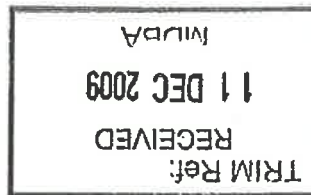


8 December 2009

Mr Mike Taylor  
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Dear Mr Taylor

**RE: Issues paper: 'Development of Sustainable Diversion Limits for the Murray Darling Basin' 12 November 2009**

Thank you for your invitation to submit comment on the MDBA discussion paper on the setting of sustainable diversion limits. SA Water is generally supportive of the framework proposed and endorses the comment prepared by other agencies within South Australia on the specific questions posed within the paper. I would, however, like to discuss some broader conceptual issues.

Setting of sustainable diversion levels is an issue common to all major water supply systems which have variable inflows and significant storage capacity. There are well defined methodologies, and best practice is to deal with the problem in a probabilistic manner, where the diversion limit is dependent on the reliability of being able to meet the defined demands. That is, a higher diversion limit can be set if a higher incidence of failure to meet the demand is accepted.

I believe this approach is the inverse of the way that the Murray Darling Basin system has traditionally been managed, where the impacts of proposed changes to the operating rules have been modelled on the basis of historical data, and a decision made on whether the outcomes are acceptable or not. In many cases the "loser" from proposed changes has been the environment.

The key difference in approaching the problem from a sustainable diversion perspective is the need to define the acceptable "levels of service" in meeting the various demands. The Murray-Darling Basin system has a number of different demands, broadly including conveyance water, environmental water, water for human needs and water for productive use. Each of these demands is likely to have a different level of service requirement, and the various levels of service may differ between "normal" years and "drought" years.

For example, environmental demands could be expressed as "normal" demands being met x% of the time and a lower volume for "drought" demands always being met. Critical Human Water Needs are another example of a specific level of service during drought years, albeit we are yet to define an acceptable frequency of having to revert to this minimum supply.

In relation to allocations for other purposes, there is currently no agreed level of service. The problem is exacerbated due to bulk allocations being made to the states, which then split this into high and low security water products. To properly define sustainable diversion limits for the whole system it will be necessary to define the levels of service for the various water products supplied by the states. The future levels of service do not necessarily have to match historical conditions, but these will undoubtedly be a starting point. This is an area where there may be trade-offs between the level of service and the sustainable diversion limit.



The discussion paper does not include a framework for establishing levels of service, but this is a key component of setting sustainable diversion limits. While I do not expect these will be simple matters to resolve, it does need to be done in a transparent manner. Ideally, the levels of service should remain unchanged over time to enable users to plan their own activities with a high degree of confidence.

System operating rules will also affect the calculation of the sustainable diversion limit. Many of these are fixed in the Agreement, but I would like to make specific comment on the reserve policy. The current approach of splitting the reserve into elements (e.g. CHWN to be managed by the states, conveyance water to be managed by MDBA, environmental water to be managed by State and Commonwealth environmental water managers, plus a limited reserve of private carry-over) is disjointed and is likely to lead to a sub-optimal outcome compared to managing the system as a whole to meet defined service levels.

I am happy to make SA Water technical staff available to further clarify and discuss the above matters. Our key contact person is Ms Grace Jennings, Principal Water Resource Manager [Material Omitted]

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Anne Howe', written in black ink.

Anne Howe  
**CHIEF EXECUTIVE**