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Mr Bret Walker SC
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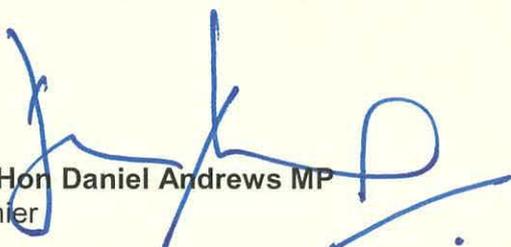
B18/2915

Dear Mr Walker

Thank you for the opportunity to provide a written submission to South Australia's Royal Commission into the Murray-Darling Basin.

Please find enclosed a copy of the submission prepared on behalf of the Victorian Government.

Yours sincerely


The Hon Daniel Andrews MP
Premier

cc: Hon Lisa Neville MP, Minister for Water

31 JUL 2018

**Victorian Government Submission to the
South Australian Murray-Darling Basin Royal Commission**

1. This submission is made on behalf of the State of Victoria (the **State**) in response to the letter from the Murray-Darling Basin Royal Commission (**Royal Commission**) dated 20 February 2018.
2. Thank you for the opportunity to provide a submission. This submission is a background briefing to the Royal Commission, and the State reserves the right to make submissions on further issues that may arise during the course of the Royal Commission.
3. Victoria is committed to the Basin Plan and is making good progress towards our water recovery target.
4. Victoria is committed to working with the Commonwealth Government, other Basin jurisdictions and the Murray-Darling Basin Authority (MDBA) to deliver the Basin Plan with positive outcomes for communities, the environment and regional economies across the Basin.
5. Victoria has recovered or contracted more than 800 GL of our 1,075 GL water recovery target. However, getting to this point of implementing the Basin Plan has been hard on our communities.
6. When the Basin Plan was developed in 2012, all Basin states agreed to the adjustment mechanism allowing the water recovery target to be reduced by up to 650 GL. The 605 GL adjustment is within the agreed amount. It is essential for improved environmental outcomes while protecting communities.
7. We are already seeing results from environmental water recovered to date.
8. 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.
9. The Murray-Darling Basin Plan has a target of 2750 gigalitres of water for the environment.
10. The Basin Plan also allows for an additional 450 GL which was included in the Basin Plan on the condition that there would be neutral or positive socio-economic impact in recovering this water.
11. Victoria has undertaken water recovery projects for over 20 years and has learnt a lot in this time. There is no quick fix, but with genuine partnerships with our communities we have achieved water savings that have benefitted the environment and improved water systems for regional communities.
12. The Connections Project, Sunraysia Modernisation and Wimmera-Mallee Pipeline are all excellent examples of Victorian and Commonwealth governments working in partnership with communities to deliver outcomes for the environment and communities.
13. 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 farmers and 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.
14. 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.
 15. 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 are intended to include community engagement and criteria to ensure neutral or improved socio-economic outcomes.
 16. 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.
 17. 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.
 18. 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.
 19. 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 could contribute up to 9 GL, including channel upgrading, improved system viability, and pipelining for stock and domestic supplies. These projects will contribute to the identification of system losses that could be fixed through infrastructure investment achieving benefits for farmers, communities and the environment. These projects are designed to achieve system savings that can be put back into the health of the Basin without impacting on communities.
 20. 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.

21. 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.
22. 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.
23. 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.
24. 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.
25. The allegations regarding illegal take and use of water made on the Four Corners program which aired on 24 July 2017 are very concerning. The outcomes of the Basin Plan will be put at risk if we cannot 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.
26. Victoria has a strong culture of compliance and has supported the development of the Basin Compliance Compact. 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. On 8 June 2018, the Murray-Darling Basin Ministerial Council agreed to 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.
27. It is important to look at the role of the MDBA and the Commonwealth Environmental Water Holder to ensure that proper oversight and transparency is in place, and Victoria remains concerned that these roles have not been adequately examined. There also has not been an analysis of the impacts of the alleged misappropriation of water on downstream communities and the environment.
28. Victoria's compliance and enforcement framework is designed to protect the environment and existing entitlement holders from illegal take and use of water. Having an effective compliance and enforcement system 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 there is a culture of compliance in Victoria, with recommendations focussed on improving the penalty regime in legislation

and transparency of reporting, both of which are actions already underway under *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.

29. Compliance and enforcement in Victoria is largely undertaken by water corporations. Water meters in Victoria are owned or controlled, 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.
30. 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.
31. To cover Victoria's five water Resource Plan (WRP) areas, Victoria will prepare two WRPs: Wimmera-Mallee and Northern Victoria. Our WRPs will demonstrate how we will comply with sustainable diversion limits from 1 July 2019, and are being prepared in partnership with water corporations and catchment management authorities, and in consultation with environmental managers, Traditional Owners, industry bodies, local government and Basin communities. Victoria's WRPs will be submitted to the MDBA for accreditation before the Sustainable Diversion Limits come into effect, on 1 July 2019, notwithstanding some issues regarding timing and consistency of feedback from the MDBA, which has impacted on drafting timelines.
32. Victoria is on track to implement Victoria's 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.