The Northern Region Sustainable Water Strategy project team has recently been consulting with irrigators, water corporations and catchment management authorities regarding the review of carryover rules which is being conducted through the strategy.

As part of this review, the paper *A proposal for future carryover arrangements* was made publicly available: [http://www.ourwater.vic.gov.au/programs/sws/northern/carryover](http://www.ourwater.vic.gov.au/programs/sws/northern/carryover) in February 2009 following the Minister for Water's announcement of the change in carryover rules for the current season. The paper outlined a proposal, developed in conjunction with the strategy’s working groups, to introduce liberalised carryover rules prior to the 2010-11 water season.

The project team has discussed this proposal at a series of meetings with key groups, particularly customer committees of Goulburn Murray Water and Lower Murray Water.

### The proposal in summary

This proposal aims to maximise the flexibility and benefit of carryover, and ensure that water users only lose their carryover when storages physically spill (the spillable water account).

Rather than forfeiting allocations (or losing carryover) as allocations approach 100%, entitlement holders will be able to continue receiving allocations and will only lose their carryover if the storage physically spills. In essence it allows entitlement holders casual access to storage space while there is capacity in the dams.

The proposal also includes removing limits on how much water individuals can carry over. This is to give more flexibility to all water users - irrigators, urban water corporations, and environmental managers - to manage their own water availability.

The spillable account keeps track of any casual access to storage to ensure that this water spills when the dams are full. This protects existing entitlements to water and storage capacity.

### Key issues raised

Irrigator representatives raised a number of questions in these forums. This section outlines some of the common issues that were shared across representative groups.

**Q: Why make these changes, aren’t the current rules flexible enough?**

**A:** Many entitlement holders have told us that, although the current rules work reasonably well in drought years, the 100% rule means that the risk of losing carryover is too high. Likewise, environmental managers have told us that the current rules limit the ability to meet environmental watering needs.

Introducing carryover governed by spill rules will make carryover useful in all years for all users. The proposal will also provide equity to Sunraysia irrigators, as all entitlement holders will have the same risk of losing their carryover.

Changing the current rules will also enable environmental managers to accumulate allocations over several years, which will allow them to create larger watering events – to be able to replicate natural floods.
Q: 50% carryover is enough to manage my risk, why not retain a limit?
A: The proposal aims to meet the needs of all entitlement holders, and provide a level playing field for irrigators, urban water corporations, and the environment. Many irrigators have told us that a 50% limit would be sufficient for them to manage their risk. Others have acknowledged that the extra flexibility would be useful, allowing them to accumulate unused water in average years, and call upon it when it turns dry. In recognising this, many individuals have been cautious about how others might use this flexibility, and what impacts it might have on the water market.

Not limiting carryover is particularly important for the environment, allowing environmental managers to accumulate allocations over several years to provide intermittent flooding events. This will mean that the environment can meet their needs with less entitlement than they would require under the current rules. This will benefit irrigators, by reducing the amount of entitlement the environment needs to buy back out of production.

Q: Will this promote speculation in the water market?
A: Irrigators have expressed concern that not having a limit on carryover will allow individuals to accumulate large volumes of water in storage and manipulate the price of water. It is important to recognise that there are existing trading rules to prevent speculation in allocation: you cannot buy allocation without owning land with a water-use licence, and you cannot purchase allocation if that will result in holding more allocation than twice the annual use limit on your property. These rules prevent individuals from purchasing large volumes of allocation without owning the land to use that water on.

On balance, more liberal carryover rules should mean that more water is carried over, and generally level out some of the fluctuation in the water market.

Being uncertain of how entitlement holders might behave under the new rules, some have suggested either introducing cautious rules to start with, or alternatively ensuring there is scope for review and revision of the rules if there are unforeseen consequences.

Q: Will this impact on seasonal allocations?
A: The effect of someone carrying over one megalitre of water is the same as the effect of that person using the water in the previous season.

Prior to the introduction of carryover, very little water was unused at the end of each season. Any additional water that is carried over will overwhelmingly be water that would otherwise have been used.

Under the current rules carryover is effectively forfeited to the communal pool as allocations approach 100 per cent. Carryover governed by spill rules will mean this water remains with the individual who carried it over.

Q: Will the storages be full of carryover?
A: The storages on major systems like the Murray and Goulburn, at capacity, can store full allocations against high-reliability shares, reserves for full allocations in the following season, and enough water for full low-reliability allocations. These entitlements have priority in the storages. While, the volume of carryover will be small in comparison, carryover (water above entitlement volume) can only be stored when there is spare capacity in the storages.

The spillable water account will allow us to accurately keep track of this carryover and ensure that this water is forfeited if the storage spills. This ensures that carryover will not prevent inflows being captured in storage to support existing entitlements.

Q: How will spill rules work?
A: When the storage spills, users will already have full allocations against their entitlements and in addition there will be full communal reserves for full allocations in the following season. The only water that spills is water above an individual’s entitlement volume that is recorded in the spillable water account, i.e. any casual use of the storage.

It is proposed that this water spills pro-rata from all spill accounts. That means all users have equal access to casual storage capacity, and those that are accessing the most when the dam spills will spill the most from their account.

Q: Will users pay for casual access to storage?
A: Entitlement holders already pay storage charges for the entitlements they own. If a user is casually using additional storage capacity, then in principle they should pay a tariff to contribute to the costs of operating and maintaining the storage. In the long run, any contributions from casual users should be feed back into the pricing cycle, and lead to a reduction in the fixed charges for all entitlement holders.

Any changes to the existing tariffs for storage access will need to be approved by Goulburn-Murray Water as the storage manager, and the regulator, the Essential Services Commission. This will ensure that they are fair and accurately reflect the costs associated with operating and maintaining the storages.

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Next steps
The final Northern Region Sustainable Water Strategy, due to be released in the coming months, is expected to support the implementation of this proposal in time for the start of the 2010-11 water season.

An implementation committee, comprising stakeholders representing the range of all water users, will be formed to oversee the implementation of this proposal. This committee will consider the issues raised in consultation on the proposal, and the technical aspects involved in implementing the proposed changes.

A final announcement on carryover rules is anticipated to be made by the Minister for Water in early 2010.