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Sustainable, productive and efficient water use in the Lachlan Valley

Submission to Productivity Commission

National Water Reform

August 2020

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SUBMISSION – INQUIRY INTO NATIONAL WATER REFORM

Introduction

Lachlan Valley Water (LVW) welcomes this opportunity to make a submission on the Inquiry into progress on national water reform, and specifically the National Water Initiative (NWI).

Lachlan Valley Water is the peak valley-based industry organisation representing more than 400 surface water and groundwater users in the Lachlan and Belubula valleys. Our members represent all categories of licences except for those held by environmental water managers.

This submission has been prepared on behalf of our members, however, individual members also reserve the right to make their own independent submissions. Our submission addresses the information requests in the Issues Paper which are critical for our members, and in general relate primarily to water management in NSW. .

Jurisdictional progress

Whether the signatories to the NWI are achieving the agreed objectives and outcomes of the agreement

Whether there are cases where jurisdictions have moved away from the actions, outcomes and objectives of the NWI.

Pricing

LVW believes that the objectives of best practice pricing principles are not being met in NSW. Clause 64 of the NWI sets out best practice pricing principles, including the principles of user-pays and pricing transparency in respect of water storage and delivery in irrigation systems and cost recovery for water planning and management. The impacter-pays approach adopted in NSW does not properly recognise that the provision of storages and active river management provides significant benefits to the wider community, particularly as water sharing plans have been implemented over the last 20 years, as well as during the droughts experienced over that period. Instead it attributes the vast majority of costs to entitlement holders, and fails to recognise that the requirement to maintain basic river flow conditions and meet environmental goals account for a significant proportion of costs.

We recommend that the Productivity Commission provide a framework to guide how the user-pays principles should be implemented in NSW in accordance with the NWI.

Risk Assignment

LVW also considers that the risk assignment framework around changes in allocation needs further work to provide clarity and assurance for all parties in exactly how this will operate. Clause 48 states that entitlement holders wear the risk arising from reduced reliability due to changes in climate or events such as drought, clause 49 specifies that risk arising as a result of bona fide improvement in knowledge after 2014 are to be shared, while clause 50 states that Governments are to wear the risk arising from changes in Government policy.

There are two issues here, one is that there needs to be a clear and agreed definition of “reliability”, and LVW’s view is that it should relate to an average across a year, not be defined at a certain point in time. The other issue is that there needs to be clear distinction between an ‘improvement in knowledge’ and a ‘change in government policy’ given that these two measures can be linked. LVW believes it is important that detailed stakeholder input be considered on how this should be determined.

Water entitlements and planning

How effective are water plans at managing extreme events such, while as severe drought?

The Issues Paper states that water planning and management frameworks should be designed to be flexible enough to incorporate rules for extreme events into plans, and that suspending plans is only appropriate in the most extreme circumstances.

LVW concurs and believes the need for clear guidelines around the management flexibility is important. We do not support changing the approach in NSW and incorporating the worst-ever drought of record into water sharing plans. To do this would be detrimental to both water entitlement holders and to the regional economy as a whole because it would require much larger volumes of water to be retained in storage to meet the priority needs of local water utilities, certain environmental provisions, and higher priority licences through a repeat of the worst-ever drought, therefore further reducing access and reliability for general security.

A more responsive risk management approach is the one currently used in NSW, which is based on the drought of record up to when WSPs were developed. It is guided by the Extreme Events Policy and Incident Response Guide developed following the Millenium drought and as part of the Water Resource Plan process. These documents define the stages of drought, identify a large number of possible management responses for each stage, and specify the decision-making responsibility.

One aspect LVW recommends should be improved in NSW is the consultation process in terms of which management responses from the Incident Response Guide should be applied to manage the risk. There needs to be flexibility in the way water shortages are managed, and in our view this requires genuine input from stakeholders across the board, including water users, on which management options should be implemented so that all users can plan ahead and manage to the changing conditions.

What steps have been taken - or should be undertaken – to plan for long term changes in climate?

NSW is developing Regional Water Strategies, incorporating paleo-climate modelling, to help understand and plan for these risks. The draft Strategies for inland NSW have not yet been released, so we are not clear on what changes they forecast or what approaches they recommend, but LVW considers it is critical that the input from regional stakeholders is incorporated in the finalisation of these Strategies.

Water accounting and compliance

How could the NWI be amended to support best practice monitoring and compliance across jurisdictions.

NSW has introduced best practice standards for metering and is progressively implementing them. Consistency of standards across jurisdictions is required to achieve best practice monitoring and compliance, so potentially the NWI could be amended to require consistency among jurisdictions on the degree of accuracy of monitoring required to be achieved.

Environmental water management

Are environmental outcomes specified clearly enough in water plans to guide management actions, monitoring and accountability?

LVW considers that NSW has done considerable work as part of the Water Resource Plan process to more clearly specify the environmental goals in WSPs and to recommend required monitoring. These amended WSPs and the WRPs are currently being assessed by the MDBA.

Is the monitoring of environmental outcomes sufficient?

LVW believes that the monitoring could be improved. We recommend that an important requirement of monitoring and evaluation programs should be that they must clearly identify the change in conditions as a result of climatic variation, and as far as possible they should distinguish between the additional environmental outcomes achieved as a result of the use of water entitlements held by Commonwealth and state governments, and the outcomes that have occurred as a result of planned environmental water that was already available due to state-based water sharing plans.

It is important to quantify the additional environmental benefit occurring as a result of the implementation of the Basin Plan to be able to evaluate the value of the Plan. This should also help identify where there are more cost-effective options to achieve the environmental outcomes.

Can environmental outcomes be more cost-effectively achieved with greater and more innovative use of water markets and market-like mechanism?

The focus to date has been on volumes of water and the purchase of entitlement. However, the water market also provides opportunities to operate in the temporary market, either buying or selling, and the right to lease water or to protect flows at specified times, taking into account that the timing of environmental water demands can often be different from the timing of consumptive use. LVW agrees that the range of products now available provides significant potential for environmental managers to achieve goals more cost-effectively and that this avenue should be actively investigated.

The market also provides the opportunity to trade water and use the proceeds to undertake complementary environmental management actions such as rehabilitating banks, improvement to fish passage through fish ladders, or changes to culverts and other road infrastructure that may be impeding fish passage, installing pumps or other infrastructure to improve the delivery of water to environmental sites, and installing curtains on storage offtakes that will help reduce thermal pollution, to name a few.

Investment in new water infrastructure

What principles should inform government funding or financing of new water infrastructure

The principles to be considered should include:

- whether the project satisfies the environmental impact assessment
- the benefit cost analysis of the project
- whether the new infrastructure will deliver multiple outcomes, eg, water security and flood management, and an assessment of these benefits
- A critical factor that needs to be accurately assessed as part of the benefit cost analysis is the cost to Government and the community of a failure of supply to towns and high priority needs, particularly as a result of severe drought, where that risk is forecast to increase.
- The economic analysis of improved water security and reliability also needs to factor in timing, eg, an increased reliability of 20,000 ML/year is unlikely to translate to 20,000 ML additional usage every year, but a far larger volume in dry sequences and no increase during wetter years.