



Australian Government
Department of Agriculture
and Water Resources

National Partnership Agreement on Implementing Water Reform in the Murray– Darling Basin

Milestone assessments for the year
ending 30 June 2017



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Background

The *Intergovernmental Agreement on Implementing Water Reform in the Murray–Darling Basin* (IGA) is an undertaking by the Australian Government and the Murray–Darling Basin state governments to build on existing achievements by implementing water reforms that further improve the Basin’s health and secure a future for its communities.

Part 7 of the IGA commits the Australian Government to providing financial support to the Basin states via the *National Partnership Agreement on Implementing Water Reform in the Murray–Darling Basin* (NPA).

Each Basin state has committed to implementing the NPA in accordance with milestones set out in Schedule A, and reporting on milestone progress through an annual Statement of Assurance.

In accordance with Clause 34, the Department of Agriculture and Water Resources (the department) commissioned an independent mid-term review of the NPA. The review was finalised on 3 August 2017 and made a number of recommendations to help ensure the NPA’s objectives are achieved by the time it expires in 2020.

These recommendations included that future assessments take a more longitudinal view of progress across years, that future expectations and proposed remedial actions where applicable are identified and that assessments should consider the extent of materiality to overall reforms of any milestone non-achievement. These recommendations have been reflected in the 2016–17 assessment.

In November 2017, the Murray–Darling Basin Authority (MDBA) released *The Murray–Darling Basin Water Compliance Review* (MDBA 2017a). The review found significant degrees of difference between Basin states’ culture of compliance.

Also in November 2017 the Australian National Audit Office (ANAO) released a limited assurance review of the department’s assessment of the performance of New South Wales under the NPA for the years 2014–15 and 2015–16. The review found, among other things, that there was a lack of specific, measurable deliverables in the milestones of the agreement and in the criteria used by the department to assess progress (ANAO 2017). The department’s response to that review can be found on the department’s website (Agriculture 2017).

The Australian Government announced on 25 November 2017 that it will link Basin Plan implementation payments to progress by Basin jurisdictions in reforming compliance arrangements and the development and delivery of Basin Plan-compliant water resource plans (Australian Government 2017). The department has included discussion of Basin states compliance arrangements and progress in the development of water resource plans in this report and flagged expectations for the 2017–18 reporting year. Any instances of insufficient progress will negatively affect the department’s assessments for 2017–18.

Assessor’s role

Using the Statements of Assurance and any supporting documentation provided by each participating Basin state, the Assessor is required to evaluate jurisdictional performance against milestones in Schedule A to the NPA (see [Appendix A](#)), as described in Part 4 of the NPA.

This Assessor's report provides advice to the Australian Government minister with portfolio responsibility for water in relation to Basin state performance against milestones set out in Schedule A, the extent to which the milestones have been met and, where the state has not met or partially met a performance milestone, any steps and activities that it took to meet the milestone.

The Minister will decide whether payment should be made to a Basin state under the NPA.

The National Water Commission was initially tasked with the Assessor's role and completed the required assessments in 2013 and 2014. The *National Water Commission (Abolition) Act 2015* abolished the National Water Commission in June 2015. The Assessor's role has transferred to the Department of Agriculture and Water Resources. This is the third report prepared by the department.

Assessment scope

This report provides a detailed assessment of Basin states' progress against the actions listed in Schedule A of the NPA.

The preparation and accreditation of water resource plans is an output and outcome of the NPA. The full implementation of arrangements for several milestones, such as the protection and management of planned environmental water, is also dependent on the development and accreditation of water resource plans that are consistent with Basin Plan requirements.

This report provides an overview of each Basin state's progress in the development of water resource plans consistent with Basin Plan requirements. A more detailed assessment of water resource plan progress will be included in future assessments. In line with the Australian Government's response to the MDBA's Compliance Review, future assessments will also consider Basin states' compliance efforts.

Assessment approach

Each Basin state was required to provide a Statement of Assurance to the department. The information provided in the Statements of Assurance and other material was compared with milestones in Schedule A.

In conducting this assessment, the department consulted with Australian Government agencies, including the Commonwealth Environmental Water Office (CEWO) and the MDBA. Basin states were given an opportunity to comment and provide feedback before the assessment was finalised.

1 Assessment for the Australian Capital Territory

Summary of findings

The Australian Capital Territory made satisfactory progress to implement the Basin Plan in 2016–17. The Australian Capital Territory has agreed with New South Wales to enable trade between the Australian Capital Territory and the New South Wales Murrumbidgee, with the arrangements to be developed and specified in the respective water resource plans. The Australian Capital Territory has supported the Commonwealth to ‘bridge the gap’ and cooperated in arrangements for Basin Plan environmental watering.

Findings for the Australian Capital Territory are summarised against each milestone in Table 1 in the order they appear in the NPA. Full findings and details of the assessment are also included in this chapter.

Additional matters to be considered in future assessments

Since the assessment year the MDBA has undertaken the Murray–Darling Basin Water Compliance Review (MDBA 2017a). The department expects the Australian Capital Territory to address the recommendations made by the MDBA Compliance Review as they relate to the Australian Capital Territory, and will consider this matter in the 2017–18 assessment.

The department also expects to see the Australian Capital Territory make progress in developing its water resource plan and the Australian Capital Territory’s long-term watering plan, in 2017–18. The Australian Capital Territory released a draft water resource plan for consultation in mid-2016 and expects to submit a final for accreditation in early 2019. The MDBA expects the Australian Capital Territory will meet this timeline.

Table 1 Summary of findings for the Australian Capital Territory

National partnership commitments	Assessment summary	Finding
6) The state has supported the Commonwealth in bridging the gap.	a) Arrangements to enable water trading between the ACT and NSW are not yet in place. The ACT and NSW have reached an in principle agreement to develop and implement interstate water trade arrangements by 2019.	Milestone partially met. Steps and activities are underway to fully meet the milestone.
	b) The ACT did not introduce any restrictions or suspensions on the trading of water access entitlements.	
	c) The ACT did not take any action to impede Commonwealth measures to acquire water for environmental purposes.	
	d) The ACT has not been involved in Commonwealth applications for water trading.	
	e) The ACT entitlements in regulated surface water systems are consistent with the provisions of NWI clauses 28 to 32.	

National partnership commitments	Assessment summary	Finding
7) Following publication of the Constraints Management Strategy by the MDBA, confirmation that any actions taken by the state to remove or address constraints are consistent with the measures agreed through the inter-jurisdictional governance procedure for the SDL adjustment mechanism.	Not applicable to the ACT.	Not applicable.
8) The state has cooperated in arrangements for Basin Plan environmental watering.	<ul style="list-style-type: none"> a) The characteristics of licensed entitlements held for environmental water use in the ACT have not been enhanced or diminished relative to like entitlements held and used for other purposes. b) The ACT has implemented measures to facilitate the use of environmental water. c) The ACT is working with the MDBA to provide annual environmental watering priorities in a manner more transparently consistent with the Basin Plan. d) The ACT does not have any held environmental water and applies the Basin Plan's <i>Principles to be applied in environmental watering</i> in its releases of planned environmental water. e) Environmental watering has occurred with regard to the views of local communities and persons materially affected by the management of environmental water. f) The ACT have agreed with the MDBA to submit their long-term watering plan by mid-2018. 	Milestone met.

Bridging the gap

Removal of barriers

The Australian Capital Territory partially met this commitment for 2016–17. The department considers appropriate steps and activities are underway to fully meet the milestone.

In June 2017, the Australian Capital Territory and New South Wales Water Ministers advised the Murray–Darling Basin Ministerial Council they had reached an in principle agreement to establish interstate entitlement trade between the Australian Capital Territory and New South Wales. To enable the interstate trading and associated protocols to be actioned in a coordinated manner, the Australian Capital Territory advised that it will seek to align the submission and accreditation timeframe for the Australian Capital Territory Water Resource Plan with the existing timeframe for the New South Wales Murrumbidgee Water Resource Plan. The Australian Capital Territory indicated it will submit its water resource plan for accreditation in early-2019.

The Australian Capital Territory reported it is otherwise compliant with the Basin Plan water trading rules (ACT Government 2017). The MDBA did not raise any other issues with Australian Capital Territory trade rules (MDBA 2017b).

The department expects to see evidence that arrangements to enable interstate entitlement trade with New South Wales are advanced in 2017–18.

Restrictions on trade

The Australian Capital Territory met this commitment for 2016–17.

The Australian Capital Territory did not introduce any restrictions or suspensions on the trading of water access entitlements (ACT Government 2017). The MDBA confirmed it was not aware of any new restrictions that are inconsistent with the Basin Plan (MDBA 2017b).

Actions to impede Commonwealth water acquisitions

The Australian Capital Territory met this commitment for 2016–17.

The Commonwealth did not seek to acquire water for environmental purposes from the Australian Capital Territory during 2016–17.

Processing times for trades

The Australian Capital Territory met this commitment for 2016–17.

There were no trades for water resources where the Commonwealth was a participant within the Australian Capital Territory during the assessment period (ACT Government 2017).

NWI-consistent entitlements

The Australian Capital Territory met this commitment for 2016–17.

The Australian Capital Territory manages water under an interim water resource plan which has been extended to June 2019 (ACT Government 2017). Under this plan, the Australian Capital Territory's water access entitlements are consistent with the provisions of clauses 28 to 32 of the NWI (NWC 2014).

Implementation of Constraints Management Strategy

Not applicable to the Australian Capital Territory.

Cooperation in environmental watering

Characteristics of licensed entitlements

The Australian Capital Territory met this commitment for 2016–17.

The Australian Capital Territory advised that no changes were made to water access rights during 2016–17 (ACT Government 2017). The MDBA and the CEWH have not advised of any restrictions that would constitute discriminatory or preferential treatment for licensed entitlements held for environmental use during the 2016–17 assessment period.

Measures implemented to facilitate use of environmental water

The Australian Capital Territory met this commitment for 2016–17.

The Australian Capital Territory does not hold any water entitlements for environmental use.

The Australian Capital Territory's 2016–17 Statement of Assurance confirmed that measures to facilitate the use of environmental water occur through its legislated environmental flow guidelines (ACT Government 2017). Planned environmental flow releases by ICON Water are regulated by the Australian Capital Territory Environmental Flow Guidelines, available online on the ACT legislation register (ACT Government 2013).

Annual environmental watering priorities

The Australian Capital Territory met this commitment for 2016–17.

The MDBA advised the Australian Capital Territory was delayed in delivering its annual watering priorities due to administrative errors. This delay limited the time available for the MDBA to review and consider state priorities in developing Basin scale priorities. The MDBA advised it does not consider this delay to be a major non-compliance issue (MDBA 2017b).

The Australian Capital Territory's 2016–17 Statement of Assurance confirmed its approach to environmental watering is through its legislated Environmental Flow Guidelines (ACT Government 2017). These guidelines are under review, with revised guidelines to be incorporated in the Water Resource Plan.

Any opportunities for providing additional environmental watering to achieve environmental outcomes are reviewed by the ACT Environmental Flow Technical Advisory Group and approved by the ACT Environmental Protection Agency.

The MDBA noted that while the information on the annual watering priorities provided by the Australian Capital Territory was limited, it has in the past tried to highlight the current condition of Australian Capital Territory ecosystems and any discretionary water management levers that Icon Water may use during the year, which might influence water management downstream. The MDBA advised that while the lack of detail makes it difficult to determine if the annual watering priorities are consistent with Basin Plan outcomes, it anticipates this will become easier as the Australian Capital Territory finalises its long-term environmental watering plan, which includes reviewing the ACT Environmental Flow Guidelines, by mid-2018 (MDBA 2017b).

Management of environmental water consistent with the Basin Plan

The Australian Capital Territory met this commitment for 2016–17.

The Australian Capital Territory does not have any held environmental water and manages releases of planned environmental water in accordance with the ACT Environmental Flow Guidelines (ACT Government 2017).

The MDBA indicated it is not aware of any non-compliance issues regarding Australian Capital Territory environmental water in 2016–17 (MDBA 2017b).

Consultation on environmental watering

The Australian Capital Territory met this commitment for 2016–17.

The Australian Capital Territory's Statement of Assurance notes that during 2016–17, the Australian Capital Territory had engaged and continued to work with a large range of stakeholders on water resource planning (ACT Government 2017). As the Australian Capital Territory does not hold environmental water entitlements, consultation on specific water priorities or events is not required.

The Australian Capital Territory provided examples of consultation undertaken in developing the draft ACT Water Resource Plan, including the key stakeholders consulted (ACT Government 2017).

Long-term environmental watering plans

The Australian Capital Territory met this commitment for 2016–17.

Schedule A of the NPA requires that 12 months after the MDBA has made the Basin-wide Environmental Watering Strategy, or within another timeframe agreed between the MDBA and the Australian Capital Territory, long-term environmental watering plans for surface water resource plan areas must have been developed consistent with the requirements of the Basin Plan.

The MDBA granted the Australian Capital Territory an extension to submit its long-term watering plan, by mid-2018.

The Australian Capital Territory confirmed it is drafting a long-term watering plan, based on the Australian Capital Territory Environmental Flow Guidelines, as a component of the draft ACT Water Resource Plan. The Australian Capital Territory had engaged the University of Canberra to review its existing environmental flow guidelines, including Basin Plan requirements, which will form the basis of its long-term watering plan (MDBA 2017b). The MDBA considered this work a major step forward for the Australian Capital Territory's ability to meet its Basin Plan requirements.

2 Assessment for New South Wales

Summary of findings

New South Wales did not make satisfactory progress to implement the Basin Plan in 2016–17.

New South Wales reached an in-principle agreement with the Australian Capital Territory to progress interstate trading arrangements between the Australian Capital Territory and the New South Wales Murrumbidgee with the arrangements to be developed as part of the respective water resource plans. It also made satisfactory progress with its constraints proposals in the southern Basin and continues to develop long-term environmental watering plans.

However, New South Wales impeded Commonwealth measures to acquire water for environmental purposes through its opposition to a number of strategic water purchases. It also did not provide the Commonwealth with a business case to support the Gwydir constraints proposal in the northern Basin and did not implement measures to adequately protect environmental water in the northern Basin.

Findings for New South Wales are summarised against the milestones in Table 2 in the order they appear in the NPA. Full findings and details of the assessment are also included in this chapter.

Additional matters to be considered in future assessments

Since the 2016–17 assessment year there has been extensive community concern regarding the management, delivery and protection of environmental water, particularly in the northern Basin. In response, New South Wales commissioned Mr Ken Matthews to undertake an independent investigation into New South Wales water management and compliance (NSW Government 2017a) and the MDBA has undertaken the Murray–Darling Basin Water Compliance Review (MDBA 2017a). A Basin Compliance Compact is being developed and will include specific actions for New South Wales to deliver. The department will consider this matter in the 2017–18 assessment.

The department also expects to see New South Wales make solid progress in developing its water resource plans and this will be a focus for the 2017–18 assessment in 2018–19.

New South Wales has been slow in preparing its water resource plans and faces very tight deadlines to meet its commitment to prepare 22 plans for accreditation by 30 June 2019. A draft Gwydir Water Resource Plan, anticipated to be provided to the MDBA by May 2018, is expected to serve as a template for other water resource plan areas. The department is concerned that five of the nine New South Wales surface water resource plans are not progressing according to the timing agreed by New South Wales (MDBA 2018b).

Table 2 Summary of findings for New South Wales

National partnership commitments	Assessment summary	Finding
6) The state has supported the Commonwealth in bridging the gap.	<ul style="list-style-type: none"> a) Arrangements to enable water trading between the ACT and NSW are not yet in place. NSW and the ACT have reached an in-principle agreement to develop and implement interstate water trade arrangements by 2019. b) NSW did not introduce any restrictions or suspensions on the trading of water access entitlements. c) NSW has either delayed consideration of, or declined support for, a number of Commonwealth strategic water purchase proposals since 2015. NSW state priority projects are expected to fail to achieve their contracted water recovery targets; which serves to impede Commonwealth measures to acquire water for environmental purposes. d) Applications for water entitlement and allocation trades were processed consistent with the agreed service standards for trade processing times. e) NSW entitlements in regulated surface water systems are consistent with the provisions of NWI clauses 28 to 32. 	Milestone partially met.
7) Following publication of the Constraints Management Strategy by the MDBA, confirmation that any actions taken by the state to remove or address constraints are consistent with the measures agreed through the inter-jurisdictional governance procedure for the SDL adjustment mechanism.	NSW has progressed development of its constraints measure proposals in the southern Basin. However, NSW has not provided a business case to support assessment of its constraints measure proposal for the Gwydir River.	Milestone partially met.
8) The state has cooperated in arrangements for Basin Plan environmental watering.	<ul style="list-style-type: none"> a) The characteristics of licenced entitlements held for environmental water use in NSW have not been enhanced or diminished relative to like entitlements held and used for other purposes. b) With measures to protect environmental water from consumptive diversion not in place during the assessment period, NSW has made inadequate progress to implement measures to facilitate the effective use of environmental water. c) NSW provided annual environmental watering priorities, consistent with the Basin Plan, to the MDBA for five of the nine regulated water resource plan areas. NSW has yet to provide annual environmental watering priorities for the remaining areas. d) NSW has not consistently applied Basin Plan Principle 4(b), including having regard to risks arising from impediments to the delivery of water to water-dependent ecosystems, including risks of extraction of that water for other uses, in environmental watering during 2016–17. 	Milestone not met.

National partnership commitments	Assessment summary	Finding
	e) Environmental watering has occurred having regard to the views of local communities and persons materially affected by the management of environmental water.	
	f) NSW has agreed to a revised schedule with the MDBA for providing long-term environmental watering plans for surface water resource plan areas, with the first plan due in September 2018.	

Bridging the gap

Removal of barriers

New South Wales partially met this commitment for 2016–17.

The MDBA advised of two issues regarding entitlement trade in New South Wales. These relate to interstate trade between New South Wales and the Australian Capital Territory and trade between New South Wales and Queensland on intersecting streams.

In June 2017 Australian Capital Territory and New South Wales Water Ministers advised the Murray–Darling Basin Ministerial Council they had reached an in-principle agreement to establish interstate entitlement trade between the Australian Capital Territory and New South Wales. To enable the interstate trading and associated protocols to be actioned in a coordinated manner, the Australian Capital Territory advised it will seek to align the submission and accreditation timeframe for the ACT Water Resource Plan with the existing timeframe for the NSW Murrumbidgee Water Resource Plan, due to be provided to the MDBA for accreditation in early 2019.

However, New South Wales has since advised that they consider a framework for trade is not required within the 2019 timeframe for water resource plan accreditation as it considers the ACT Murrumbidgee to be an unregulated surface water system. New South Wales also considers the need to enable water trading arrangements between the states does not currently exist as the Australian Capital Territory's shared reduction amount of 4.9 GL was achieved by the purchase of water by the Commonwealth in the NSW Murrumbidgee, which is proposed to be recognised through an amendment to the Basin Plan.

The MDBA consider that the lack of arrangements is inconsistent with the Basin Plan water trading rules. However, the MDBA notes that if the proposed amendment to the Basin Plan is passed, there will not be an immediate need for trade between the Australian Capital Territory and New South Wales. The MDBA consider the ACT Murrumbidgee to be the start of the regulated southern basin, and that trade arrangements need to be enabled, including with Victoria and South Australia.

Regarding interstate trade in the intersecting streams, the department noted in the 2015–16 assessment that both Queensland and New South Wales believe there is little if any demand for such trade. For the 2016–17 water year Queensland advised it had not received any applications or interest for this trade.

Restrictions on trade

New South Wales met this commitment for 2016–17.

New South Wales stated that in 2016–17 it did not introduce any restrictions or suspensions on the trade of water access entitlements, except where consistent with the Basin Plan (NSW Government 2017b).

The MDBA confirmed it is not aware of any new restrictions introduced by New South Wales in 2016–17 that are inconsistent with the Basin Plan.

Actions to impede Commonwealth water acquisitions

New South Wales partially met this commitment in 2016–17.

In line with New South Wales's requests in July and October 2015 that the Commonwealth seek its express support for any water entitlement purchases, New South Wales's agreement has been subsequently sought for a small number of high-value strategic water purchases. The department notes a general lack of responsiveness in New South Wales's consideration of these proposals during 2016–17 and that the Commonwealth has proceeded with just one such purchase during the assessment period in January 2017.

Despite the recalibration of the New South Wales state priority project Basin Pipes in 2016, it is now clear that water recovery yield from this program has not been advanced by New South Wales in a way that will enable New South Wales to meet its contracted water recovery targets. In August 2017 the department sought New South Wales's advice on how it proposed to meet the water recovery shortfall in New South Wales. No formal response has been received in relation to addressing this water recovery shortfall.

The department expects New South Wales to demonstrate a more proactive and transparent approach to water recovery in 2017–18.

Processing times for trades

New South Wales met this commitment for 2016–17.

New South Wales's Statement of Assurance noted that it had processed applications for water entitlement and allocation trades to which the Commonwealth was a party consistent with the agreed service standards for trade processing times for state approval agencies (NSW Government 2017b).

These findings are supported by data publicly available from New South Wales's water trade reporting website (DPI Water 2017).

NWI-consistent entitlements

New South Wales met this commitment for 2016–17.

New South Wales's Statement of Assurance confirms that entitlements in regulated surface water systems are consistent with clauses 28 to 32 of the National Water Initiative, unless where otherwise agreed (NSW Government 2017b; NWC 2014).

Implementation of Constraints Management Strategy

New South Wales partially met this commitment for 2016–17.

In April 2016, the Murray–Darling Basin Ministerial Council (Ministerial Council) agreed to progress a package of seven constraints measures. New South Wales is a proponent for five of these constraint proposals:

- River Murray from Hume to Yarrawonga (Victoria and New South Wales)
- River Murray from Yarrawonga to Wakool (New South Wales)
- Murrumbidgee River (New South Wales)
- Lower Darling River as part of the Menindee Lakes project (New South Wales)
- Gwydir River (New South Wales).

The Basin Officials Committee established the Constraints Measures Working Group to advance agreed constraints measures.

New South Wales has participated in the Constraints Measures Working group and worked with the MDBA and other Basin states on implementing the Constraints Management Strategy. While four of its constraints proposals were included in the package of supply and constraint measures agreed by the Murray–Darling Basin Ministerial Council in June 2017, failure by New South Wales to meet agreed timelines created considerable uncertainty for the process of finalising the package of supply measures leading up to the 30 June 2017 statutory deadline for notifying supply measures for the operation of the SDL adjustment mechanism.

The Ministerial Council agreed in June 2017 to progress the Gwydir River constraints proposal through the ‘toolkit measures’ recommended as an outcome of the Northern Basin Review.

New South Wales has not yet provided a business case for the Gwydir as required under the *Funding Agreement in relation to the development of prospective constraints business cases* and the department has experienced a lack of engagement from New South Wales regarding this issue. The department is concerned that it has not been able to finalise the outstanding payment and milestones under the funding agreement.

Cooperation in environmental watering

Characteristics of licensed entitlements

New South Wales met this commitment for 2016–17.

New South Wales indicated that the characteristics of licensed entitlements held for environmental use were not enhanced or diminished relative to like entitlements held and used for any other purposes (NSW Government 2017b). The MDBA has not been notified of any restrictions that would constitute discriminatory or preferential treatment for licenced entitlements held for environmental use.

The CEWH proposed to transfer (via a trade mechanism) approximately 100 gigalitres of South Australian allocation into the Victorian Murray Zone 7 in late 2016, with this water intended to be delivered back to South Australia in the 2016–17 summer, potentially involving regulated releases during a period of high unregulated flows and/or high consumptive demand.

New South Wales, together with Victoria, raised concerns about this proposed trade at the Water Liaison Working Group in October 2016 indicating that the required back trade may affect allocations for other entitlement holders and so lead to adverse third party impacts.

The MDBA advised the department that Section 12.18 of the Basin Plan may provide the relevant basis for such a claim. The department sought the MDBA's views on whether opposing such a trade request would comply with Basin Plan trade rules and was advised that as the CEWH opted not to submit a formal trade request, the objections of the states to the trade was not tested against these rules.

This led to a decision to include consideration of this matter in the joint review of Schedule D (Trade Schedule to the Murray–Darling Basin Agreement), which is currently being undertaken through the Trade Working Group and the Water Liaison Working Group. This review will include a consideration of the issue of delivery trade adjustments during periods of unregulated flow. The review is due to be completed in mid-2018, at which point any proposed amendments to Schedule D will be considered by the Basin Officials Committee in the first instance.

Measures implemented to facilitate use of environmental water

New South Wales did not meet this commitment for 2016–17, however steps and activities are underway to meet the milestone in the future.

The department is concerned that current arrangements in New South Wales do not adequately facilitate the movement of environmental water to meet Basin Plan requirements, with measures to ensure protection of environmental water from consumptive use and the reuse of environmental water at multiple locations not yet in place. However, the department has noticed an improvement in New South Wales's willingness to address these matters since allegations of water theft and mismanagement were publically aired in mid-2017.

Commonwealth-NSW Memorandum of Understanding

New South Wales entered into a Memorandum of Understanding with the Commonwealth in 2010 on protecting water for the environment from diversion for consumptive purposes. The intention of the agreement was for New South Wales to develop arrangements to allow Commonwealth Environmental Water originating in New South Wales and Queensland to be protected from consumptive diversion through the Barwon-Darling to the Menindee Lakes storage and then downstream to the Great Darling Anabranch and the confluence of the Lower Darling and Murray Rivers.

New South Wales developed a methodology as required under Stage 1 of the agreement using 'end of system' accounting as the preferred approach. However, concerns were raised by the CEWH that the proposed methodology did not protect environmental water from extraction by other entitlement holders. Implementation of the methodology was intended to occur under Stage 2 of the agreement, however this did not occur due to the concerns raised by the CEWH.

Nimmie-Caira

The CEWH has previously raised concerns that New South Wales has not delivered against the milestones in the *Project Agreement for the Protection and Reuse of Commonwealth Environmental Water held in the Murrumbidgee* between NSW DPI Water and the Australian Government.

A variation to the project schedule was signed in January 2017. The variation enables the protection and reuse commitments of shepherding and return flows to be delivered through the NSW Pre-requisite Policy (PPM) Implementation Plan.

Pre-requisite policy measures

Following MDBA and CEWO concerns with the draft NSW PPM Implementation Plan lodged with the MDBA in June 2016, New South Wales submitted a revised plan in May 2017 outlining a pathway to fully implement PPMs by June 2019.

In comments provided to the MDBA, and reiterated in comments to inform this assessment, the former CEWH indicated that the revised NSW PPM Implementation Plan does not adequately facilitate the use and protection of environmental water and the CEWH was concerned about:

- New South Wales assuming the use of Held Environmental Water creates negative third party impacts
- the lack of information as to how PPMs would be incorporated into specific water resource plans
- the use of combination debiting for environmental flow re-use.

The MDBA subsequently endorsed the NSW PPM Implementation Plan on 20 June 2017 as a credible pathway to meeting the requirements of s7.15 of the Basin Plan by June 2019. The MDBA noted a number of concerns which it expects to be addressed during implementation, primarily through developing water resource plans for the Murray and Murrumbidgee Regulated Rivers, and associated valley-specific PPM implementation procedure manuals, between 2017 and 2019.

The department notes the delay in developing these water resource plans and that environmental water may not be adequately protected until they are in place. In addition, the ability to realise a 605GL SDL offset under the SDL adjustment mechanism rests in part on states implementing their PPM implementation plans by June 2019. As required by the Basin Plan, the MDBA must assume that the measures within the plans would be in place when determining how much water recovery is needed to achieve the Basin Plan's objectives (MDBA 2017a).

The Basin Officials Committee will closely monitor New South Wales's progress in developing Basin Plan-compliant water resource plans. The department will include a focus on the water resource plans and progress on implementing measures in the NSW PPM implementation plan for the 2017–18 assessment.

Protection of environmental water from consumptive diversion

The recent Murray–Darling Basin Water Compliance Review (MDBA 2017a) noted 'there is an urgent need and there are significant opportunities to improve the protection of environmental flows in the northern Basin.'

Recent public reports have shown that New South Wales does not have in place adequate arrangements to protect environmental flows (NSW Government 2017a; MDBA 2017a). This is particularly apparent in catchments such as the Barwon-Darling where, under the current water sharing plan (*Water Sharing Plan for the Barwon-Darling Unregulated and Alluvial Water Sources 2012*), carryover provisions and pumping thresholds allow water to be pumped even at very low flows. Held environmental water is currently not protected from lawful extraction under current water sharing plan rules in the Barwon-Darling system. When water passes from a tributary into the Barwon-Darling rivers it is available for diversion by irrigators (MDBA 2018a).

To improve the protection of environmental water in the unregulated rivers of the northern Basin, Recommendation 10 of the MDBA Compliance Review recommends that New South Wales and Queensland revise their water resource plans to include effective policies for the protection of environmental water, particularly during low flows. The review found that ‘fully compliant water resource plans will protect environmental water’, and that ‘reporting of compliance with water resource plans, including provisions relating to environmental water protection, is essential’ (MDBA 2017a).

Specifically for the Barwon-Darling, the review recommended immediate steps be taken to introduce Individual Daily Extraction Limits and voluntary mechanisms to protect individual low flow events (MDBA 2017a). The department supports these recommendations.

The MDBA noted that New South Wales agreed as part of the Northern Basin Review to work with the MDBA and Australian Government agencies, entitlement holders and the community in developing options proposed by the MDBA in the Compliance Review to improve the protection of low flows in the Barwon-Darling.

Importantly, as an action of the MDBA Compliance Review, the MDBA committed to maintain a public register of state measures to improve the protection of environmental water and report annually on progress towards this Basin Plan milestone. The department believes this will improve transparency in protection of environmental water measures across jurisdictions, and will re-visit progress in the 2017–18 assessment.

In 2017–18, the department expects New South Wales to make progress in protecting environmental flows in the northern Basin.

Multi-use trials in the Southern Basin

The CEWH noted that multi-site watering trials undertaken along the River Murray to date facilitate only limited use of environmental water at multiple locations with restrictions placed on the management of environmental water, especially across state boundaries. The MDBA indicated that the multi-site trials had been a key activity of the Southern Connected Basin Environmental Water Committee and the Water Liaison Working Group during 2016–17, with the trials overseen by the Basin Officials Committee.

The department is concerned that current arrangements do not adequately facilitate the movement of environmental water to meet Basin Plan requirements. The MDBA, CEWH and Basin states need to explore arrangements to optimise the use of environmental water at multiple locations, including across state boundaries.

While limiting the potential for third party impacts needs to be considered, the materiality of any such risk needs to be balanced against the need to move environmental water to best meet environmental requirements. Where any restrictions on the use of environmental water are deemed necessary to avoid adverse impacts on third parties, reasons need to be substantiated with supporting evidence.

Annual environmental watering priorities

New South Wales partially met this commitment for 2016–17.

New South Wales provided Annual Environmental Watering Priorities for the following five regulated surface water resource plan areas to the MDBA by the due date of 31 May 2017 (NSW Government 2017b; MDBA 2017b):

- Gwydir
- Macquarie-Castlereagh
- Lachlan
- Murrumbidgee
- Murray and Lower Darling

These Priority statements are available on the NSW Office of Environment and Heritage website (OEH 2017).

The MDBA advised that New South Wales did not provide priorities for other catchments including for unregulated catchments or where held environmental water is not actively managed by New South Wales agencies. To be fully compliant with Basin Plan requirements, the MDBA advised that New South Wales will need to provide annual priorities for these catchments by 2019 as mechanisms for protecting and coordinating environmental flows are developed and water resource plans are finalised.

Where priorities were identified in the regulated water resource plan areas, the MDBA advised they are broadly consistent with the Basin Plan. However, there is a lack of detail on timing and specific outcomes targeted by the priorities. While this lack of detail makes it difficult to determine if they are consistent with Basin Plan outcomes, the overall approach is sound (MDBA 2017b).

Management and delivery of environmental water consistent with Basin Plan

New South Wales did not meet this commitment for 2016–17.

During 2016–17, New South Wales advised that environmental water was delivered to a range of sites in each of the five regulated catchments for which annual watering priorities were developed (NSW Government 2017b). These watering events are detailed in annual environmental watering reports on the NSW Office of Environment and Heritage website (OEH 2017).

However, as discussed under milestone 8(b), the department is concerned that New South Wales has not consistently applied the Basin Plan’s environmental watering principle 4(b) during 2016–17. Principle 4(b) states that “environmental watering is to be undertaken having regard to risks arising from impediments to the delivery of water to water-dependent ecosystems, including risks of extraction of that water for other uses, and inadequate accounting of water flows”. The CEWH advised that the circumstances for a decision on delivery of environmental water to the Barwon-Darling system upstream of Brewarrina did not arise during the assessment period. The CEWH further advised that if such an opportunity had arisen, the risk of a flow not being sufficiently protected from diversion would have been a key consideration.

In April 2018 the CEWH has decided to make water available to support a flow in the Barwon-Darling, sourcing water from upstream catchments. The willingness of New South Wales to formally protect this flow was a key factor in this decision. In the absence of this assurance, it

would have been difficult to agree to the provision of Commonwealth environmental water given the compliance matters being addressed by New South Wales, and that previous voluntary arrangements to protect environmental water had not been fully effective.

In March 2015 New South Wales amended planned environmental water arrangements in the Upper Namoi and Lower Namoi Regulated River Water Sharing Plan on a trial basis to run until 2019. The CEWH expressed concern that these changes to supplementary access rules in the Namoi may result in Commonwealth environmental water needing to be substituted for planned environmental water. While MDBA found the amendments do not meet the Basin Plan ‘no less consistent’ test, the amended Plan was recognised by the Australian Government Water Minister as a Transitional Water Resource Plan under the provisions of the Basin Plan based on assurances provided by the New South Wales Minister that changes to planned environmental water arrangements in the Plan would be evaluated as to their environmental impact over a four year trial period.

The CEWO is represented on the Namoi Supplementary Water Access Rule Trial Project Steering Committee and advised that while there had been little information sharing on progress of the trial during 2016–17, results from the trial had been discussed at technical and stakeholder meetings in February 2018. The CEWO has also advised it remains concerned the project will be unable to provide sufficient evidence to assess the environmental impact of changing the supplementary access rule in the Namoi water resource plan area.

The department expects to see ongoing reporting on the progress of the trial.

Should New South Wales seek to incorporate the amended arrangements into the water resource plan put forward for accreditation, the changes will need to be assessed by the MDBA for consistency with the Basin Plan.

Additional matters—compliance

Since the 2016–17 assessment year the MDBA has undertaken the Murray–Darling Basin Water Compliance Review (MDBA 2017a). The Compliance Review highlighted major problems with water compliance arrangements in New South Wales, noting that ‘water compliance is bedevilled by patchy metering, the challenges of metering unmetered take and the lack of real-time, accurate water accounts’. The review highlighted limited compliance reporting and a low level of compliance resourcing. Additionally, the *Independent investigation into NSW water management and compliance* by Ken Matthews found that ‘the overall standard of compliance work has been poor’ (NSW Government 2017a).

In addition to the discussion under milestone 8(b), and in light of the number of recent reports into compliance arrangements and management of environmental water in New South Wales, the department believes there is an urgent need to protect environmental water in New South Wales from unlawful take.

In this respect the department notes the work undertaken following the assessment period by New South Wales to increase transparency and accountability in compliance, including through developing a NSW Water Reform Action Plan, and establishing an independent Natural Resources Access Regulator to manage water compliance and enforcement matters. The department considers the renewed effort made by New South Wales is a positive step forwards in managing compliance in the northern Basin.

A Basin Compliance Compact is being developed by all Basin jurisdictions for consideration by the Murray–Darling Ministerial Council at its first meeting in 2018. The Compact will include specific actions for New South Wales to deliver. The department expects New South Wales to address the recommendations made by the MDBA Compliance Review and the Compact as they relate to New South Wales, and the recommendations in the Matthews report, and will consider New South Wales’s progress for the 2017–18 assessment.

Additional matters—water resource plans

The MDBA has advised that amendments made to six New South Wales water sharing plans lodged with the MDBA for assessment as transitional water resource plans may fail the ‘no less consistent’ test, in that they include changes that appear to make them less consistent with the Basin Plan than previously recognised plans. These water sharing plans are for the:

- Murrumbidgee Unregulated and Alluvial Water Sources
- Lachlan Unregulated and Alluvial Water Sources
- NSW Border Rivers Unregulated and Alluvial Water Sources
- Namoi Unregulated and Alluvial Water Sources
- Gwydir Unregulated and Alluvial Water Sources
- Castlereagh River Unregulated and Alluvial Water Sources.

Many of the changes in question have arisen due to the amalgamation of smaller plan areas into larger plan areas. As such, this makes the combined effect of all the amendments complex and the MDBA has advised that it will work with New South Wales to identify the net effect of these changes before it finalises assessing the plans.

The MDBA has also advised that the review of translucent flow releases announced by New South Wales in July 2016 has not led to any changes in the transitional water resource plans lodged for assessment. Any changes to translucent flows to be incorporated in water resource plans will be assessed by the MDBA to ensure they meet the requirements of Section 10.28 of the Basin Plan that there be no net reduction in the protection of planned environmental water.

Consultation on environmental watering

New South Wales met this milestone for 2016–17.

New South Wales confirmed it is continuing engagement for environmental watering through Environmental Watering Advisory Groups for priority catchments. The purpose of the groups is to draw on the expertise and experience of community members with the primary aim of guiding the use of environmental water in New South Wales. New South Wales advised that in 2016–17 Environmental Watering Action Groups in each valley used local knowledge and expert advice to ensure environmental water is managed effectively and efficiently, and this advice was incorporated into the 2016–17 annual watering plans. Information about the operation of Environmental Watering Advisory Groups is available on the NSW Office of Environment and Heritage website.

New South Wales advised that it is continuing to implement the Private Property Wetlands Watering Project, which provides environmental water to wetlands that have been disconnected from natural flood paths. In consultation with landholders, water is delivered to wetland sites

and the NSW Office of Environment and Heritage works with landholders to determine priority sites, schedule flows, optimise infrastructure, manage the delivery of water and monitor ecological response during and after flows.

New South Wales has continued its Aboriginal engagement through established networks including the Northern Basin Aboriginal Nations and Murray Lower Darling Rivers Indigenous National, local Aboriginal land councils and other interested Aboriginal groups (NSW Government 2017b).

The department is aware that as part of the recent re-structure of New South Wales water agencies, the funding for the four-year program on the Aboriginal Water Initiative (AWI) terminated and the AWI was not continued. The AWI was an important partnership between the New South Wales Government and Aboriginal communities to progress inclusion of Aboriginal water needs into water resource planning and management.

New South Wales advised it has developed an Environmental Water Communications and Engagement Strategy to inform the community and stakeholders about environmental water objectives, outcomes and activities in each catchment, and increase awareness, understanding and participation of the community, stakeholders and partners in environmental watering (NSW Government 2017b).

Long-term environmental watering plans

New South Wales met this milestone for 2016–17.

The MDBA advised that New South Wales was given an extension of time to September 2018 to submit its first long-term environmental watering plan. The MDBA expressed confidence that New South Wales will prepare high quality long-term watering plans, if the draft plan for the Gwydir River provided to the MDBA in August 2017 is used as a template for other water resource plan areas (MDBA 2017b).

The MDBA expects that long-term watering plans developed for all water resource plan areas, including areas with only planned environmental water, will assist New South Wales to develop and express annual environmental watering priorities that are consistent with the Basin Plan (MDBA 2017b).

3 Assessment for Queensland

Summary of findings

Queensland made satisfactory progress to implement the Basin Plan in 2016–17. Queensland has made progress in removing trade barriers that are not consistent with the Basin Plan and supported Commonwealth measures to acquire water for environmental purposes. The state has co-operated in arrangements for Basin Plan environmental watering.

Findings for Queensland are summarised against the milestones in Table 3 in the order they appear in the NPA. Full findings and details of the assessment are also included in this chapter.

Additional matters to be considered in future assessments

Since the assessment year there has been extensive community concern regarding the management, delivery and protection of environmental water, particularly in the northern Basin. The department expects Queensland to address the recommendations made by the MDBA Compliance Review as they relate to Queensland, and will consider this matter in the 2017–18 assessment.

The department also expects to see Queensland make progress in developing its water resource plans in 2017–18, including measures to shepherd environmental water through Beardmore Dam. This will be an area of focus for the 2017–18 assessment.

The Warrego-Paroo-Nebine Water Resource Plan was accredited on 15 June 2017. The two remaining water resource plans are progressing with statements of proposals for the Queensland statutory water plans released for public comment in July 2016. The draft water plans are expected to be released for public comment in early 2018, with finalised water plans (as part of the water resource plans) to be submitted for assessment by early 2019. The MDBA believes Queensland is on track to meet its remaining timelines for accreditation.

Table 3 Summary of findings for Queensland

National partnership commitments	Assessment summary	Finding
6) The state has supported the Commonwealth in bridging the gap.	a) Queensland has made progress in removing volumetric or other barriers to permanent trade out of water irrigation areas that are inconsistent with the Basin Plan water trading rules.	Milestone partially met. Steps and activities are underway to fully meet the milestone.
	b) Queensland did not introduce any restrictions or suspensions on the trading of water access entitlements.	
	c) Queensland did not take action to impede Commonwealth measures to acquire water for environmental purposes.	
	d) Applications for water entitlement and allocation trades were not processed consistent within the agreed service standards for trade processing times. Queensland has taken steps to address these slippages in trade processing times.	
	e) Queensland entitlements in supplemented (regulated) surface water	

National partnership commitments	Assessment summary	Finding
	systems are consistent with the provisions of NWI clauses 28 to 32.	
7) Following publication of the Constraints Management Strategy by the MDBA, confirmation that any actions taken by the state to remove or address constraints are consistent with the measures agreed through the inter-jurisdictional governance procedure for the SDL adjustment mechanism.	Not applicable to Queensland.	Not applicable.
8) The state has cooperated in arrangements for Basin Plan environmental watering.	<p>a) The characteristics of licensed entitlements held for environmental water use in Queensland have not been enhanced or diminished relative to like entitlements held and used for other purposes.</p> <p>b) Queensland has implemented measures to facilitate the use of environmental water.</p> <p>c) Queensland has provided annual environmental watering priorities, consistent with the Basin Plan, to the MDBA.</p> <p>d) Queensland applied the Basin Plan's <i>Principles to be applied in environmental watering</i> during 2016–17.</p> <p>e) Environmental watering has occurred with regard to the views of local communities and persons materially affected by the management of environmental water.</p> <p>f) Queensland has submitted a long-term watering plan for the Warrego, Paroo and Nebine water resource plan area. The remaining plans are due for completion by June 2019.</p>	Milestone met.

Bridging the gap

Removal of barriers

Queensland met this commitment for 2016–17.

The MDBA has previously raised a number of matters with Queensland that relate to Milestone 6(a), with the department's 2016 assessment noting three areas of potential non-compliance:

- interstate trade in the intersecting streams
- conjunctive storages
- relocatable licences.

Queensland provided additional information to the MDBA on these issues in May 2016 to which the MDBA is yet to respond. The MDBA has advised its current priority is to resolve barriers to allocation trade, as this will provide the most significant improvement to Basin water markets, with remaining entitlement trade issues to be considered through the water resource plan development process.

Regarding interstate trade in the intersecting streams, the department noted in the 2015–16 assessment that both Queensland and New South Wales believe there is little, if any, demand for such trade. For the 2016–17 water year Queensland advised it had not received any applications or interest for this trade.

While there has been no progress on relocatable licences since the 2015–16 NPA assessment, Queensland’s 2016–17 Statement of Assurance acknowledges the long term aim of converting relocatable groundwater licences to tradable water allocations. Until 2019 Queensland’s focus is on assessing relocatable licences to determine their suitability and priority for conversion to tradable water access entitlements. Queensland is developing new statutory water plans for the Condamine and Balonne, and the Border Rivers and Moonie catchments, with statements of proposals for both released for public comment in July 2016. The statements contain proposals to convert certain groundwater licences into tradable entitlements and assess the potential for interstate trade (DNRM 2016a, b).

The department expects to see progress in resolving any remaining entitlement trade issues during the water resource plan development process.

Restrictions on trade

Queensland met this commitment for 2016–17.

Queensland indicated it did not implement any new restrictions on the trade of water access entitlements in 2016–17 (Queensland Government 2017). This was confirmed by the MDBA (MDBA 2017b).

As noted in the 2015–16 assessment, the MDBA raised concerns that the Warrego, Paroo, Bulloo and Nebine Resource Operations Plan included a visible pass flow requirement to water access entitlements being temporarily traded to waterholes which may be inconsistent with Basin Plan trading rules. While Queensland has acknowledged that this plan may have inadvertently introduced this inconsistency, there is unlikely to be a demand for this type of trade in the future. Queensland has also advised it will develop an alternative temporary trade rule that is consistent with the Basin Plan by 2019 (via the Condamine-Balonne and Border Rivers-Moonie water planning process). However the Warrego, Paroo, Bulloo and Nebine Resource Operations Plan would be amended at a time suitable for the Queensland Department of Natural Resources, Mines and Energy, or if a demand for this temporary trade rule arose, whichever comes first.

Actions to impede Commonwealth water acquisitions

Queensland met this commitment for 2016–17.

Through its statutory water planning process Queensland is developing rules to protect environmental water acquired in the upper and middle Condamine through to the lower Balonne, with a consultation draft of the Condamine Balonne Water Plan expected to be released in March 2018. With a June 2019 deadline to ‘bridge-the-gap’, there is limited time remaining for the Commonwealth to undertake further water recovery and urgent action is required. The scope for surface water recovery in the Balonne River above Beardmore Dam will remain problematic until there is sufficient certainty in these arrangements to undertake further water recovery with confidence.

Regarding recovery of groundwater in the Upper Condamine Alluvium, the department notes that amendments made in 2014 to the Queensland *Water Act 2000* allow the CEWH to apply for a water licence separate from land, and that this arrangement has been used to successfully acquire licences in the Central Condamine Alluvium and Oakey Creek groundwater management areas. This arrangement has not yet been tested in areas where there are non-relocatable licences (tributaries without a water sharing plan). Queensland is also developing a process through its draft water plan to enable groundwater licence volumes in the Central Condamine Alluvium to be reduced to the SDL to assist Commonwealth efforts to ‘bridge-the-gap’ in this area.

The department notes allegations aired since the assessment period that water recovered for the environment through the Queensland Healthy Headwaters Water Use Efficiency program may have been undermined by additional unauthorised take of overland flows by the landholder concerned. Allegations of fraud in this program are being investigated by the Queensland police. The department will monitor the Queensland Department of Natural Resources, Mines and Energy’s efforts to ensure that any program integrity issues identified through the police investigation are acted upon.

Processing times for trades

Queensland has not met this commitment for 2016–17 but the department considers there are steps and activities underway to fully meet this milestone.

Queensland’s 2016–17 Statement of Assurance stated that 77 per cent (10 of the 13) of entitlement and allocation trades for which the Commonwealth was party were processed within the agreed standard of 90 per cent processed within ten business days. Queensland attributed the shortfall to resourcing issues and advised it is relieving this situation by redistributing the work.

The department is concerned that Queensland did not reach the agreed standard for trade processing times for which the Commonwealth was a party in 2016–17 but expects the new management procedures will result in future trades being processed within the agreed timeframe.

NWI-consistent entitlements

Queensland met this commitment for 2016–17.

Queensland’s 2016–17 Statement of Assurance confirms that entitlements in regulated surface water systems are consistent with clauses 28 to 32 of the National Water Initiative, unless where otherwise agreed (Queensland Government 2017; see also NWC 2014).

Implementation of Constraints Management Strategy

This milestone is not applicable to Queensland.

Cooperation in environmental watering

Characteristics of licensed entitlements

Queensland met this commitment for 2016–17.

Queensland’s Statement of Assurance confirmed that all water allocation dealings complied with the Environmental Flow Objectives and the Water Allocation Security Objectives in the Water

Plans that provide protection against enhanced or diminished entitlements for the characteristics of licensed entitlements held for environmental use (Queensland Government 2017). Queensland also confirmed there had been no changes to the rules for managing licensed entitlements in 2016–17.

Neither the MDBA nor the CEWH raised concerns with the characteristics of licensed entitlements.

Measures implemented to facilitate use of environmental water

Queensland met this commitment for 2016–17.

Queensland made progress towards protecting environmental water in 2016–17 with its Statement of Assurance confirming it is developing appropriate measures (Queensland Government 2017). To maximise the protection of environmental flows for the Lower Balonne, Queensland agreed to review the water sharing rules in the Condamine Balonne Water Resources Plan to enable the protection of environmental water entitlements purchased from upstream of Beardmore Dam through the lower Balonne (DNRM 2016b; MDBA 2017b; Queensland Government 2017).

Annual environmental watering priorities

Queensland met this commitment for 2016–17.

Queensland confirmed the MDBA was provided with Queensland’s Annual Environmental Watering priorities by 31 May 2017 (Queensland Government 2017). The MDBA confirmed that Queensland’s annual environmental watering priorities for 2017–18 are consistent with the Basin Plan.

Queensland’s 2017–18 watering priorities for its component of the Murray–Darling Basin are publicly available on the Department of Natural Resources, Mines and Energy website (DNRME 2017a).

Management and delivery of environmental water consistent with Basin Plan

Queensland met this milestone for 2016–17.

Queensland does not hold any Held Environmental Water. It confirmed that the management and delivery of Planned Environmental Water is consistent with the Basin Plan (Queensland Government 2017). Neither the MDBA nor the CEWH raised concerns in their assessment comments with the management or delivery of environmental water in Queensland.

Since the assessment year there has been extensive community concern regarding the management, delivery and protection of environmental water in Queensland and New South Wales. The recent Murray–Darling Basin Water Compliance Review has highlighted major problems with water compliance arrangements in Queensland, specifically noting that “water compliance is bedevilled by patchy metering, the challenges of metering unmetered take and the lack of real-time, accurate water accounts” (MDBA 2017a). The review also highlighted limited compliance reporting and a low level of compliance resourcing. The review included a number of recommendations to improve compliance arrangements in Queensland.

In August 2017, the Queensland Minister for Natural Resources and Mines announced an independent audit into Queensland’s regulatory framework for non-urban water measurement

and compliance. The independent panel's advice and options will be provided to the Department of Natural Resources, Mines and Energy in March 2018. The department expects that this review will consider recommendations made in the MDBA's compliance review.

The department also expects Queensland to address the recommendations made by the MDBA Compliance Review as they relate to Queensland, and will consider this in the 2017–18 assessment.

Consultation on environmental watering

Queensland met this commitment for 2016–17.

Queensland indicated that environmental watering in regulated catchments has occurred with regard to the views of local communities and persons materially affected by the management of environmental water (Queensland Government 2017).

Queensland advised that environmental watering in regulated and unregulated catchments occurs in accordance with the rules contained within Queensland statutory water plans and resource operation plans. In developing these plans, Queensland consults extensively with stakeholder groups including water users, water infrastructure operators, sectoral interest groups, Aboriginal peoples and other jurisdictions.

Queensland is developing new statutory water plans for the Condamine and Balonne and the Border Rivers and Moonie catchments. Statements of proposals for both were released for public comment in July 2016. The statement for the Condamine and Balonne Water Resource Plan contains proposals that provide for greater protection of environmental flows.

Long-term environmental watering plans

Queensland met this commitment for 2016–17.

Schedule A of the NPA requires that 12 months after the MDBA has made the Basin-wide Environmental Watering Strategy, or within another timeframe agreed between the MDBA and Queensland, long-term environmental watering plans for surface water resource plan areas have been developed consistent with the requirements of the Basin Plan.

Queensland submitted the long-term environmental watering plan for the Warrego, Paroo and Nebine Water Resource Plan to the MDBA in February 2016. The report is available on the Department of Natural Resources, Mines and Energy website (DNRME 2017b).

Queensland has agreed with the MDBA to finalise the three remaining plans by June 2019. Queensland and the MDBA advise that environmental assessment reports have been prepared for the Condamine and Balonne and the Border Rivers and Moonie plan areas. Queensland expects to finalise the long-term environmental watering plans for these two plan areas by December 2018.

4 Assessment for South Australia

Summary of findings

South Australia made satisfactory progress to implement the Basin Plan in 2016–17. South Australia has supported Commonwealth measures to acquire water for environmental purposes, worked collaboratively with the MDBA and other Basin states in progressing the implementation of the Constraints Management Strategy and has cooperated in arrangements for Basin Plan environmental watering.

Findings for South Australia are summarised against the milestones in Table 4 in the order they appear in the NPA. Full findings and details of the assessment are also included in this chapter.

Additional matters to be considered in future assessments

Since the assessment year the MDBA has undertaken the Murray–Darling Basin Water Compliance Review (MDBA 2017a). The department expects South Australia to address the recommendations made by the MDBA Compliance Review as they relate to South Australia, and will consider this matter in the 2017–18 assessment.

The department also expects to see South Australia continue to make progress in developing water resource plans in 2017–18. South Australia submitted the South Australian Murray Region Water Resource Plan to the MDBA for accreditation in December 2017. Preparatory work for the two other water resource plans has commenced with early draft material provided to the MDBA for review.

Table 4 Summary of findings for South Australia

National partnership commitments	Assessment summary	Finding
6) The state has supported the Commonwealth in bridging the gap.	<ul style="list-style-type: none"> a) South Australia has removed all identified volumetric or other barriers to permanent trade out of water irrigation areas that are inconsistent with the Basin Plan water trading rules. b) South Australia did not introduce any restrictions or suspensions on the trading of water access entitlements. c) South Australia did not take any action to impede Commonwealth measures to acquire water for environmental purposes. d) Applications for water entitlement and allocation trades were processed consistent with the agreed service standards for trade processing times. e) South Australian entitlements in regulated surface water systems are consistent with the provisions of NWI clauses 28 to 32. 	Milestone met.

National partnership commitments	Assessment summary	Finding
7) Following publication of the Constraints Management Strategy by the MDBA, confirmation that any actions taken by the state to remove or address constraints are consistent with the measures agreed through the inter-jurisdictional governance procedure for the SDL adjustment mechanism.	South Australia has supported the implementation of the Constraints Management Strategy.	Milestone met.
8) The state has cooperated in arrangements for Basin Plan environmental watering.	<ul style="list-style-type: none"> a) The characteristics of licensed entitlements held for environmental water use in South Australia have not been enhanced or diminished relative to like entitlements held and used for other purposes. b) South Australia has implemented measures to facilitate the use of environmental water, however these measures need further development to allow environmental watering to be fully effective. c) South Australia provided its annual environmental watering priorities for 2017–18, consistent with the Basin Plan, to the MDBA. d) South Australia consistently applied the Basin Plan's <i>Principles to be applied in environmental watering</i> during 2016–17. e) Environmental watering in regulated catchments has occurred with regard to the views of local communities and persons materially affected by the management of environmental water. f) South Australia has submitted long-term watering plans for the River Murray, Eastern Mount Lofty Ranges and South Australian Murray Region. 	Milestone met.

Bridging the gap

Removal of barriers

South Australia has met this commitment for 2016–17.

The Basin Plan water trading rules came into effect on 1 July 2014. The MDBA has previously raised with South Australia a number of concerns relating to Milestone 6(a), including through correspondence of 25 June 2015 and 18 December 2015. The MDBA now advises its concerns have been addressed and it is not aware of any inconsistency with the Basin Plan Water Trading Rules in South Australia (MDBA 2017b).

South Australia stated that water trade within a regulated system, between regulated systems or within an unregulated system is free of any restriction on changing the location at which water can be taken, and is not subject to any volumetric limit, except for defined allowable restrictions (SA Government 2017a).

Restrictions on trade

South Australia has met this commitment for 2016–17.

South Australia stated that in 2016–17 it did not introduce any restrictions or suspensions on the trade of water access entitlements (SA Government 2017a).

The MDBA has confirmed it is not aware of any new restrictions introduced in 2016–17 in South Australia that are inconsistent with the Basin Plan.

Actions to impede Commonwealth water acquisitions

South Australia has met this commitment for 2016–17.

The department has not identified any instances in which South Australia acted to impede Commonwealth measures to acquire water for environmental purposes during 2016–17.

Processing times for trades

South Australia has met this commitment for 2016–17.

South Australia stated it had met the agreed processing times for each water entitlement and allocation trade to which the Commonwealth was a party during the reporting period (SA Government 2017a). This finding is supported by data publicly available from South Australia's water trade reporting website (SA Government 2017b).

NWI-consistent entitlements

South Australia has met this commitment for 2016–17.

South Australia confirmed that entitlements in regulated surface water systems are consistent with clauses 28 to 32 of the National Water Initiative, unless where otherwise agreed (SA Government 2017a; NWC 2014).

Implementation of Constraints Management Strategy

South Australia has met this commitment for 2016–17.

In June 2016, Basin Ministers endorsed further planning and implementation of constraints measures. Following this, the Basin Officials Committee established the Constraints Measures Working Group to progress agreed constraints measures to maximise potential supply contributions, pursue enhanced environmental outcomes and effectively engage communities in an integrated manner.

The South Australian Government has worked collaboratively with the MDBA and other Basin states towards implementing the Constraints Management Strategy. The business case to address constraints in the Lower River Murray submitted by the South Australian Government in March 2016) was being considered under Phase 2 of the SDL adjustment mechanism assessment process during 2016–17. It is part of the package of supply and constraint measures agreed by the Murray–Darling Ministerial Council in June 2017.

South Australia participated in the Constraints Measures Working Group to support jurisdictions to assess constraints measures business cases and to provide advice and coordination, as required, on potential constraints measures implementation arrangements.

South Australia also worked with other jurisdictions to assess constraints measure business cases that address physical constraints to environmental water delivery for the Murray, Goulburn and Murrumbidgee Rivers.

Cooperation in environmental watering

Characteristics of licensed entitlements

South Australia has met this commitment for 2016–17.

South Australia indicated that the characteristics of licensed entitlements held for environmental use were not enhanced or diminished relative to like entitlements held and used for other purposes (SA Government 2017a). The MDBA has not been notified of any restrictions that would constitute discriminatory or preferential treatment for licensed entitlements held for environmental use.

The CEWH proposed to trade approximately 100 gigalitres of South Australian allocation into the Victorian Murray Zone 7 in late 2016, with a trade back to South Australia in the 2016–17 summer potentially involving regulated releases during a period of high unregulated flows.

While South Australia supported the trade on this occasion, New South Wales and Victoria raised concerns about this proposed trade, and along with South Australia, had raised concerns about similar trade proposals in the past. The 2016 proposal was discussed at the Water Liaison Working Group in October 2016, with New South Wales and Victoria documenting their concerns that the required back trade may impact allocations for other entitlement holders and so lead to adverse third party impacts.

The department have been advised by the MDBA that Section 12.18 of the Basin Plan may provide the relevant basis for such a claim. The department sought the views of the MDBA on whether opposing such a trade request would comply with Basin Plan trade rules and was advised that as the CEWH opted not to submit a formal trade request, the objections of the states to the trade was not tested against the Basin Plan trading rules.

This matter led to a decision to jointly review Schedule D (Trade Schedule to the Murray–Darling Basin Agreement), to be undertaken through the Trade Working Group and the Water Liaison Working Group. This review will include a consideration of the issue of delivery trade adjustments during periods of unregulated flow. The review is due to be completed in mid-2018, at which point any proposed amendments to Schedule D will be considered by the Basin Officials Committee in the first instance.

Measures implemented to facilitate use of environmental water

South Australia has met this commitment for 2016–17.

South Australia noted that coordinated planning between the Basin states has allowed return flows from upstream watering to be re-used to achieve ecological outcomes at downstream sites including the Coorong, Lower Lakes and Murray Mouth. The Statement of Assurance detailed a specific example of the reuse of return flows of environmental water from upstream states as well as releases of environmental water to slow the recession of an unregulated high flow event (SA Government 2017a).

The 2016–17 Annual Environmental Watering Plan and the 2017–18 Annual Environmental Watering Priorities for the South Australian River Murray also describe plans to undertake multi-site watering actions involving the reuse of environmental water (DEWNR 2017).

The CEWH noted that multi-site watering trials undertaken along the River Murray to date facilitate only limited use of environmental water at multiple locations with restrictions placed on the management of environmental water, especially across state boundaries. The MDBA indicated that the multi-site trials had been a key activity of the Southern Connected Basin Environmental Water Committee and the Water Liaison Working Group during 2016–17, with the trials overseen by the Basin Officials Committee.

The department is concerned that current arrangements do not adequately facilitate the movement of environmental water to meet Basin Plan requirements. The MDBA, CEWH and Basin states need to work together to explore and trial new arrangements to optimise the use of environmental water at multiple locations, including across state boundaries.

While limiting the potential for third party impacts needs to be considered, the materiality of any such risk needs to be balanced against the need to move environmental water to best meet environmental requirements. Where any restrictions on the use of environmental water are deemed necessary to avoid adverse impacts on third parties, the department considers that reasons need to be substantiated with supporting evidence.

Annual environmental watering priorities

South Australia has met this commitment for 2016–17.

South Australia confirmed the MDBA was provided with annual environmental watering priorities for each of the three South Australian Murray–Darling Basin water resource plan areas by 31 May 2017 (SA Government 2017a). The MDBA has confirmed South Australia’s annual environmental watering priorities for 2017–18 are consistent with the Basin Plan.

The annual watering priorities for the South Australian River Murray, Eastern Mount Lofty Ranges, and South Australian Murray Region are available on the Department of Environment, Water and Natural Resources website (DEWNR 2017).

Management of environmental water consistent with Basin Plan

South Australia has met this commitment for 2016–17.

South Australia confirmed that it managed the delivery of planned and held environmental water consistent with the Basin Plan (SA Government 2017a).

In the River Murray, held environmental water is available from multiple sources—the CEWH, The Living Murray, the Victorian Environmental Water Holder, the NSW Office of Environment and Heritage, the South Australian Government, and non-government organisations. There is no held environmental water in the Eastern Mount Lofty Ranges water resource area or the SA Murray Region.

South Australia prepares Annual Environmental Watering Plans for the South Australian River Murray to guide planned and held environmental water delivery in the state. It includes the agreed program for environmental water delivery along the River Murray in South Australia, including the Lower Lakes, the Coorong and the Murray Mouth.

Consultation on environmental watering

South Australia has met this commitment for 2016–17.

South Australia reported regular consultation during 2016–17 with a wide range of local communities and landholders who may be affected by environmental watering actions (SA Government 2017a).

The 2016–17 Annual Environmental Watering Plan for the River Murray lists the organisations consulted in preparing the plan (DEWNR 2016).

Long-term environmental watering

South Australia has met this commitment for 2016–17.

Schedule A of the NPA requires that 12 months after the MDBA has made the Basin-wide Environmental Watering Strategy, or within another timeframe agreed between the MDBA and South Australia, long-term environmental water plans for surface water resource plan areas have been developed consistent with the requirements of the Basin Plan.

The long-term environmental watering plan for the South Australian River Murray Water Resource Plan Area was provided to the MDBA and published in November 2015. The long term environmental watering plan for the Eastern Mount Lofty Ranges was provided to the MDBA in July 2017, and the SA Murray Region in December 2017.

The River Murray, the SA Murray Region and the Eastern Mount Lofty Ranges long-term environmental watering plans are publicly available on the Department of Environment, Water and Natural Resources website (DEWNR 2017).

The department notes that arrangements for the Murray continue to be worked through between South Australia, New South Wales and Victoria. The Environmental Water Working Group has proposed to the Basin Plan Implementation Committee in 2017 that states will reassess the need for an integrated Murray long-term watering plan in consultation with the Southern Connected Basin Environmental Watering Committee in 2019.

5 Assessment for Victoria

Summary of findings

Victoria made overall satisfactory progress to implement the Basin Plan in 2016–17. Victoria has worked collaboratively with the MDBA and other Basin states in implementing the Constraints Management Strategy and cooperated in arrangements for Basin Plan environmental watering.

However, the department is concerned that Victoria’s decision in April 2017 to review the Victoria Farm Modernisation Project (VFMP) before proceeding with Tranche 3 will impede Commonwealth water recovery efforts in 2017–18. As this action occurred during the 2016–17 assessment year the department considers it is material to assessing Victoria’s progress towards this milestone.

It is not clear whether, or how, Victoria will deliver its water recovery commitments under the VFMP in time to secure and transfer water savings to the Commonwealth prior to the Sustainable Diversion Limits coming into effect on 1 July 2019. Should this issue remain unresolved, it will negatively affect the department’s assessment for 2017–18.

Findings for Victoria are summarised against the milestones in Table 5 in the order they appear in the NPA. Full findings and details of the assessment are also included in this chapter.

Additional matters to be considered in future assessments

Since the assessment year the MDBA has undertaken the Murray–Darling Basin Water Compliance Review. A compliance compact is being developed and will include specific action for Victoria to deliver. The department will consider this matter in the 2017–18 assessment.

The department also expects to see Victoria make progress in developing its water resource plans and this will be a focus for the 2017–18 assessment in 2018–19.

Victoria released the draft Wimmera-Mallee Water Resource Plan for public consultation and review by the MDBA in May 2017 with a formal submission for accreditation scheduled for early 2018. Preparatory work for Victoria’s other water resource plan has commenced and while the MDBA has expressed concern at the slow rate of progress, Victoria believes this plan is on track and will meet the timeline for accreditation.

Table 5 Summary of findings for Victoria

National partnership commitments	Assessment summary	Finding
6) The state has supported the Commonwealth in bridging the gap.	a) Victoria has removed barriers to permanent trade out of water irrigation areas that are inconsistent with the Basin Plan water trading rules.	Milestone partially met.
	b) Victoria did not introduce any restrictions or suspensions on the trading of water access entitlements.	
	c) Victoria’s decision to review the Victoria Farm Modernisation Project (VFMP) over an extended period is likely to impede Commonwealth measures to acquire water for	

National partnership commitments	Assessment summary	Finding
	<p>environmental purposes in 2017–18. Further, the VFMP review for assessing options indicates an intent in 2016–17 to impede Commonwealth water recovery efforts.</p> <p>d) Applications for water entitlement and allocation trades were processed consistent with the agreed service standards for trade processing times.</p> <p>e) Victorian entitlements in regulated surface water systems are largely consistent with the provisions of NWI clauses 28 to 32, with the exceptions of Coliban and Wimmera.</p>	
7) Following publication of the Constraints Management Strategy by the MDBA, confirmation that any actions taken by the state to remove or address constraints are consistent with the measures agreed through the inter-jurisdictional governance procedure for the SDL adjustment mechanism.	<p>Victoria has supported developing and implementing the Constraints Management Strategy.</p> <p>The department notes the revised Goulburn constraints proposal assessment for Commonwealth funding is underway and more information will be available for the 2017–18 assessment.</p>	Milestone met.
8) The state has cooperated in arrangements for Basin Plan environmental watering.	<p>a) The characteristics of licensed entitlements held for environmental water use in Victoria have not been enhanced or diminished relative to like entitlements held and used for other purposes.</p> <p>b) Victoria has implemented measures to facilitate the use of environmental water, however these measures need further development to allow environmental watering to be fully effective.</p> <p>c) Victoria has provided annual environmental watering priorities, consistent with the Basin Plan, to the MDBA.</p> <p>d) Victoria consistently applied the Basin Plan's Principles to be applied in environmental watering to environmental water received from the CEWH, TLM and Victorian holdings during 2016–17.</p> <p>e) Environmental watering in regulated catchments has occurred with regard to the views of local communities and persons materially affected by the management of environmental water.</p> <p>f) Victoria has submitted long-term watering plans for the Northern Victoria, Victorian Murray and Wimmera-Mallee.</p>	Milestone met.

Bridging the gap

Removal of barriers

Victoria met this commitment in 2016–17.

The Basin Plan water trading rules came into effect on 1 July 2014. The MDBA has previously raised a number of matters with Victoria that relate to matters covered under Milestone 6(a), including in correspondence of 25 June 2015 and 18 December 2015. These include intrastate tagging arrangements, and inter-valley trade limits that may be inconsistent with the Basin Plan water trading rules.

Victoria stated that during 2016–17 it actively participated in the flexible trade adjustment project (Victorian Government 2017). MDBA advises that Victoria is active in promoting projects to improve market efficiency and that some of these are progressing under the Joint Venture and are related to alternative procedures for accounting of trades in Inter-Valley Transfers.

The MDBA advised it continues to discuss with Victoria the management of tagged entitlements in that state.

Restrictions on trade

Victoria met this commitment in 2016–17.

Victoria indicated it did not introduce any restrictions or suspensions on the trade of water access entitlements during the assessment period (Victorian Government 2017). The MDBA confirmed it was not aware of any new restrictions that are inconsistent with the Basin Plan.

Actions to impede Commonwealth water acquisitions

Victoria partially met this commitment in 2016–17.

The Commonwealth did not seek to acquire water through the purchase of entitlements in Victoria in 2016–17, with infrastructure programs accounting for all water recovery measures. Victoria supported Commonwealth measures to acquire water for environmental purposes through the Sunraysia Modernisation project and the successful reset of the Goulburn Murray Water Connections project. However, the department is concerned that Victoria's decision in April 2017 to review the VFMP before proceeding with Tranche 3 will impede Commonwealth water recovery efforts in 2017–18. As this action occurred during the 2016–17 assessment year the department considers it is material to assessing Victoria's progress towards this milestone.

Consistent with previous tranches, earlier work between the department and Victoria led the department to expect that calls for applications under Tranche 3 of the VFMP would occur in the second quarter of calendar year 2017.

In March 2017 the Goulburn Broken Catchment Management Authority (GBCMA), a Victorian Government authority, provided a submission to the Inquiry into water use efficiency in Australian agriculture that called for a redesigned on-farm program which did not involve transferring a share of the water savings to the Commonwealth.

Victoria advised in March 2017 that due to concerns about socio-economic impacts raised in an independently commissioned study, *Social and Economic Impacts of the Basin Plan in Victoria* (TC&A and Frontier Economics 2017), the Victorian Minister for Water had directed the Victorian Department of Environment, Land, Water and Planning to review the VFMP before proceeding with further tranches of the program. Victoria noted its intention to have a clear pathway for further negotiations on Tranche 3 of the VFMP by July 2017, subject to the Victorian Minister being satisfied that Victoria had addressed the issues raised by its socio-economic impacts study.

Referring to the GBCMA’s Inquiry submission, the Victorian Minister for Water advised the Australian Minister for Agriculture and Water Resources on 12 April 2017 of Victoria’s intention “to review the design of on-farm programs (including our Victorian Farm Modernisation Project)” following the findings of its socio-economic impacts study.

The Australian Minister for Agriculture and Water Resources responded to the Victorian Minister for Water in June 2017, noting it would be important to recommence water recovery efforts with sufficient time to undertake further funding rounds to enable water savings to be transferred to the Commonwealth prior to the Basin Plan Sustainable Diversion Limits coming into effect on 1 July 2019.

In September 2017 the department asked Victoria to clarify how it proposed to recover the remaining gap-bridging water agreed under the VFMP. Victoria informed the department on 12 October 2017 that “The review of our on-farm project is near completion and has not yielded any obvious solutions. We are now exploring further options, outside of the on-farm project, to access the remaining funding for water recovery in Victoria” (Victorian Department of Environment, Land, Water and Planning).

In February 2018 the department received a copy of the VFMP Options Review report. The VFMP Review criteria for assessing options included in the report indicates an intent in 2016–17 to impede Commonwealth water recovery efforts in that any option to continue the program must avoid further reductions to water availability in the southern connected basin. Consistent with the Review criteria, the Review report concluded that “No further on-farm efficiency rounds requiring water transfer will be delivered in Victoria because of the cumulative social and economic impacts on northern Victorian irrigators.” On 1 March 2018 the department sought further information from Victoria regarding the review, including the status of the review report and the criteria or terms of reference used to guide it. On 1 May 2018 Victoria responded to the department’s request indicating the criteria used to guide the review had evolved throughout the review process, and that the review had not yet been finalised.

At this point it is not clear whether, or how, Victoria will deliver its water recovery commitments under the VFMP in time to secure and transfer water savings to the Commonwealth prior to the Sustainable Diversion Limits coming into effect on 1 July 2019. Should this issue remain unresolved, it will negatively affect the department’s assessment for 2017–18.

Processing times for trades

Victoria met this commitment in 2016–17.

Victoria’s Statement of Assurance noted that it had processed applications for water entitlement and allocation trades to which the Commonwealth was a party consistent with the agreed service standards for trade processing times for state approval agencies (Victorian Government 2017).

NWI-consistent entitlements

Victoria met this commitment in 2016–17.

The MDBA reported it has no material concerns as Victorian entitlements in regulated surface water systems are largely consistent with the provisions of clauses 28 to 32 of the National Water Initiative, with the situation remaining as it was for the 2015–16 assessment.

Entitlements in the Coliban system are held by individuals and companies in the form of take-and-use licences under section 51 of the *Water Act 1989* (Vic.). The licences are tradable. There is no current plan to unbundle entitlements due to the small volume of existing licences, the isolated nature of the system and the possibility of further significant reconfiguration work (Victorian Government 2016).

The Wimmera system mainly supplies small customers of Grampians Wimmera Mallee Water, which holds the primary rights on behalf of its customers.

Implementation of Constraints Management Strategy

Victoria met this commitment in 2016–17.

In June 2016, Basin Ministers endorsed further work to plan and implement constraints measures. Following this, the Basin Officials Committee established the Constraints Measures Working Group to progress agreed constraints measures to maximise potential supply contributions, pursue enhanced environmental outcomes and effectively engage communities in an integrated manner.

The Victorian Government has worked collaboratively with the MDBA and other Basin states towards implementing the Constraints Management Strategy. Business cases to address constraints in the Hume to Yarrawonga reach of the River Murray and the Goulburn Rivers (submitted by the Victorian Government in April 2016) were in the assessment stage of the SDL adjustment mechanism assessment process during 2016–17.

Victoria participated in the Constraints Measures Working Group to support jurisdictions in the further development of the constraints measures business cases and to provide advice and coordination, as required, on potential constraints measures implementation arrangements.

Victoria also worked with other jurisdictions to assess constraints measures proposals which address physical constraints to environmental water delivery across the southern connected Murray–Darling Basin.

Victoria withdrew an initial business case for the ‘Goulburn Constraints as supply measure’ proposal, but committed to bring forward a full business case for the ‘new Goulburn Constraints’ proposal in the 2017–18 water year. The proposal is under assessment for Commonwealth funding and further information will be available to inform the 2017–18 assessment.

The Hume to Yarrawonga business case is underpinned by technical investigations to identify the potential impacts to third parties as well as mitigation options and costs for these impacts. Victoria’s intention is to continue consulting with communities and other Victorian agencies on these investigations, as it prepares detailed designs for the project.

The Hume to Yarrawonga and an amended Goulburn constraints proposal are part of the package of supply and constraint measures agreed by the Murray–Darling Ministerial Council in June 2017.

Cooperation in environmental watering

Characteristics of licensed entitlements

Victoria met this commitment in 2016–17.

Victoria indicated that the characteristics of licensed entitlements held for environmental use were not enhanced or diminished relative to like entitlements held and used for other purposes (Victorian Government 2017). The MDBA has not been notified of any restrictions that would constitute discriminatory or preferential treatment for licensed entitlements held for environmental use.

The CEWH proposed to transfer (via a trade mechanism) approximately 100 gigalitres of South Australian allocation into the Victorian Murray Zone 7 in late 2016, with this water intended to be delivered back to South Australia in the 2016–17 summer, potentially involving regulated releases during a period of high unregulated flows and/or high consumptive demand.

Victoria, together with New South Wales, raised concerns about this proposed trade at the Water Liaison Working Group in October 2016 indicating that the required back trade may impact allocations for other entitlement holders and so lead to adverse third party impacts.

The department has been advised by the MDBA that Section 12.18 of the Basin Plan may provide the relevant basis for such a claim. The department sought the MDBA's views on whether opposing such a trade request would comply with Basin Plan trade rules and was advised that as the CEWH opted not to submit a formal trade request, the objections of the states to the trade was not tested against these rules.

This led to a decision to include consideration of this matter in the joint review of Schedule D (Trade Schedule to the Murray–Darling Basin Agreement), which is currently being undertaken through the Trade Working Group and the Water Liaison Working Group. This review will include a consideration of the issue of delivery trade adjustments during periods of unregulated flow. The review is due to be completed in mid-2018, at which point any proposed amendments to Schedule D will be considered by the Basin Officials Committee in the first instance.

Measures implemented to facilitate use of environmental water

Victoria met this commitment in 2016–17.

Victoria's Statement of Assurance noted that return flow provisions are in place in Victoria, enabling environmental water to be shepherded through the system to meet downstream environmental demands in Victoria and into South Australia (Victorian Government 2017).

Victoria submitted its Pre-requisite Policy Measure (PPM) Implementation Plan to the MDBA by 30 June 2016, which contains a number of actions Victoria will undertake until June 2019 to improve the operability and transparency of PPM implementation in northern Victoria.

The MDBA advised it assessed the Victorian PPM Implementation Plan as suitable and a pathway to implementation is being advanced through the Basin Officials Committee and the SDL Adjustment Implementation Committee.

Basin states are currently developing water resource plans. Through the water resource plan accreditation process, the MDBA will consider whether measures identified within the PPM Implementation Plans are adequately reflected in the water resource plans (where appropriate and required). Once accredited, the MDBA will be in a position to assess compliance with the agreed measures to protect held environmental water delivered in-stream and return flow provisions (MDBA 2017a).

The CEWH noted that multi-site watering trials undertaken along the River Murray to date facilitate only limited use of environmental water at multiple locations with restrictions placed on the management of environmental water, especially across state boundaries. The MDBA indicated the multi-site trials were a key activity of the Southern Connected Basin Environmental Water Committee and the Water Liaison Working Group during 2016–17, with the trials overseen by the Basin Officials Committee.

The department is concerned that current arrangements do not adequately facilitate the movement of environmental water to meet Basin Plan requirements. The MDBA, CEWH and Basin states need to explore arrangements to optimise the use of environmental water at multiple locations, including across state boundaries.

While limiting the potential for third party impacts needs to be considered, the materiality of any such risk needs to be balanced against the need to move environmental water to best meet environmental requirements. Where any restrictions on the use of environmental water are deemed necessary to avoid adverse impacts on third parties, the department considers the reason for the action should be substantiated with supporting evidence.

Annual environmental watering priorities

Victoria met this commitment in 2016–17.

Victoria's Statement of Assurance confirmed the MDBA was provided with annual environmental watering priorities, which the MDBA confirmed were consistent with the Basin Plan (Victorian Government 2017; MDBA 2017b). The priorities reflect the proposed watering actions outlined in the Victorian Environmental Water Holder's Seasonal Watering Plan 2017–18, available on the VEWH's website (VEWH 2017).

Management and delivery of environmental water consistent with Basin Plan

Victoria met this commitment for 2016–17.

Victoria indicated that the management and delivery of planned and held environmental water is consistent with the Basin Plan (Victorian Government 2017).

Held environmental water is managed by the VEWH in collaboration with Commonwealth agencies, such as the CEWH. Publicly available information from the VEWH and MDBA websites confirm that environmental watering in 2016–17 was broadly consistent with the Victorian Seasonal Watering Plan and with the 2016–17 Basin environmental watering plan's *Principles to be applied to environmental watering*.

Consultation on environmental watering

Victoria met this commitment in 2016–17.

The Victorian Statement of Assurance advises that input and feedback from stakeholders and the community was used to inform the development of annual environmental watering priorities by Victoria's catchment management authorities (CMAs) during the preparation of their seasonal watering proposals. These proposals formed the basis of the VEWH's seasonal watering plan, which set the scope of potential environmental watering across Victoria for the water year (VEWH 2017). The seasonal watering proposals are lodged with the VEWH, the MDBA and are published documents.

Victoria stated that the CMAs have well established local stakeholder networks that provide valuable regional and community input for developing annual environmental watering priorities (Victorian Government 2017). The published seasonal watering proposals provide tables of formal consultation with community and advisory groups, including recreational users, Traditional Owners and environmental interest parties as well as those materially affected, such as landholders and irrigators.

Long-term environmental watering plans

Victoria met this commitment in 2016–17.

Schedule A of the NPA requires that 12 months after the MDBA has made the Basin-wide Environmental Watering Strategy, or within another timeframe agreed between the MDBA and Victoria, long-term environmental watering plans for surface water resource plan areas have been developed consistent with the requirements of the Basin Plan.

Victoria's long-term watering plans for Northern Victoria, the Victorian Murray and the Wimmera-Mallee were completed and submitted to the MDBA in December 2015. The long-term watering plans are available on the Department of Environment, Land, Water and Planning's website (DELWP 2017).

While the MDBA has no formal assessment or accreditation role, it advised there is a 'difference of opinion' between it and Victoria about the quality of the content in Victoria's long-term watering plans and the extent to which the submitted plans are consistent with the Basin Plan (MDBA 2017b). Victoria indicated that some of the MDBA's concerns would be resolved as the Basin Plan is implemented and it has drafted a monitoring and evaluation plan to ensure that state-wide monitoring programs for rivers (VEFMAP) and wetlands (WETMAP) adequately cover long-term watering plan targets (Victorian Government 2017). It expects to provide this monitoring and evaluation plan to the MDBA in June 2018.

The department notes that South Australia, New South Wales and Victoria are continuing to work on arrangements for the Murray. The Environmental Water Working Group has proposed to the Basin Plan Implementation Committee in 2017 that states will reassess the need for an integrated Murray long-term watering plan in consultation with the Southern Connected Basin Environmental Watering Committee in 2019.

Appendix A: Schedule A of National Partnership Agreement on Implementing Water Reform in the Murray–Darling Basin

The parties agree to meet the performance milestones set out in Schedule A (Table A1).

Table A1 Schedule A to the National Partnership Agreement on Implementing Water Reform in the Murray–Darling Basin

Date due	Milestones	Proportion of annual payment
2013–14 only		
By 28 February 2014 (or first working day thereafter)	1) For New South Wales, Victoria and South Australia only, the State has provided a brief description of supply measure projects for which feasibility and business cases are being developed for consideration under the SDL adjustment mechanism.	100% of Payment 1 for 2013–14
2013–14 only		
By 28 February 2014 (or first working day thereafter)	2) The State has supported the Commonwealth in Bridging the Gap, as measured by: <ul style="list-style-type: none"> a) confirmation that no restrictions were introduced on the trade of water access entitlement, except where consistent with the Basin Plan water trading rules; and b) confirmation that no action has been taken to impede Commonwealth measures to acquire water for environmental purposes; and c) confirmation that applications for water entitlement and allocation trades, to which the Commonwealth is a party, were processed consistent with the agreed service standards relating to trade processing times for State approval agencies; and d) specification of entitlements in regulated surface water systems, consistent with clauses 28 to 32 of the National Water Initiative in the timeframe agreed in the IGA, unless where otherwise agreed; and 3) Following publication of the Constraints Management Strategy by the Authority, confirmation that any actions taken by the state to remove or address constraints are consistent with the measures agreed through the inter-jurisdictional governance procedure for the SDL adjustment mechanism; and 4) The State has cooperated in arrangements for Basin Plan environmental watering, as measured by: <ul style="list-style-type: none"> a) Except as otherwise agreed between the Commonwealth and the relevant State(s) to facilitate improved environmental watering, confirmation that the characteristics of licensed entitlements held for environmental use have not been enhanced or diminished relative to like entitlements held and used for other purposes; and b) Where feasible and agreed by the relevant Basin State, and where associated third party impacts have been considered, confirmation that measures have been implemented to facilitate the use of environmental water by protecting environmental water in-stream and on land through: 	100% of Payment 2 for 2013–14

Date due	Milestones	Proportion of annual payment
	<ul style="list-style-type: none"> i) the delivery of held environmental water in-stream through arrangements such as water shepherding to facilitate environmental flows; and ii) further use of environmental water at multiple locations along the river, such as through return flow provisions; and 	
	c) confirmation that the Authority has been provided with annual environmental watering priorities, consistent with the Basin Plan; and	
	d) confirmation that the management and delivery of planned and held environmental water is consistent with the Basin Plan; including: <ul style="list-style-type: none"> a. the environmental watering plan's Principles to be applied to environmental watering; and b. that a statement of reasons has been provided to the Authority for any environmental watering undertaken that was not in accordance with the Basin annual environmental watering priorities; and 	
	e) confirmation that environmental watering in regulated catchments has occurred having regard to the views of local communities and persons materially affected by the management of environmental water; and	
	f) 12 months after the Authority has made the Basin-wide Environmental Watering Strategy, or within another timeframe agreed between the Authority and Basin State, confirmation that long-term environmental watering plans for surface water resource plan areas have been developed consistent with the requirements of the Basin Plan; and	
	5) For New South Wales, Victoria and South Australia only, the State has provided a brief description of supply measure projects for which feasibility and business cases are being developed for consideration under the SDL adjustment mechanism.	
2014–15 to 2019–20		
Date due	Milestones	Proportion of annual payment
By 31 August 2014, 2015, 2016, 2017, 2018 and 2019 (or first working day thereafter)	<p>6) The State has supported the Commonwealth in Bridging the Gap, as measured by:</p> <ul style="list-style-type: none"> a) after the Basin Plan Trade Rules come into effect, confirmation of the removal of volumetric or other barriers to permanent trade out of water irrigation areas that are inconsistent with the Basin Plan water trading rules; and b) confirmation that no restrictions were introduced on the trade of water access entitlements, except where consistent with the Basin Plan water trading rules; and c) confirmation that no action has been taken to impede Commonwealth measures to acquire water for environmental purposes, except where consistent with the Basin Plan water trading rules; and d) confirmation that applications for water entitlement and allocation trades, to which the Commonwealth is a party, were processed consistent with the agreed service standards relating to trade processing times for State approval agencies; and e) specification of entitlements in regulated surface water systems, consistent with clauses 28 to 32 of the National Water Initiative in the timeframe agreed in the IGA, unless where otherwise agreed; and <p>7) Following publication of the Constraints Management Strategy by the Authority, confirmation that any actions taken by the state to</p>	100%

Date due	Milestones	Proportion of annual payment
	<p>remove or address constraints are consistent with the measures agreed through the inter-jurisdictional governance procedure for the SDL adjustment mechanism.</p> <p>8) The State has cooperated in arrangements for Basin Plan environmental watering, as measured by:</p> <ul style="list-style-type: none"> a) Except as otherwise agreed between the Commonwealth and the relevant State(s) to facilitate improved environmental watering, confirmation that the characteristics of licensed entitlements held for environmental use have not been enhanced or diminished relative to like entitlements held and used for other purposes b) Where feasible and agreed by the relevant Basin State, and where associated third party impacts have been considered, confirmation that measures have been implemented to facilitate the use of environmental water by protecting environmental water in-stream and on land through: <ul style="list-style-type: none"> i) the delivery of held environmental water in-stream through arrangements such as water shepherding to facilitate environmental flows; and ii) further use of environmental water at multiple locations along the river, such as through return flow provisions; and c) confirmation that the Authority has been provided with annual environmental watering priorities, consistent with the Basin Plan; and d) confirmation that the management and delivery of planned and held environmental water is consistent with the Basin Plan; including: <ul style="list-style-type: none"> a. the environmental watering plan's Principles to be applied to environmental watering; and b. that a statement of reasons has been provided to the Authority for any environmental watering undertaken that was not in accordance with the Basin annual environmental watering priorities; and e) confirmation that environmental watering in regulated catchments has occurred having regard to the views of local communities and persons materially affected by the management of environmental water; and f) 12 months after the Authority has made the Basin-wide Environmental Watering Strategy, or within another timeframe agreed between the Authority and Basin State, confirmation that long-term environmental watering plans for surface water resource plan areas have been developed consistent with the requirements of the Basin Plan. <p>9) For New South Wales, Victoria and South Australia only, and for 2014–15 and 2015–16 only, the State has provided a brief description of supply measure projects for which feasibility and business cases are being developed for consideration under the SDL adjustment mechanism.</p>	

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