



Amending the Water Allocation Plan for the River Murray Prescribed Watercourse

11 Private carryover policy

This paper outlines the incorporation of the existing South Australian River Murray Private Carryover Policy (private carryover policy) into the draft Water Allocation Plan for the River Murray Prescribed Watercourse (the plan). Background on the policy and the options considered for the plan are also detailed in this paper. The Board is keen to hear what you think of the draft plan.

What has been included in the draft plan?	The private carryover policy has been incorporated into the draft plan.
Why was this option chosen?	<ul style="list-style-type: none"> Including the private carryover policy in the draft plan provides greater transparency around how the policy affects you in practice. Minor amendments have been made to ensure clarity, and as required to provide consistency with the Basin Plan Trading Rules.
How does this change from the current plan?	<ul style="list-style-type: none"> The current plan does not include the private carryover policy.
What does this mean for me?	<ul style="list-style-type: none"> The private carryover policy has been in place for several years. Amendments to the policy are minor and will give more clarity to water access entitlement holders around the eligibility, allocation and implementation of private carryover.
How can I provide feedback on this proposal?	<p>You are invited to provide feedback on the draft plan until the close of formal consultation on 27 February 2015. Written submissions can be made:</p> <p>Online: www.naturalresources.sa.gov.au/samurraydarlingbasin Via email: rmwap.feedback@sa.gov.au By post: Peta Brettig, Senior Project Officer, River Murray WAP Natural Resources SA Murray-Darling Basin GPO Box 2834 Adelaide SA 5001</p> <p>Or contact Peta to discuss: Peta Brettig 8463 6877 / 0439 824 477</p>
Key points	<ul style="list-style-type: none"> Private carryover arrangements may allow River Murray water users to supplement water allocations in dry times and also allow more effective management of inter-annual risk. The Murray-Darling Basin Agreement 2008 and its storage provisions under Schedule G provide South Australia with the right to store part of its Entitlement Flow in the Upper River Murray Storages for the purposes of meeting future carryover (and Critical Human Water Needs). The private carryover policy was first approved in December 2011. The private carryover policy has been included in the draft plan, with minor amendments to ensure clarity and consistency with current requirements.



Background

Private carryover is a volume of allocations made available in a year for use under an entitlement, and not used in that year, but that may be made available to the holder of the entitlement for use in a subsequent year (Murray-Darling Basin Agreement 2008, the 'Agreement'; Clause 2).

The current plan does not include a mechanism to provide private carryover for South Australian River Murray water users. Historically, it was not considered necessary, as South Australia generally received its full entitlement flow under the Agreement and was able to make annual allocations of 100% against Water Access Entitlements each year.

In response to the lowest recorded annual in-flow to the River Murray system in 2006–07 and the projected continuation of low in-flows across the Murray-Darling Basin at that time, the South Australian government introduced its first drought-related policy to manage private carryover in 2007-2008.

The drought-related private carryover arrangements continued annually until 2010–11, providing for the carryover and allocation of River Murray water to water users based on their underuse in the previous year. These annual arrangements provided a useful mechanism for licensed River Murray water users to supplement heavily restricted water allocations and to more effectively manage inter-seasonal risk. It also allowed water users to increase the certainty of having water available early in the water year, irrespective of the forthcoming in-flow conditions.

When the drought broke in late-2010, River Murray water users expressed a strong desire for private carryover arrangements to continue. In response, the government developed the current private carryover policy, which took effect in December 2011.

The purpose of the private carryover policy is to detail when water deferred under clause 91 and Schedule G of the Agreement is made available as private carryover, and how it is allocated to South Australian River Murray Water Access Entitlement holders. The development of the policy in 2011 involved extensive consultation with key River Murray community stakeholder groups. An essential requirement was for the private carryover arrangements to be within appropriate legislative, administrative and operational frameworks, underpinned by the new storage rights in accordance with Schedule G of the Agreement 2008. The development of a private carryover policy also needed to consider potential impacts on resource sustainability and other users, particularly the environment.

In 2013-2014 the private carryover policy was reviewed on the basis that the policy arrangements would be incorporated into the draft plan, and for consistency with current requirements, including in relation to the Basin Plan Water Trading Rules, which took effect on 1 July 2014.

Policy context

Clause 91 and Schedule G of the Agreement provide South Australia with the right—under certain conditions—to defer the delivery of and thereby store- part of its Entitlement Flow in Upper River Murray Storages for the purposes of meeting future private carryover (and critical human water needs—not discussed further in this paper). The processes for storing and delivering deferred water, and the development and implementation of a private carryover policy for South Australian water users, are at two distinct levels.



Murray-Darling Basin level

South Australia is able to defer the delivery of part of the 1,154 GL consumptive component of its maximum 1,850 GL Entitlement Flow for the purposes of meeting future private carryover needs, provided that there is no effect on the water availability and/or storage access of New South Wales or Victoria.

In managing South Australian deferred water for private carryover purposes, the state is not storing unused water allocations held by individual water users but is instead managing the deferral and delivery of the state's Entitlement Flow.

The nature of operational and river system considerations and constraints mean that in any year, decisions around the deferral and storage of Entitlement Flow must be made well in advance of the determination of the final level of under use by River Murray water users in South Australia.¹

Decisions to defer the delivery of, and to store Entitlement Flow are made by the Department of Environment, Water and Natural Resources (DEWNR) taking into account a number of factors. These include, but are not limited to, the following:

- Target volumes for deferral;
- Available airspace in upstream storages;
- Risks of spill or pre-release of deferred water for flood mitigation;
- Capacity to deliver deferred water subject to operational considerations and channel constraints;
- Potential evaporative losses, which depend on where water is stored (annual losses in Lake Victoria and Menindee Lakes are 25 to 30 per cent higher than in Hume and Dartmouth Dams);
- Potential effects on other water users, including the environment;
- Potential water availability for the following year; and
- Relevant inter-jurisdictional agreements.

State level

The allocation of water for River Murray water users in South Australia is required to be undertaken in accordance with the *Natural Resources Management Act 2004* and the plan. The private carryover policy provides the framework to allocate water specifically for private carryover, and at the time of preparing the policy in 2011, it was envisaged that the policy would be incorporated into the draft plan in 2014. The current private carryover policy is available on the DEWNR website (www.environment.sa.gov.au).

The volume of Entitlement Flow that has been deferred and stored by the state in a given year as private carryover forms part of the consumptive pool available for delivery in a subsequent year (in addition to any other South Australian Entitlement Flow). The Minister must determine that deferred

¹ Requests by the South Australian Government for the storage of Entitlement Flow or the delivery of stored water must be made to the Murray-Darling Basin authority via a rolling 12-month deferred water storage and delivery plan. This plan is required to be updated by South Australia and approved by the Murray-Darling Basin Authority each month.



water is available as private carryover before carryover volumes can be granted to eligible Water Access Entitlement holders.

Proposed changes to the current private carryover policy

As the current private carryover policy is to be incorporated into the draft plan, it is appropriate to consider *how* it is incorporated. In this regard, it is proposed that relevant:

- criteria from the 'eligibility for private carryover', 'determination of carryover' and the 'term of carryover allocations' sections of the existing private carryover policy be incorporated into the draft plan;
- information from the 'background', 'implementation of private carryover' and the 'summary of Schedule G requirements and implementation factors' will be provided in related procedures, fact sheets and/or information papers at a later date in 2014; and
- definitions will be incorporated into the plan definitions as required.

In addition to separating out relevant elements of the policy for incorporation into the draft plan, the Carryover Policy has been revised to incorporate changes stemming from:

- feedback received through consultation with the River Murray Advisory Committee and the community during mid-late 2013;
- instruction from the Murray-Darling Basin Authority in mid-June 2014 about necessary changes to ensure consistency with the new Basin Plan Water Trading Rules; and
- a review of the private carryover policy against current policy and operational requirements, including new provisions of the *Natural Resources Management Act 2004*.

Importantly, all changes remain consistent with the agreed attributes and considerations of the original/existing policy (**Appendix A**). In addition to some minor clarifying changes, the key changes that are proposed to the criteria that are to be incorporated into the draft plan (refer **Appendix B**) are as follows:

Changes for consistency with the Basin Plan Water Trading Rules

- Criteria 4 has been deleted, and related changes have been made to criteria 6, 8 and 15 to now allow River Murray water allocations traded from interstate to be included in the eligible carryover volume. In effect, *any* unused water allocations held in a water account relating to a South Australian Water Access Entitlement at the end of the current water use year will be considered for carryover in the following water use year. In practice, this change is minor because the 20% upper limit on carryover is retained as a key feature of the private carryover policy. However, allowing water traded from interstate to be included in the eligible carryover volume is beneficial as it provides another option for entitlement holders to manage allocations between years, especially in periods of reduced water availability;
- A new criteria has been added to specify that all private carryover announcements made by the Minister will be made generally available via publication, at minimum, on the



Department's website and in a media release to provide information and greater certainty to the water market;

- Criteria 16 has been amended to acknowledge that all water trading activity in the Murray-Darling Basin, including the trade of carryover allocations are now subject to the Basin Plan Water Trading Rules. To this end, there will at times be allowable restrictions on trade in place, which may preclude intra- and interstate trade, including the trade of carryover. For example, trade may be restricted to prevent third party impacts or to protect the environment.

For more information on the Basin Plan Trading Rules and how they affect the plan, please see Paper 14 – Basin Plan Trading Rules.

Changes to address feedback from the River Murray Advisory Committee

- Any references to the department responsible for administering the policy have been updated from the Department for Water to the Department of Environment, Water and Natural Resources.
- The word "deferred" has been added to Criteria 9 and 10 to clarify that the volume of deferred carryover water then in storage is the basis for decisions about whether there is sufficient or insufficient water available in storage to allocate 100 percent of the eligible carryover volume.

Changes for consistency with current policy and operational requirements

- All references to the 'allocation' of carryover have been refined to clarify that the Minister must first 'determine' that a volume of private carryover is available, from which volumes can subsequently be 'granted' to eligible Water Access Entitlement holders. In this way, new rights are not issued. Rather, a Water Access Entitlement holder is granted the right to take an allocation beyond the period for which it was originally issued i.e. in the next water use year.
- Clause 12 has been amended to clarify that South Australian Entitlement Flow deferred as private carryover in the previous water use year will be made available in the current water use year when the Murray-Darling Basin Authority determines that the likely risk of spill in the storage in which the deferred water is held is less than 10 per cent for the remainder of the water use year. Previously, it was not clear how the risk of spill criteria applied to the storage(s) or the time period over which the risk of spill was deemed to be important.
- Linked to the changes to clause 12, some new wording has been inserted to clarify that a volume of deferred water that is initially made available as carryover may be varied (increase) over a water use year. This may occur, for example, if water deferred as Private Carryover in the previous water use year is progressively 'moved' from a downstream storage (i.e. Lake Victoria) with relatively high risk of spill to an upstream storage (i.e. Dartmouth Dam) where the risk of spill may be less than 10 per cent for the remainder of the water use year — which would enable the water to be made available as carryover to eligible Water Access Entitlement holders.
- Clause 13 has been deleted as it repeats clause 10.
- Clause 15 has been deleted because the revised policy allows any unused water allocations held in a water account at the end of the current water use year to be considered for carryover in the following water use year. Previously, this clause had a restrictive element in terms of an expiry date for carryover allocations and it did not allow water traded from interstate to be used to supplement potential carryover volumes.



FEEDBACK

Feedback on the draft plan is invited up until **5pm, Friday 27 February 2015.**

Written submissions can be made:

Online: www.naturalresources.sa.gov.au/samurraydarlingbasin

Via Email: rmwap.feedback@sa.gov.au

By post: Peta Brettig

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APPENDIX A - DISCUSSION OF ORIGINAL POLICY OBJECTIVES AND KEY ELEMENTS

The purpose of the private carryover policy is to detail how and when deferred South Australian Entitlement Flow may be made available by the Minister as private carryover, and how private carryover is shared between eligible South Australian River Murray Water Access Entitlement holders. The development of the original policy occurred in three stages, all of which involved extensive consultation with key River Murray community stakeholder groups:

1. Development of key principles and high level objectives;
2. Exploration of policy attributes and potential options that supported the key principles and objectives; and
3. Selection and development of a preferred option.

Policy objectives

A series of high level objectives were determined for the private carryover policy. These objectives reflected a series of principles that were discussed with key stakeholder groups (including the River Murray Advisory Committee) during this first stage of consultation. They were:

1. Manage storage and delivery of South Australian entitlement flow to:
 - a. provide for critical human water needs;
 - b. provide a mechanism for water users to manage seasonal variability in order to maximise economic return and environmental outcomes;
 - c. minimise the impact on resource sustainability and other third party impacts; and
 - d. maintain the integrity of Water Access Entitlements (WAEs) in South Australia.
2. Implement arrangements that are transparent, straightforward and cost effective, supported by appropriate and timely information, including the risks associated with storing water and the potential for that water to spill.
3. Effective implementation of the provisions and requirements of Schedule G to the Agreement.

Policy attributes and options

An analysis of policy attributes and potential options for the private carryover policy was undertaken considering the objectives above. The policy attributes and their options considered were:

1. Eligibility for private carryover:
 - WAE holders only; or
 - All water users – WAE holders and those who do not hold a WAE and who acquire water through trade.
2. Private carryover volume:
 - Capped volume (e.g. 20 per cent of WAE); or
 - Unlimited volume (e.g. total unused volume held).
3. Allocation of private carryover volume:
 - Provide share of water stored for private carryover; or
 - Provide access to full unused volume.



4. Life of private carryover allocation
 - Annual; or
 - Ongoing.
5. Application of Net Loss in Storage
 - Fixed Loss (applied at start of year); or
 - Incremental Loss (applied throughout year).

A number of potential policy options were developed based on combinations of the above policy attributes. The options were by no means exhaustive but they did provide guidance as to how the various options for each attribute may fit together. It was assumed that all options would be underpinned by information about the likelihood of next year's allocations, ability to store water and the risk of spill for next year. It was envisaged that this information would be publicly provided to water users around March in each year.

Preferred Policy Option

The stage 2 consultation on the private carryover policy options and analysis of policy attributes principally involved a key stakeholder group of irrigator representatives formed by the Minister for the River Murray. This group supported a preferred option for further development as a draft private carryover policy for wider community consideration including with the River Murray Advisory Committee.

The preferred policy option was based around a number of key attributes with associated considerations as follows:

1. Access to private carryover for WAE Holders only.
 - Supported by the Agreement and consistent with private carryover policies for the River Murray in Victoria and New South Wales;
 - Preserves the integrity of entitlements and maximises the value of holding an entitlement;
 - More straightforward to administer as entitlements are known and only ownership changes;
 - More straightforward and cost effective to manage as significant investment in systems to track allocation trades and those volumes that are intended for carryover is not required; and
 - Less investment in compliance and enforcement of water use to manage the resource with low risk.
2. Private carryover granted in respect of water allocated against WAEs for all classes of WAE shares other than those for critical human water needs purposes and Environmental Land Management (ELMA).
 - As critical human water needs are defined as the highest priority water use under the *Water Act 2007* (Cth), those classes (1, 2, 5 and 6) that relate to critical human water needs purposes require a separate management policy;
 - The water allocated against Class 8 for ELMA should be used in the year of allocation for land management purposes within the Lower Murray Reclaimed Irrigation District; and
 - All other WAEs are considered equal.
3. Private carryover volume limited to a fixed percentage of the WAE held.



- Most straightforward to manage through simple systems and rules;
 - Unlikely to require application process or ordering system and hence does not require significant investment in systems to manage these processes;
 - Minimises the impact on all other water users including the environment as over-storage is unlikely;
 - Less investment required for compliance and enforcement of water use to manage the resource with low risk;
 - Minimises the impact of carryover on the ability to provide allocations to WAEs;
 - Consistent with carryover policy in New South Wales; and
 - Provides realistic expectation of volumes available for carryover as opposed to what occurred during drought.
4. Private carryover volume limited to 20 per cent of the WAE held.
- The irrigator representatives group discussed the suitability of this volume and whether a higher volume would be preferable. A 30 per cent volume was suggested, which would be consistent with carryover arrangements in New South Wales;
 - An analysis of the magnitude of 20 to 30 per cent of all eligible Water Access Entitlements was undertaken and indicatively: 20 per cent is approximately 129 GL, 25 per cent is approximately 161 GL and 30 per cent is approximately 193 GL;
 - From 2007–08 to 2009–10 the annual volume of carryover was less than 100 GL. In 2010–11 there was 228 GL of carryover, however this volume was distorted by significant volumes of carryover allocated in previous years and annual water allocations purchased for carryover.
 - A 20 per cent limit provides a reasonable volume for private carryover but also begins conservatively for the first long-term private carryover policy, particularly given the issues associated with the high carryover volumes in 2010–11; and
 - Consistency between a South Australian private carryover policy and those of New South Wales and/or Victoria is not practical due to inequities in storage rights, as well as vastly different operational considerations and constraints. Additionally, New South Wales usually only provides carryover of general (low) security water. The New South Wales high security products are the most comparable to South Australian WAEs but no carryover of high security products is permitted, except during drought conditions when the water sharing plans are suspended.
5. Allocation of private carryover volume as a proportional share of deferred water available.
- Administratively straightforward;
 - Sharing provides equity between WAE holders;
 - Volume available is volume stored so no external impact on WAE holders; and
 - Provides certainty to the state regarding volume to store (the volume of carryover cannot be substantially larger than originally forecast and provided for, as occurred for 2009–10).
6. Private carryover allocations are annual allocations
- More straightforward to manage and deliver;
 - Consistent with the carryover policy for the River Murray in New South Wales;
 - No requirement to manage the difficulties associated with accounting for the cumulative impact of storage and delivery;



7. Application of fixed net loss in storage
 - Administratively easy to apply; and
 - Value known at the start of the year so provides certainty for carryover users at start of year as to actual carryover volume available.
8. Allocation once risk of spill is low
 - Prevents allocations being removed from a WAE holder's account once those allocations have been made; and
 - Provides certainty for users that once carryover is allocated to them it can be used or traded.
9. No application process
 - Administratively straightforward; and
 - Some WAE holders may not wish private carryover to be allocated to them to either use or trade. While the absence of an application process doesn't allow for this to occur, any unused water remains in-river and maintains river health for all users. This is the normal outcome when water users do not use or trade their full allocations.

APPENDIX B - DRAFT CARRYOVER POLICY CRITERIA FOR INCORPORATION INTO THE PLAN

Eligibility for Private Carryover

1. Private carryover will only be granted in the current water use year to those who held a South Australian Water Access Entitlement on 30 June of the previous water use year, subject to criteria 2 and 3.
2. Private carryover is not available to Water Access Entitlements for the following classes of Water Access Entitlement Shares that relate to critical human water needs:
 - Consumptive Pool A (previously Class 1, or Stock and/or Domestic); or
 - Consumptive Pool B (previously Class 2, or Country Towns); or
 - Consumptive Pool C (previously Class 5, or Industrial); or
 - Consumptive Pool D (previously Class 6, or Metropolitan Adelaide).
3. Private carryover is not available to the following class of Water Access Entitlement, as the water allocated may only be used in the year of allocation for land management purposes within the Lower Murray Reclaimed Irrigation Area:
 - Environmental Land Management Consumptive Pool (previously Class 8, or Environmental Land Management – specifically for Lower River Murray Reclaimed Irrigation Areas).



Determination of Private Carryover

4. Any unused water allocations held in a water account at the end of the current water use year will be considered for private carryover in the following water use year (subject to criteria 1).
5. Private carryover may only be granted in respect of an individual Water Access Entitlement if water has been taken through a fully operational flow recording meter for the whole of the water use year for which private carryover is determined, unless water use can otherwise be determined on another basis to the satisfaction of the Minister.
6. The volume of private carryover granted in respect of an individual Water Access Entitlement will be determined on the volume of unused water allocations held in the water account at 30 June in the previous water use year, up to a volume equivalent to 20 percent of the South Australian Water Access Entitlement.
7. If there is sufficient deferred water in the Storage Right account, 100 percent of the eligible private carryover volume will be granted to a South Australian Water Access Entitlement holder, subject to criteria 10 and 12.
8. If there is insufficient deferred water in the Storage Right account to grant 100 percent of the eligible private carryover volume, each Water Access Entitlement holder will be granted a proportional share of the volume of water in storage based on their eligible private carryover, subject to criteria 10 and 12. For example, if 100 gegalitres is stored as private carryover but the eligible volume of private carryover equals 130 gegalitres, each Water Access Entitlement holder will receive 77 percent of their eligible private carryover volume.
9. The private carryover volume granted to a Water Access Entitlement holder will be reduced by five percent to account for net loss in storage.
10. Private carryover may only be granted in respect of an individual Water Access Entitlement, the Minister shall have regard for the information provided by the Murray-Darling Basin Authority, and consider only allocating when there is a low likely risk of spill (less than a 10 percent chance) forecast that the water stored for private carryover in the previous water use year will spill from the storage in which it is held over the remainder of the current water use year.
11. In determining a volume to be made available as private carryover, or varying a previous private carryover announcement for the current water use year, the Minister will publish a private carryover announcement in a media release and on the Department's website (www.environment.sa.gov.au).
12. There will be no impact or adjustment made to the volume of private carryover granted to a Water Access Entitlement holder if some or all of the private carryover in storage spills.
13. Water granted as private carryover may be transferred interstate or intrastate in accordance with the transfer principles of this water allocation plan and the rules for transferring a water allocation in s157 of the Natural Resources Management Act 2004.