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Dear Commissioner Doolan

SUBMISSION: MURRAY-DARLING BASIN PLAN FIVE- YEAR ASSESSMENT

Thank you for the opportunity to provide a submission to the Productivity Commission's five year assessment of the Murray-Darling Basin Plan. Victoria is committed to working with the Commonwealth Government, other Basin jurisdictions and the MDBA to deliver the Basin Plan with positive outcomes for communities, the environment and regional economies across the Basin.

Victoria is on track to meet its Basin Plan obligations.

Victoria has recovered or contracted to recover more than 800 GL of its 1,075 GL water recovery target. Environmental water recovered to date is already delivering outcomes. The Victorian government has released a report card (attached and available at <https://www.water.vic.gov.au/reportcard>) which provides a summary of progress made in Victoria towards the Basin Plan, and shows that we are starting to see the benefits of environmental water, with improved vegetation, fish populations, and waterbird breeding.

However, getting to this point of implementing the Basin Plan has been hard on our communities. Victoria's research (attached and available at <https://www.water.vic.gov.au/murray-darling-basin/social-and-economic-impacts-of-the-basin-plan-in-victoria>) has given us a better understanding of implications of less water for our communities with:

- a. irrigators increasingly reliant on the allocation market, meaning some farming businesses are more vulnerable particularly in dry conditions;
- b. the dairy industry, which has sold more entitlements to the Commonwealth than any other industry, now more exposed to higher water prices and heavily reliant on the allocation market; and
- c. the horticulture sector, which owns more than 40 per cent of high reliability water shares, more vulnerable if there was more demand on the water system.

As water recovery targets are met, the focus needs to shift to delivering the sustainable diversion limit adjustment mechanism (SDLAM) projects to further the Basin Plan outcomes for the environment and our communities.

The agreed package of 36 offset projects under the SDLAM are the next step in delivering the environmental outcomes targeted by the Basin Plan. They are designed to deliver the equivalent ecological outcomes without having to recover the same volume of water. This is a cornerstone of the Basin Plan. It ensures important wetlands, some of which may not be predictably or consistently reached by high river flows, can be watered even when there is less water. The MDBA has advised that these projects are expected to deliver 605 GL of offsets. Victoria put forward 22 of these projects,

including nine environmental works. A number of constraints lifting measures are also included in the package. Adding smart infrastructure like pumps, pipes and regulators, gives environmental water holders the flexibility to water floodplains and wetland during dry conditions, or to target particular outcomes, like breeding events. This will give those sites more resilience, and allow refuges for plants and animals to be maintained during drought.

The ability of these projects to deliver environmental outcomes has been demonstrated through The Living Murray program, which involves works at six key sites on the Murray River. At Hattah Lakes, the works have been in operation since 2014, which has allowed us to monitor the outcomes of environmental watering for several seasons.

In addition to the environmental benefits, the nine environmental works projects alone will bring approximately \$320 million of investment to northern Victorian communities, including opportunities for local procurement and jobs.

Complementary measures, which are non-flow measures such as revegetation or pest control, are an additional way to maximise the value of environmental water, and secure and enhance the environmental outcomes of the Basin Plan. Complementary measures do not offset water recovery under the SDLAM, but would help ensure we get the best return for our investment in water recovery. Victoria has been working with South Australia and New South Wales to investigate how complementary measures can be embedded in Basin Plan implementation.

The Basin Plan also supports engagement with Aboriginal communities in water resource planning and the consideration of Aboriginal values and uses of water. Through recognition of the cultural importance of the Basin to Aboriginal people, Basin Plan implementation has involved Traditional Owners and Aboriginal Victorians in the management of the Basin's water resources. Basin jurisdictions are continuing to work with Traditional Owners and Aboriginal Victorians to engage better with Aboriginal people to improve the inclusion of Aboriginal interests in water resource management.

It is also important to know that all jurisdictions have the systems in place to ensure environmental water is properly managed and accounted for. Improvements to compliance and enforcement throughout the Basin should be fit for purpose, implementable, and help in rebuilding community confidence in the Basin Plan and water management.

The allegations made on the Four Corners program are very concerning. We need to be confident that all jurisdictions have the systems in place to ensure water is being properly managed and accounted for, and that water recovered for the environment is being used for the environment. It is important to look at the MDBA and the CEWH to ensure that the proper oversights and transparencies are in place. Victoria's compliance and enforcement framework is designed to protect the environment and existing entitlement holders from illegal take and use of water. Compliance and enforcement security underpins market integrity and provides stakeholders and the community with confidence that water is being managed equitably.

The MDBA's 2017 Compliance Review found that Victoria's arrangements were in good condition, with recommendations focussed on improving the penalty regime in legislation and transparency of reporting, both of which are actions already underway under the Victorian government's statewide water plan, *Water for Victoria*. Victoria has also expressly included compliance and enforcement in the Statement of Obligations under which each of the Water Corporations operate, and ongoing public reporting of compliance activities will improve transparency.

Compliance and enforcement in Victoria is undertaken by water corporations. Water meters in Victoria are owned, maintained and read by the water corporations. Each water corporation has field officers that undertake meter readings and trained compliance and enforcement officers that undertake both proactive and reactive compliance activities.

In Victoria, most surface water is extracted from highly automated regulated systems with comprehensive metering in place. For example, telemetry on the direct diverters on the Murray means data from water meters is collected in real time. In irrigation districts, all water must be ordered and irrigators can't order more water than they are entitled to.

All Basin States have agreed to develop a Basin Compliance Compact, which will detail a compliance implementation framework including specific plans that outline how each Basin state will improve compliance and enforcement activities. Victoria is working with all Basin jurisdictions and the MDBA to ensure the Compact delivers the confidence we need. Victoria supports a risk based approach to monitoring, metering and compliance and enforcement where the costs of implementation are commensurate with the benefits. On 8 June 2018, the Murray-Darling Basin Ministerial Council welcomed the new Basin Compliance Compact. It represents a significant milestone in securing a consistent and transparent approach to ensuring compliance with all Commonwealth and state laws applicable to water use in the Basin.

Our Water Resource Plans (WRPs) will demonstrate how we will comply with sustainable diversion limits from 1 July 2019. Of two WRPs, one is drafted and work has commenced on the other. Recent measures to streamline WRP accreditation have improved the clarity of feedback from the Murray-Darling Basin Authority (MDBA) on draft WRPs, however timeliness and consistency of feedback from the MDBA remains an issue that is impacting on WRP timelines from Victoria's perspective. Despite these issues, Victoria's WRPs are expected to be submitted to the MDBA well in advance of the accreditation deadline.

Victoria is on track to implement Prerequisite Policy Measures (PPMs) by the 2019 deadline and they are largely implemented already, with most outstanding actions relating to improving documentation around existing arrangements. One of the most important aspects of PPMs is implementing shepherding, which ensures environmental flows can be protected from extraction. Victoria's arrangements for shepherding environmental flows are now well established. In 2015-16 over 280 GL of Victorian environmental water was shepherded from the Goulburn System to the River Murray, and over 560 GL of Victorian environmental water in the Murray was shepherded over the South Australian Border.

On 8 June 2018, when Basin water ministers met at the Murray-Darling Basin Ministerial Council, Victoria secured assurances from the Commonwealth that no on-farm expressions of interest will be carried out in Victoria or New South Wales. Instead, the Commonwealth will shortly launch a new program that will include urban, industrial, off-farm, and water metering infrastructure.

At the Ministerial Council meeting, Victoria secured agreement that Victoria, NSW and SA will work together to develop arrangements for the southern connected Basin to achieve water recovery with neutral or improved socio-economic outcomes by 30 June 2024. Those arrangements will include community engagement and criteria to ensure neutral or improved socio-economic outcomes.

Victoria's preference has consistently been for infrastructure projects that save water through modernisation and efficiency, rather than programs that reduce water available to farmers and agricultural production.

Victoria has consistently argued that the current participation test for efficiency measures is inadequate and does not reflect the real impact that water already taken from the system has had.

At the Ministerial Council meeting, Victoria also negotiated agreement that Basin jurisdictions will work together to develop criteria to assess socio-economic impact, beyond the participation test for on-farm measures. This will include close engagement with community and industry leaders in program design, and the effective integration of measures.

Basin jurisdictions agreed at Ministerial Council that the first priority for efficiency measures is to recover the 62 gigalitres (GL) required by June 2019 to ensure that the full 605 GL supply adjustment comes into effect. Victoria has identified four off-farm projects that will contribute up to 9 GL, including channel upgrading, improved system viability, and pipelining for stock and domestic supplies. These projects will identify system losses that could be fixed through infrastructure investment achieving benefits for farmers, communities and the environment. These projects will achieve system savings that can be put back into the health of the Basin without impacting on communities.

Victoria is interested in participating in further discussions with the Commissioners about their work including outcomes from community consultations and stakeholders. Victoria remains committed to implementing the Basin Plan as agreed to in 2012 and is well placed to assist the Commissioners in identifying areas for reinvigoration and outlining some options to progress implementation of the Basin.

Yours sincerely

Hon Lisa Neville MP
Minister for Water

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