

Phase 1
Assessment Guidelines for
Constraint and Supply Proposals

Table of Contents

Key Definitions	3
1. Introduction	4
1.1 Framework to develop and assess Constraint Measures and SDL Adjustment Measures.....	4
1.2 Steps and Timeframes to Develop and Assess Constraint Measures and SDL Adjustment Measures	5
1.3 Objective of the Assessment Guidelines.....	7
2. Phase 1 Assessment Guidelines (Feasibility Study)	8
2.1 Objectives and Process.....	8
2.2 Key Elements.....	9
2.2.1 Summary of Proposal.....	10
2.2.2 Description of Proposal	10
2.2.3 Qualitative Estimate of the Potential Supply Contribution.....	10
2.2.4 Anticipated Environmental Benefits	11
2.2.5 Approvals.....	11
2.2.6 Potential Risks to the Environment and Third Parties	12
2.2.7 Links to Other Proposed Measures	13
2.2.8 Complementary Actions Required to Support the Proposal	13
2.2.9 Potential Risks to Project Delivery	13
2.2.10 Costs and Funding.....	14
2.2.11 Consultation and Engagement	14
2.3 Evaluation Criteria and Questions.....	14

Key Definitions

1. This section sets out definitions for key terms that are used throughout the document.

Supply Measures

2. *A supply measure is a measure that operates to increase the quantity of water available to be taken in a set of surface water SDL resource units compared with the quantity available under the benchmark conditions of development subject to equivalent environmental outcomes.*

Note: Examples include:

- Re-configuring suitable lakes or storage systems to reduce evaporation;
- Reducing the quantity of water required to deliver water at a particular place, whether for purposes of consumptive use or for environmental use;
- Changing the methods of environmental watering in such a way that equivalent environmental outcomes can be achieved with a smaller quantity of water than was required under the benchmark conditions of development.

Constraint Measures

3. *Constraint Measure means a measure that removes or eases a physical or other constraint on the capacity to deliver environmental water to the environmental assets of the Murray–Darling Basin.* Note: Examples include:

- Raising of bridges to allow higher regulated flows in watercourses and floodplains;
- Acquisition of easements to allow inundation of private land in conjunction with making regulated releases of environmental water.

Efficiency Measures

4. *An Efficiency Measure is a measure that operates to decrease the quantity of water required for one or more consumptive uses in a set of surface water SDL resource units, compared with the quantity required under the benchmark conditions of development.*

Note: Examples include:

- Lining channels to reduce water losses within an irrigation network;
- Replacement of less efficient methods with drip irrigation.

1. Introduction

1.1 Framework to develop and assess Constraint Measures and SDL Adjustment Measures

5. In recognition of an opportunity to build further on the environmental and socio-economic outcomes contained in the draft Basin Plan 2012, Basin Water Ministers requested that the final Basin Plan incorporate provisions which enable the Sustainable Diversion Limits (SDL) outlined in the Plan to be adjusted.
6. Consistent with the Basin Water Ministers request, the Basin Plan now includes a mechanism to adjust SDLs. The mechanism adds flexibility to the Basin Plan by allowing the SDLs to be adjusted in response to:
 - Supply Measures which allow equivalent or improved environmental outcomes to be achieved without needing to recover as much water as originally anticipated in the Basin Plan; and
 - Efficiency Measures which increase the amount of water that could be recovered for the environment in ways that have neutral or beneficial social and economic impacts.
7. Chapter 7, Part 2 of the Basin Plan outlines a series of provisions to enable surface water SDLs to be adjusted. This part of the Plan provides for:
 - the Basin Officials Committee to notify the MDBA of a package of supply and efficiency measures, that it feels the MDBA must take into account when proposing adjustments (Division 3);
 - the steps the MDBA must take to determine the SDL adjustment amounts to be proposed as a result of supply and efficiency measures (Division 4); and
 - for the MDBA to propose appropriate adjustment to surface water SDL's (Division 2).
8. The default method for determining supply contributions is contained in Schedule 6 of the Plan.
9. Section 7.08 of the Basin Plan requires the MDBA to prepare a Constraints Management Strategy (CMS) by the end of November 2013, that:
 - identifies physical, operational and management constraints that affect environmental water delivery;
 - evaluates risks associated with relaxing key constraints;
 - assesses the impact of modifications of constraints; and
 - identifies mechanisms by which impacts on third parties can be addressed.
10. A key objective of addressing constraints is to enable additional water recovered through efficiency measures to be used to maximum effect to achieve improved environmental outcomes, beyond those achievable under the 2750 GL benchmark scenario, as set out in Schedule 5 of the Basin Plan.

11. Schedule 1 of the draft Intergovernmental Agreement (IGA) sets out the framework for an intergovernmental process to implement the SDL adjustment mechanism. This framework provides a process for Basin jurisdictions to work cooperatively to develop a package of measures to put forward for the Murray–Darling Basin Authority (MDBA) to take into account as part of proposing SDL adjustments under the Basin Plan. The framework includes a three phased process for Basin jurisdictions to follow in developing proposals for addressing constraints and adjusting SDLs.
12. The IGA Schedule also provides for the establishment of an intergovernmental committee (the SDL Adjustment Assessment Committee or SDLAAC) to oversee the process for developing and evaluating proposals for inclusion in the package of agreed measures.

1.2 Steps and Timeframes to Develop and Assess Constraint Measures and SDL Adjustment Measures

Assessment Phases

13. The draft IGA sets out three phases for the SDLAAC to evaluate supply and constraint measures: feasibility studies (Phase 1), business cases (Phase 2), and confirmation of projects (Phase 3). To guide the development of constraint and supply measure proposals and to ensure a consistent approach in assessing proposals, the draft IGA identifies the need for assessment guidelines to be developed for each of the three phases. Guidelines for Phase 1 and Phase 2 are not applicable to efficiency measures. Efficiency measures will be subject to relevant Commonwealth guidelines for program expenditure.

Phase 1: Feasibility Studies

14. The objective of Phase 1 is to identify the measures that could deliver an SDL adjustment or improve the effectiveness of environmental water delivery, and that warrant consideration for development of a business case for assessment under Phase 2. Phase 1 Assessments are expected to have been completed in 2013.

Phase 2: Business Case preparation

15. Phase 2 considers alternative solutions and identifies assumptions, benefits, costs and risks. The business case should provide a compelling case for supporting a preferred option. Phase 2 Assessments are expected to be completed by 30 June 2015. Evaluation of measures involving operating rule changes will be dependent on detailed hydrologic modeling and as such would generally be undertaken as part of Phase 2.

Phase 3: Confirmation

16. For all constraint, supply and efficiency measures, each project agreed to advance to Phase 3 will require confirmation by the proponent. A key feature of Phase 3 is that the proponent will be able to demonstrate that funding for the measure is agreed in principle, with final funding arrangements subject to confirmation of outcomes associated with the measure through operation of the SDL adjustment mechanism. All phases are expected to be completed by 31 December 2015.

17. Proposed measures that have already been subject to some form of assessment may be agreed by the BOC to commence the assessment process at the relevant next phase.
Consolidation of measures for submission to MDBA
18. The MDBA will assist the SDLAAC to assess the feasibility of proposed constraints measures and adjustment (supply) measures during Phase 1 and Phase 2. At the completion of Phase 3 and on receipt of confirmation for all measures (constraint, supply and efficiency), the MDBA will advise the Basin Officials Committee (BOC) of the expected outcome of these on the SDLs (their apportionment), and of any environmental or other consequences that may affect the formal assessment of the project under the adjustment mechanism.
19. BOC will finalise the package of proposed measures after considering MDBA's advice. Once finalised, BOC will submit the package of measures to the MDB Ministerial Council for approval and then to the MDBA for formal operation of the SDL adjustment mechanism before 30 June 2016.
20. A summary of the steps to develop and assess adjustment process is shown in Figure 1.

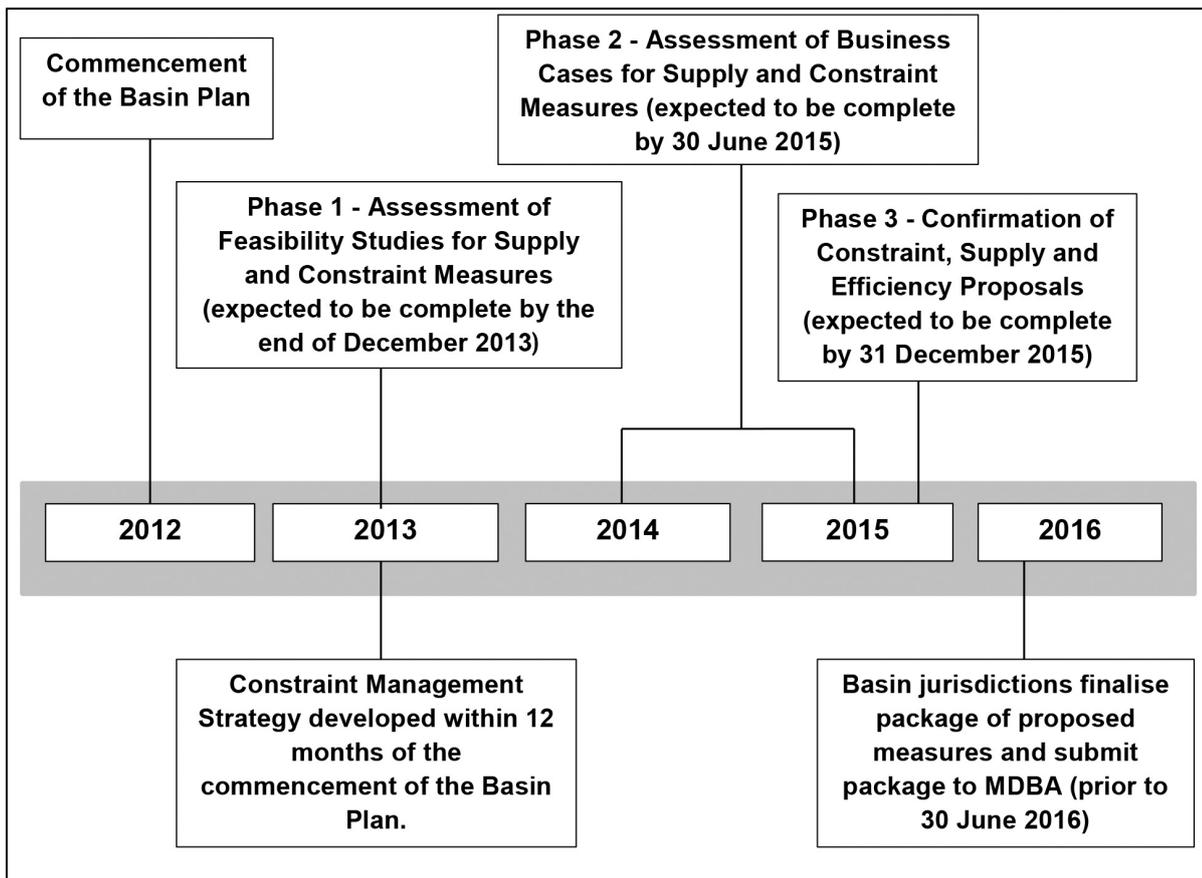


Figure 1: Steps to developing SDL adjustment and constraint proposals

1.3 Objective of the Assessment Guidelines

21. Schedule 1 to the draft IGA provides for assessment guidelines to be prepared for each of the assessment phases for constraint measures and SDL adjustment supply measures. The Guidelines are intended to provide greater clarity on the information required from proponents of constraints measures and supply measures, and to ensure a consistent approach is applied when assessing these measures.
22. The guidelines will provide guidance to the Assessment Committee on a range of matters including:
 - initial, qualified assessment of the potential contribution to an SDL adjustment associated with individual project proposals;
 - the risk assessment framework that will be applied to individual measures and packages of measures, including consideration of third party impacts; and
 - the method for assessing the rigor of each proposals costing.
23. Proponents preparing a proposal may make a case that some of the information specified in these guidelines is not required for a particular measure. Additionally, if required in the assessment of a measure, the proponent may be asked to provide further information, including information not foreshadowed in these guidelines.

2. Phase 1 Assessment Guidelines (Feasibility Study)

2.1 Objectives and Process

Objectives

24. The purpose of phase 1 assessment is to enable the SDL Adjustment Assessment Committee (SDLAAC) or nominated sub-committee to evaluate the feasibility of a proposed measure or group of measures and determine if it warrants consideration as part of Phase 2 of the assessment process.
25. Building on the overarching purpose and objectives for Phase 1, the Phase 1 assessment framework seeks to operate as a course filter and will determine if a proposal or group of proposals is:
 - practical;
 - potential to contribute to an SDL adjustment (for supply measures);
 - likely to deliver improved environmental outcomes (for constraint measures);
 - cost effective; and
 - likely to contain only risks and impacts which are manageable and acceptable.

Process

26. These guidelines set out the minimum information that project proponents must provide to enable the assessment of proposals; and the evaluation criteria that will be used to determine if a proposal should progress to Phase 2. The SDLAAC has the key role of determining if each proposal is supported by sufficient information to enable its feasibility to be determined and evaluating the feasibility of a proposed measure. Based on recommendations made by the SDLAAC, the Basin Officials Committee (BOC) will determine if a proposal should progress to Phase 2.
27. If a proponent has not provided adequate information for the SDLAAC to evaluate the feasibility of a proposal, then the SDLAAC may request further information. In this case, the proponent can resubmit an amended proposal for re-evaluation.
28. The process for assessing the feasibility of proposals submitted as part of Phase 1 is shown in Figure 2.
29. The process outlined in Figure 2 is intended to be operated as a series of evaluation rounds.

These evaluation rounds will provide the SDLAAC with at least three opportunities to evaluate the feasibility of proposed measures during Phase 1. SDLAAC evaluation is likely to occur during July, September and November. Between evaluation rounds proponents will have the opportunity to revise proposals if required. The process is intended to allow early progression of appropriately configured proposals to Business Case Phase, and also reduce the number of proposals evaluated towards the end of the first phase. It is anticipated that most Phase 1 assessments will be complete by the end of 2013, noting that there may be a need to evaluate proposals beyond 2013.

30. Guidance on what proponents are expected to provide in a feasibility study are outlined in Figure 2.

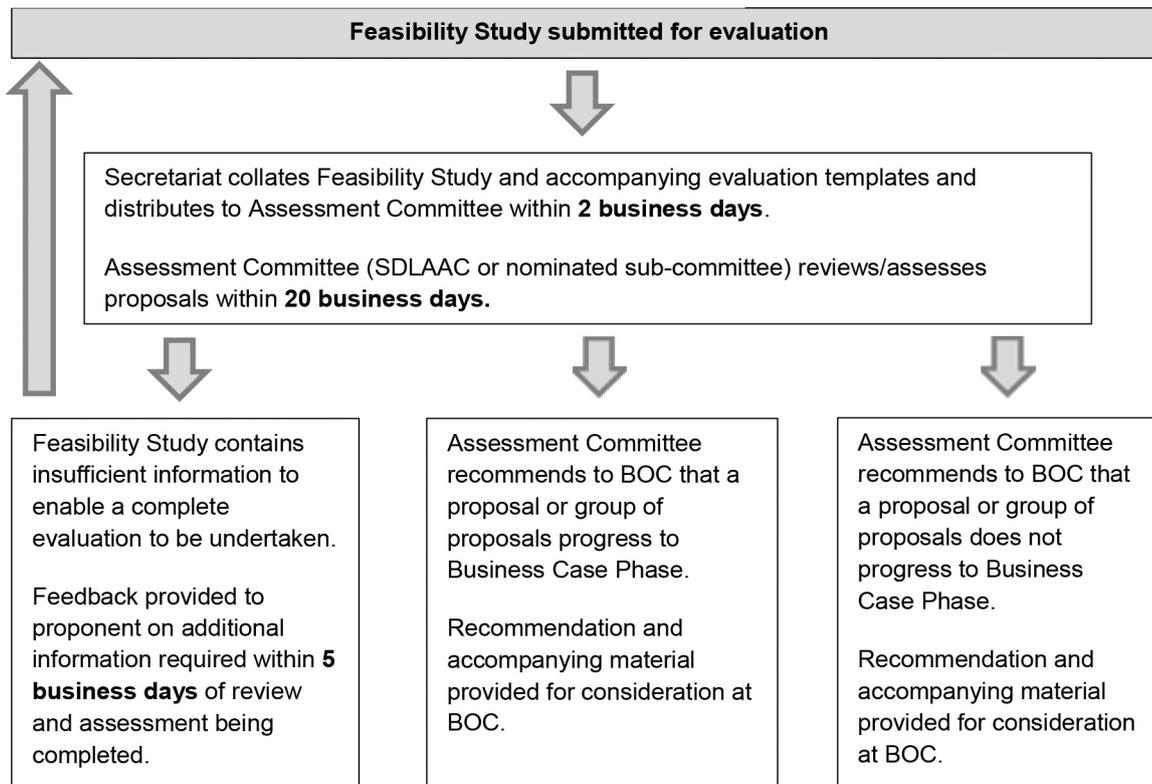


Figure 2: Process for assessing the feasibility of proposals

2.2 Key Elements

Overarching evaluation criteria

31. The overarching evaluation criteria are based on the high level objectives for phase 1 as set out in Schedule 1 to the draft IGA together with a preliminary consideration of risks associated with the proposal. In assessing phase 1 feasibility studies each proposal should demonstrate that:

- 1) The proposed measure is likely to be technically feasible;
- 2) The proposed measure is likely to be cost effective considering the qualitative estimate of the potential supply contribution or likely improved delivery of environmental water;
- 3) The proposed measure is likely to achieve its intended outcomes; and
- 4) The risks and impacts associated with the proposed measure are manageable and acceptable.

Key elements to be detailed and evaluated

32. To enable the SDLAAC to evaluate proposals against these overarching criteria, the following information is required.

- Description of Proposal
- Qualitative Estimate of the Potential Supply Contribution

- Anticipated Environmental Benefits
- Approvals
- Potential Risks to the Environment and Third Parties
- Links to Other Proposed Measures
- Complementary Actions Required to Support the Proposal
- Potential Risks to Project Delivery
- Costs and Funding
- Consultation and Engagement

33. The sections below set out in more detail the level of the information required for each of these elements and how the Committee will evaluate it. Section 2.3 details the evaluation questions the SDLAAC will use to evaluate the feasibility of each proposed measure.

2.2.1 Summary of Proposal

Information to be provided by proponent

34. An overview of the proposal, providing a summary description of the rationale and justification for the proposal and the nature and scale of any expected risks and benefits.

2.2.2 Description of Proposal

Information to be provided by proponent

35. The proponent will need to provide a description of the proposal. The description will include:

- title of the measure;
- the location of the measure, including a map if relevant;
- nature of the works;
- preliminary infrastructure design;
- description of how it will be implemented;
- whether there will be any ongoing maintenance or operational costs, and if so, some consideration to the size of ongoing costs and how they may be met;
- categorisation of the measure as either a supply measure and or constraint measure (definitions of these measures are set out in 1.3); and
- the expected timeframe for project delivery, including each key stage of implementation.

36. Details about the proponent including: type of entity (e.g. Basin jurisdiction/s, any relevant government agencies) and contact details.

2.2.3 Qualitative Estimate of the Potential Supply Contribution

Information to be provided by proponent

37. The proponents will include a qualitative estimate of the potential supply contribution that each proposed supply measure may make towards increasing the SDL. Any estimate of an SDL adjustment contribution from a proposed supply measure will be qualified at this phase. This is particularly so given the method for determining contributions may not have been finalised and the potential interactions with other proposed measures will not yet be known.
38. Recognising these limitations, the proponent should express the potential supply contribution as an estimated volumetric range (for example greater or less than 20 GL/yr) if known. This information should be accompanied by a description of the following:
 - The link between the action being taken and the type and nature of adjustment. The following two examples provide further guidance on the information to be provided:

Example 1: A proposal to reconfigure suitable lakes or storage systems may seek to achieve an SDL adjustment by generating a demonstrable evaporative saving and;

Example 2: Changing the way floodplain wetlands are watered through the use of environmental works may seek to achieve equivalent environmental outcomes with a smaller quantity of water than was required under the benchmark scenario and in doing so generate an estimated saving.
 - Where a project would generate a water saving it would be desirable to include an estimate of the potential saving where this is known;
 - The affected surface water SDL resource unit or units likely to be affected (if known);
 - An explanation of the approach and underlying assumptions used to determine that the measure will deliver a supply contribution.

2.2.4 Anticipated Environmental Benefits

Information to be provided by proponent

39. As part of a feasibility study for a proposed supply measure, the proponents will need to describe the likely environmental benefits resulting from the proposal. The proponent will also need to outline how the proposal will improve various environmental characteristics such as ecological communities and key ecosystem functions.
40. When outlining the anticipated environmental benefits, the proponent will need to detail the nature of the benefits and outline the importance of the area impacted by the proposal.
41. Constraints measures should outline the potential improvement in environmental water delivery and the basis for the assessment.

2.2.5 Approvals

Information to be provided by proponent

42. A proponent must list the likely approvals required for their proposal and the estimated timeframes to obtain each approval. Approvals may include:
 - approvals required under State planning, heritage and environmental laws, including State planning codes, policies, guidelines and regulations;
 - local government planning laws including Local Environmental Plans;

- Federal environmental laws (e.g. Environment Protection and Biodiversity Conservation Act 1999); and
- Any other legal requirements.

Where a proponent has commenced to seek a listed approval, or where an approval is already in place, this information should be provided.

2.2.6 Potential Risks to the Environment and Third Parties

Information to be provided by proponent

43. Proponents should include a preliminary identification and description of the potential adverse local, downstream and offsite environmental impacts. To determine whether these impacts are likely to be manageable and acceptable, proponents should identify the level of impact e.g. minor, moderate or significant noting that this preliminary assessment does not need to be supported by a detailed risk assessment, as this will be one of the requirements of Phase 2.
44. This includes impacts at a site, within the reach, and across the region. Information provided should indicate the area affected and the importance of the area (level of modification, conservation status) affected by work activities.
45. Environmental risks that could be identified may include:
 - effects on flow regime;
 - water quality and salinity impacts;
 - effects on connectivity;
 - impacts on flora and fauna or ecological communities;
 - enhancement of existing threatening processes (e.g. hunting, fishing, grazing);
 - geomorphic impacts;
 - pest species; and
 - impacts as a result of using works or measures to undertake environmental watering.
46. Proponents should include a preliminary identification and description of potential third party impacts and information on the level of impact e.g. minor, moderate, significant. The third party impacts may include:
 - detrimental impacts on reliability of supply of water to the holders of water access rights and entitlements;
 - potential impacts on state water shares or water resources
 - inundation of private land;
 - cultural and heritage impacts;
 - loss of amenity; and
 - water quality and salinity impacts.

47. Proponents should include a description of the risk assessment and management approach that would be applied to both environmental and third party impacts in developing the business case (Phase 2 assessment).

2.2.7 Links to Other Proposed Measures

Information to be provided by proponent

48. The proponent must provide a preliminary description/assessment of links to other measures and the nature and level of dependency/synergy.

2.2.8 Complementary Actions Required to Support the Proposal

Information to be provided by proponent

49. The proponent must identify any complementary actions that are required to support the proposal. Complementary actions include identifying:
- changes to river operations, Murray–Darling Basin Agreement, state legislation, or water sharing framework including indication of timing and nature of relevant approvals;
 - where inter-jurisdictional agreement would be required; and
 - any other resources such as environmental water that would be required to implement or operate a proposed measure.

2.2.9 Potential Risks to Project Delivery

Information to be provided by proponent

50. Proponents should provide a preliminary list, description and assessment of the potential risks to project delivery (including preliminary assessment of whether minor, moderate or significant) and a description of the risk assessment and management approach that would be applied if the proposal is developed further. The preliminary assessment does not need to be supported by a detailed risk assessment, as this will be one of the requirements of Phase 2.
51. Risks to be considered include:
- level of certainty surrounding the proponent's ability to achieve the stated outcomes of the proposal;
 - geo-technical issues associated with building on floodplains;
 - cultural risks;
 - community risks;
 - risks to ongoing operation;
 - statutory approval;
 - legal risks (for example if a required easement was not able to be registered and therefore the interest was challenged when the affected land changed owner);
 - the nature of, and extent to which the project relies on other proposed adjustment or constraint measures to achieve successful outcomes; and

- the nature of and extent to which other complementary actions are needed for the project to be successful.

2.2.10 Costs and Funding

Information to be provided by proponent

52. The proponent must provide an estimate of capital cost and in addition indicate whether there would be ongoing costs associated with operation and maintenance post construction. At this stage, estimating operation and maintenance costs is not required but can be expected to be needed in the Business Case. Additionally any costs accrued due to necessary supporting activities such as communications and community engagement, stakeholder liaison, cultural heritage negotiation etc. should also be accounted for in the projected costs of the project. Advice on any proposed funding arrangements must be outlined.

2.2.11 Consultation and Engagement

Information to be provided by proponent

53. A proponent must identify key stakeholders and an approach to consultation. Key stakeholders are any groups or individuals that may be materially interested in or affected by a proposal, including groups or individuals that may be at risk of suffering a third-party impact if the proposal were to proceed. Key stakeholders may also include other Basin jurisdictions which are not co-proponents.
54. Where consultation has occurred or commenced, details should be set out in a proponent's feasibility study.
55. In developing an approach to consultation, a proponent should note that the scale of consultation should match the scale of the measure proposed.

2.3 Evaluation Criteria and Questions

56. The evaluation questions the SDLAAC will use to evaluate the feasibility of each proposed measure and links are set out in table 1 below.

Table 1: Evaluation Criteria and Questions

Evaluation Criteria	Evaluation Questions
<p>1) The proposed measure is likely to be technically feasible.</p>	<ul style="list-style-type: none"> a. Has the proponent provided a sufficient description of the project such that the Committee can adequately understand the nature of the proposal? (Section 2.2.2) b. Is the proposed description and information provided adequate to enable the Committee to understand the nature and technical feasibility of the proposal? (Section 2.2.2) c. Is the information provided by the proponent sufficient to identify the potential links to other measures and any potential risks? (Section 2.2.7) d. Is the information provided by the proponent sufficient to identify the complementary actions that are required to support the proposal and any potential risks? (Section 2.2.8)
<p>2) The proposed measure is likely to be cost effective considering the qualitative estimate of the potential supply contribution or likely improved delivery of environmental water.</p>	<ul style="list-style-type: none"> a. Are the estimated costs reasonable when compared to the qualitative estimate of the potential supply contribution or likely improved delivery of environmental water? (Section's 2.2.3 & 2.2.10) b. Has the proponent provided an estimate of capital costs and indicated whether there would be on-going costs and other costs associated with the development, operation and maintenance and proposed funding arrangements? (Section 2.2.10)
<p>3) The proposed measure is likely to achieve intended outcomes.</p>	<ul style="list-style-type: none"> a. With regard to proposed supply measures, is there potential for the measure to deliver a supply contribution? (Section 2.2.3) b. Is the approach applied to estimate the potential supply contribution reasonable? (Section 2.2.3) c. With regard to proposed constraint measures are there likely to be demonstrable improvements in environmental water delivery? (Section 2.2.4) d. Are anticipated environmental benefits well-articulated or is further information required? (Section 2.2.4)

Evaluation Criteria	Evaluation Questions
<p>4) The risks and impacts associated with the proposed measure are manageable and acceptable.</p>	<ul style="list-style-type: none"> a. Have the potential local, downstream and offsite environmental impacts and third party impacts been identified, and has a description of the risk assessment and management approach that would be applied in developing the business case been included? (Section 2.2.6) b. Has the proponent provided a logical and considered preliminary identification, description and classification of risks to project delivery, and has a risk management approach to be applied in developing the business case been identified? (Section 2.2.9) c. Is there any reason to consider that the risks or impacts are unmanageable, or might be unacceptable to the environment and third parties, given potential mitigation measures? (Section 2.2.6) d. Has the proponent listed all approvals that are likely to be required for the proposals to be implemented and have they outlined estimated timeframes required for each approval to be obtained? (Section 2.2.5) e. Are the approvals likely to be straightforward or is this likely to be a potential risk or obstacle? (Section 2.2.5) f. Has the proponent identified key stakeholders and an approach to consultation that is consistent with the scale of the proposal? (Section 2.2.11)