water can only be released in accordance with the proposed criteria in sections 10.2 and 10.3 of Schedule 4 of the Licence. It can be thought of as BTW that has been transferred into the ATW "airspace" within the Snowy Scheme. It has certain characteristics that mean it cannot be released by anyone for any other purpose than the very explicit conditions (triggers for release) being proposed in these variations to the Licence.</p> <p>It is not in the best interests for irrigation communities to have the Drought Accounts accounted as BTW, as this would reduce the overall</p>

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	<p>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%.</p>		<p>volume of BTW that could then be accumulated within the Snowy Scheme. This is because there is only a certain proportion of the Snowy Scheme storages' capacity that can be used to store BTW.</p> <p>By accounting the Drought Accounts as ATW, that water in the Drought Accounts is assumed to reside in that part of the Scheme's storage capacity reserved for ATW. This means that the Scheme can still accumulate the full volume of BTW in addition to the Drought Accounts, and not impact on the reliability of the Required Annual Releases.</p> <p>The impacts of the drought, combined with local factors in each valley have meant that the two valleys have different needs, and the proposed Drought Accounts have been sized based on the needs of each downstream valley during extreme droughts. In the Murray valley, 225 GL is the volume required for the new conveyance reserve that is now required to ensure critical human water needs can be met through a repeat of a drought of similar magnitude to the recent one. This volume has been determined through a detailed modeling process by the Murray-Darling Basin Authority, and is set out in the new Schedule H to the Murray-Darling Basin Agreement.</p> <p>In the Murrumbidgee Valley, the impact of the recent drought was slightly less severe, and the 150 GL to be set aside is required to support TWS, High Security water users and some important regional industries.</p>

Submitter	Proposal Key Area	Support	Draft Response and Action
	<p>3. Call out Provisions for River Murray increased (Environmental) Flows:</p> <p>A call out provision for RMIF must not be restricted by or depend in any way on the volume of ATW. The Licence should be amended instead to remove RMIF from identification as ATW and provision made for the annual release of the RMIF allocation according to the advice of the Snowy Scientific Committee.</p> <p>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.</p> <p>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 SHL’s ATW account is more than 800GL and only sufficient water to reduce the ATW down to 800GL</p>	No	<p>There is currently no provision in the Licence to call out ATW, and the Water Consultation and Liaison Committee does not have the power to “call out” ATW.</p> <p>The proposed variations are a balanced outcome that represents a significant step forward for environmental water management without unacceptable impacts to power generation activities. The restrictions on call out of RMIF based on the volume of ATW in the Snowy Scheme are intended to provide benefit to water managers without unacceptable impacts to power generation.</p> <p>Given its functions in the NEM, SHL believes that it must maintain a minimum of 800 gigalitres of water storage in the Snowy Scheme at any given time. The “call out” trigger has therefore been set at this volume.</p> <p>These proposed variations are not intended to fundamentally reframe the release requirements of the Licence to provide extensive “compensation” for perceived “wastage” through minimizing spills of water from downstream storages. Attempts to significantly increase water regulation and supply could lead to increases in downstream water use and impact on electricity generation.</p> <p>The water savings that have been made in the western rivers have been jointly funded by NSW, Victoria and the Commonwealth Governments. Release of the saved water to the Snowy River is</p>

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			<p>informed by advice from the Snowy Scientific Committee, and the use of RMIF and other environmental water in the Murray River is already directed by water and environmental managers from NSW, Victoria, South Australia, and the Commonwealth (including the Commonwealth Environmental Water Holder).</p>
<p>4. Increased Flexibility for Releases from the Snowy Scheme:</p>			
	<p>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 drought. 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.</p> <p>Why is the NSW Office of Water considering this proposal at all when Snowy Montane 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</p>	<p>No Raises issues beyond proposed variations.</p>	<p>The long-term storage of water in the Snowy Scheme will not be put at risk through the proposed variations. In fact, the proposed variations will ensure that BTW is not forced to be released from the Snowy Scheme at a time where it serves little purpose. The target storage principle is maintained in the Licence, and remains unaffected by the proposed variations.</p> <p>The delivery of Snowy Montane Rivers Increased Flows a separate and unrelated matter to the issues being addressed in the proposed variations.</p> <p>As described above, the DISV must be dealt with now, to minimise release of DISV at a time when it is not providing significant benefits, and to optimise opportunities to credit drought accounts without impacting on water users.</p> <p>The increased flows for the upper Snowy River have not been available for release because of the record drought conditions that have been experienced across south-eastern Australia in the last five years.</p>

Submitter	Proposal Key Area	Support	Draft Response and Action
	5. Wet Sequence Protection with increased Flexibility for Releases:		
	Not addressed		
11 Mr H. M. Talbot PO Box 5343 Cooma NSW 2630	General comments:		
	<p>There is a mechanism within the Licence, via the WC&LC for the parties to agree to release variations. Questions why this mechanism was not used to manage releases during the recent unnecessary and premature release of dry inflow sequence water that could have been commenced later in the Water Year to avoid downstream spill.</p> <p>Variations go beyond the issue that prompted the variations. For example; 'Call Out Provision for River Murray Increased (Environmental) Flows': and, 'Increased Flexibility for Releases from the Snowy Scheme</p>		<p>Clause 13 of the Licence allows the RAR to be varied by agreement with both parties, and an agreement was struck between the NSW Office of Water and SHL during 2010/11 to limit releases under this clause. However, this is not a long-term solution, and would require negotiations between parties to occur each time.</p> <p>Both parties have taken the opportunity to address more than the management of DISV in the proposed variations, to further improve outcomes for water management and electricity generation.</p>
	1. Requirement to Release Dry Inflow Sequence Volume		
	The WC&LC should be convened as required to provide advice as to how the carry-over should be managed	No <i>not required</i>	The members of the Water Consultation and Liaison Committee have been involved in the development of the proposed variations.
2. Establishment of Drought Account:			
<p>A "Drought Account" is unnecessary and is not consistent with the Target Rule principle under which the Scheme operates. The total DISV's should be accounted and held as BTW to be called upon by agreement between the parties when needed. The full amounts of the accumulated DISV must be credited</p> <p>Caps in the proposed variation of 225GL for the Murray and 150GL for the Murrumbidgee do not reflect the actual DISV's of 784GL and 481GL respectively; and are far too low to provide any real benefits during future droughts.</p>	No <i>Not required</i>	It is not in the best interests for irrigation communities to have the Drought Accounts accounted as BTW, as this would reduce the overall volume of BTW that could then be accumulated within the Snowy Scheme. This is because there is only a certain proportion of the Snowy Scheme storages' capacity that can be used to store BTW. By accounting the Drought Accounts as ATW, that water in the Drought Accounts is assumed to reside	

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	There appears to be no rational basis for the caps provided in The proposal.		in that part of the Scheme’s storage capacity reserved for ATW. This means that the Scheme can still accumulate the full volume of BTW in addition to the Drought Accounts, and not impact on the reliability of the Required Annual Releases.
3. Call out Provisions for River Murray increased (Environmental) Flows:			
	Agrees that a call out provision as proposed is essential. However, any such call out provision must not be predicated on any amount of ATW. In any case, the proposed figure of 800 G RMIF is too high and would likely preclude environmental releases in most years	Yes <i>qualified</i>	Given its functions in the NEM, SHL believes that it must maintain a minimum of 800 gigalitres of water storage in the Snowy Scheme at any given time. The “call out” trigger has therefore been set at this volume.
4. Increased Flexibility for Releases from the Snowy Scheme:			
	The variation has the potential to put the security of releases, especially during a dry sequence, from the Scheme at risk and should be removed from this and any future Licence reviews. It effectively places use of the Scheme’s water for electricity production and trading over and above prudent and optimum water management. Such releases should remain as “Above Target” releases; over which SHL have discretionary release rights. Any “flexibility” provisions must only occur from ATW where it needs to be recognised that SHL currently enjoy total release flexibility	No <i>wrong outcome</i>	Flexibility for releases from the Snowy Scheme has already provided benefits to water users during the drought. For the flexibility releases to date, it has been the practice to put aside any additional releases in excess of RAR, as that water forms part of the following year’s RAR, and hence allocations to water users. The security of releases from the Snowy Scheme is not at risk. The risk to water conservation for downstream water users only arises if the storages downstream of the Snowy Scheme in each valley are not able to retain the additional releases, and additional spills of water were to occur. This is why “wet sequence protection” has been included in the proposed variations.
5. Wet Sequence Protection with increased Flexibility for Releases:			
	Not addressed		

Submitter	Proposal Key Area	Support	Draft Response and Action
12 Mr Jeff Angel Executive Director, Total Environment Centre, Suite 2, 89 Jones Street Ultimo NSW 2007	General comments:		
	None		
	1. Requirement to Release Dry Inflow Sequence Volume		
	Supports the proposed revision to allow this water to be retained as additional drought security, providing that there is no impact on environmental flows for the Murray and Murrumbidgee Rivers delivered at a time and duration best suited for environmental purposes	yes (qualified)	Environmental flows from accounts specified in Water Sharing Plans and from licensed water accounts held for the environment will both benefit from the better management of Recovery Amounts to avoid forcing unnecessary releases from storages downstream of the Snowy Scheme. Whilst the existing arrangements contribute to pre-releases of water from storages downstream of the Snowy Scheme, they are typically occurring during wet periods where the incremental environmental benefits are generally small.
	2. Establishment of Drought Account:		
	No issue with this revision, providing that there is no adverse impact on environmental flows delivered at a time and duration best suited for environmental purposes.	yes (qualified)	The proposed variations do not impact on environmental flows. By conserving water in the Snowy Scheme at a time where it is unlikely to provide environmental benefit, the Drought Accounts and the additional BTW will act to support water allocations to the environment as well as other users in future years.
3. Call out Provisions for River Murray increased (Environmental) Flows:			
Timing of releases should be determined by ecological factors and based on relevant scientific advice (including that of the SSC)	yes (qualified)	Whilst these proposed variations do not provide unfettered access to RMIF, they represent a significant improvement in the ability for environmental managers to utilize RMIF each year. The variations are a negotiated outcome that	

Submitter	Proposal Key Area	Support	Draft Response and Action
			<p>represent a step forward for environmental water management without unacceptable impacts to power generation activities.</p> <p>The role of the SSC is focused on the Snowy River, and the montane rivers of the Snowy Mountains, and it is not proposed to change these arrangements.</p>
	4. Increased Flexibility for Releases from the Snowy Scheme:		
	<p>Important to specify that any such releases should not affect other entitlements, especially environmental entitlements and important that these releases should have no adverse impacts environmental conditions in the Murrumbidgee and Murray Rivers</p>	<p>yes (qualified)</p>	<p>SRIF and SRMIF are not affected by these arrangements.</p>
	5. Wet Sequence Protection with increased Flexibility for Releases:		
<p>13</p> <p>Mr Dan Berry</p> <p>Manager Water Delivery</p> <p>State Water Corporation</p> <p>Dubbo</p>	General comments:		
	<p>Email received on the 18 July 2011 after the closing date for submissions. The email stated that “State Water supports the proposed amendments to the Licence”.</p>	<p>Yes</p>	