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Water Shepherding

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Position Statement

March 2015

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NIC Position Statement

Water Shepherding

Introduction

The Basin Plan Section 7.15 describes Pre-requisite Policy Measures (PPM) to include measures under **unimplemented policy measures** to: *Credit environmental return flows for downstream environmental use (which includes shepherding)*.

The Office of the Commonwealth Environmental Water Holder (CEWH) enters into arrangements with relevant Basin state governments, and with other environmental water managers or catchment management authorities to facilitate the delivery of environmental water, including appropriate risk mitigation measures. These partners work with river operators to arrange for the release of the water, or in unregulated rivers, to implement water shepherding. The Commonwealth does not have direct control over the release of water; other authorities are responsible for on-ground management.

All deliveries of Commonwealth environmental water are within the flow limits set for the state water authorities, which are often defined in the approvals to operate water infrastructure.

NIC Principles Relevant to Water Shepherding

- A healthy environment is paramount.
 - Sustainable communities and industries depend on it
- Water property rights must be protected or enhanced
 - Characteristics of water entitlements should not be altered by ownership
- There should be no negative third party impacts on reliability or availability
 - Potential negative impacts must be compensated or mitigated through negotiation with affected parties
- Irrigators must be fully and effectively engaged in the development of relevant policy
- Irrigators require a consistent national approach to water management subject to relevant geographical and hydrological characteristics
- Irrigators expect Government policy to deliver triple bottom line outcomes
- Regulatory and cost burdens of reform must be minimised and apportioned equitably.

Guiding Questions

1. At what stage will stakeholders, including individual valley water groups and peak organisations, be consulted regarding the proposed Pre-requisite Policy Measures (PPM) project plan in all states.
2. Will there be a trading mechanism developed that is open to all classes of entitlement holders?
3. How will the implementation of PPM ensure that there are no negative third party impacts on reliability of existing entitlement holders?

Key Messages

The NIC submits that:

- the PPM project plan currently in development in New South Wales as part of the Basin Plan, must be submitted in a timely way to all individual valleys' water groups and peak stakeholder organisations to enable them to provide comprehensive feedback on the project
- water shepherding has the potential to risk:
 - changing the characteristics of entitlements which were purchased for all entitlement holders, and
 - impacting reliability and availability
- any shepherding model must be made public with opportunity for the model to be openly reviewed and assumptions tested.

Background Information

The official description of water shepherding is:

Water shepherding involves mechanisms or arrangements that allow for the protection of Commonwealth environmental water from downstream extraction and re-use of entitlements between connected areas. It is a methodology that provides the Commonwealth with flexibility in regard to the location at which it chooses to access and use its environmental water assets. Whereas traditional water management systems restrict access to the water source of origin, shepherding will allow the Commonwealth to use its water further downstream in accordance with its environmental watering priorities.

Shepherding enables greater environmental outcomes from the same water.

A trial was undertaken in the 2010–11 year to shepherd environmental water between the Northern and Southern Basins. The water shepherding event released 7,672 ML from the Toorale Station in the Northern Basin resulting in 6,580 ML being delivered to the Great Darling Anabranch in the Southern Basin for use by the environment. This shepherding event was not considered as allocation trade into the Southern Basin in this line item.

The Toorale arrangement was identified as a test and was possible due to a range of localised and unique factors including:

- No active licences located between Toorale and the Menindee Lakes; and
- The ability for NSW Office of Water to control the release from Menindee Lakes so as not to trigger licences between Menindee and the NSW – Victorian border.

The unique conditions that allowed this shepherding arrangement to occur nevertheless required certain special arrangements. Of note is the issuing of a zero share licence in a system which is variously recognised as 'over allocated' or at full allocation and the exclusion of the water that entered the Menindee system from the interstate water sharing agreement.

While the process appears to have been accurately implemented, concern is that the Toorale experience provided a precedent for a continuation of shepherding which will prove to be less straight forward due to a range of different circumstances.

In July 2010 the Commonwealth and the NSW Government signed a Memorandum of Understanding (MoU) on shepherding water for the environment. The MoU defines water shepherding under Clause 13(c) as *the delivery of a calculated volume of water that was created by the non-activation/reduced extraction at a nominated licence location to a more downstream location, after consideration of losses, where it will be made available for extraction or use for the environment.*

Under the MoU both parties have committed to developing water shepherding arrangements that will:

- Optimise the use of all Commonwealth environmental water for the environment
- Provide the capacity to deliver water to high priority environmental assets
- In the case of in-stream environmental watering, provide protection for environmental flows to pass through the system as far as transmission losses allow.

The MoU established two stages to develop water shepherding arrangements. Stage 1 will determine the preferred water shepherding approach and develop a detailed plan to implement that approach by mid-2012. Stage 2 of the project will implement water shepherding in NSW based on the timeframes, costs and information outlined in the detailed plan developed under Stage 1.

The NSW Office of Water advises that work involved in the MoU with the Commonwealth has not progressed.

Other references

The 2013-14 [Constraints Management Strategy Annual Report](#) states:

Out of the nine operational and management constraints identified in the constraints management strategy, the following should be implemented as a matter of priority:

- *delivering environmental water on top of other in stream flows*
- *using environmental water throughout the length of a river*
- *protecting environmental flows from extraction and re-regulation*
- *developing an equitable and transparent arrangement for channel capacity sharing.*

Addressing operational and management constraints, in particular those that overlap with the prerequisite policy measures in the sustainable diversion limit (SDL) adjustment mechanism, are critical for achieving the outcomes of the Basin Plan and a failure to adequately implement these policies may reduce or entirely offset the SDL adjustment resulting from supply measures.

Basin State feedback

Basin States are responsible for PPM implementation. While the work involved in the NSW MoU with the Commonwealth has not progressed, by June this year NSW will however come up with a draft project plan identifying how NSW will develop a position to protect environmental water. Shepherding will be examined as part of this project as well as other options to be put forward. NSW Office of Water advises that 'cheaper options' will also be examined. A brief is currently being prepared for the NSW Minister outlining this work required to satisfy the Basin Plan implementation.

The NSW Office of Water also advises that consultation will occur on the draft project plan with stakeholders, including all individual valleys' water groups, prior to the June 2015 deadline.

The Department of Environment, Land, Water and Planning in Victoria advises that PPM obligations are already in effect as part of Victorian arrangements and there is no planned activity around water shepherding.

The Department of Environment, Land and Water in the Queensland advises that in the Queensland context, there are trading frameworks as part of water resource plans. With water resources managed within unregulated supply arrangements in Queensland, there is no policy setting under which to do water shepherding. If water shepherding was to be introduced, it would be undertaken within the trading frameworks.