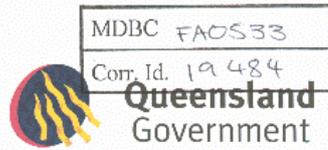




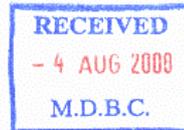
Hon Rod Welford MLA



Minister for Environment and Heritage  
and Minister for Natural Resources

27 JUL 2000

Mr Don Blackmore  
Chief Executive  
Murray-Darling Basin Commission  
GPO Box 409  
CANBERRA ACT 2601



**ATTENTION:** Dr Tony McLeod, Project Manager

Dear Mr Blackmore

Please find herewith the Queensland Government's submission on the Review of the Operation of the Cap - Draft Overview Report of the Cap Project Board. Should you have any questions on the submission, please contact the Queensland contact officer, Mr Chris Robson on telephone (07) 32242418.

Yours sincerely

**ROD WELFORD MLA**

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## Review of the Operation of the Cap Queensland Comments on Draft Report

10 July 2000

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Contact:  
Chris Robson  
General Manager Water Resource Allocation & Management  
Department of Natural Resources

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The need for basin wide planning to support the management of water became evident in the Queensland section of the Murray-Darling Basin prior to the decision made by the Murray-Darling Basin Ministerial Council on 30 June 1995 to introduce a Cap on water diversions. Administrative holds on dealing with new licence applications were progressively placed in different parts of the basin from October 1991 (Lower Balonne) through to March/April 1995, when holds were extended to all tributary streams of both the Border and Balonne River systems and to the Warrego/Paroo/Nebine catchments.

Queensland had therefore effectively introduced its own cap in advance of the Murray-Darling decision in 1995. The difference between the two regimes was that under a Queensland based 'hold', applications received prior to the hold were still being processed, whilst it was initially recognised under the MDB cap that no further licences would issue.

This initial position was modified in July 1996 when the Ministerial Council agreed to modified interim capping arrangements for Queensland to allow ongoing planning and management until a final Cap position could be determined. These arrangements have been further impacted by management arrangements put in place under the framework of Water Allocation and Management Planning (WAMP) and Water Management Planning (WMP) initiatives being progressed in all catchments within the Queensland section of the Murray-Darling Basin. Expected completion dates are as follows:

- Condamine Balonne: Water Allocation Management Plan (WAMP) – February 2001
- Moonie: Water Management Plan (WMP) – September 2000
- Paroo/Warrego/Nebine: Water Management Plan (WMP) – November 2000
- Border Rivers: Flow Management Plan (FMP) – July 2001

The Condamine-Balonne Case Study in the Review makes reference to downstream implications for the Barwon-Darling River system. Data to enable the modelling of the implications of the draft WAMP scenarios were provided in June 2000 to MDBC and DLWC, so there is no information yet available to support a statement regarding the downstream implications. A statement along the lines of an assessment of the downstream implication of the draft Condamine-Balonne WAMP is now underway would be more appropriate.

As the Cap has not yet been implemented in Queensland valleys, the Review of Cap Implementation has been held too early to assess impacts on the Queensland valleys. Furthermore, until its water resource plans and Cap position have been finalised, Queensland would not be in a position to agree to changes to Schedule F with respect to end-of-valley flows.

The Review has acknowledged that there has been very little science behind capping water resource utilisation within the Murray-Darling Basin at the 1993/94 level. It should be acknowledged that Queensland is the only state/territory that appears to have any scientific approach (through WAMPs) to address this issue.

The draft legislation *Water Bill 2000* was introduced into the Queensland Parliament in June 2000. Should the Bill be passed by Parliament it will be known as the *Water Act 2000*. Water resource plans will be required to be reviewed within the next 10 years, and consequently the Cap may be reset based on improved information. This is in line with the Project Board's recommendation that as better information

informs our management of the Basin's resources, the level at which the Cap is set should continue to be refined to reflect our increased understanding. This may lead to the Cap being raised or lowered.

	Cap Project Board Position	Comment
<p><b>E</b> <b>c</b> <b>o</b> <b>l</b> <b>o</b> <b>g</b> <b>i</b> <b>c</b> <b>a</b> <b>l</b> <b>S</b> <b>u</b> <b>s</b> <b>t</b> <b>a</b> <b>i</b> <b>n</b> <b>a</b> <b>b</b> <b>i</b> <b>l</b> <b>i</b> <b>t</b> <b>y</b>  <b>o</b> <b>f</b>  <b>R</b> <b>i</b> <b>v</b> <b>e</b> <b>r</b> <b>s</b></p>	<p>1) The Project Board has concluded that the Cap has been an essential first step in providing for the environmental sustainability of the river system of the Basin. Without the Cap, there would have been a significantly increased risk that the environmental degradation of the river system of the Murray-Darling Basin would have been worse.</p>	<p>AGREED</p> <p>The review accepts, and then focuses on, the point that the reduction in river flows due to extractions is the dominant cause of the deterioration in river health. While this may be a general comment for the Murray-Darling Basin, it may not apply to sub-systems within the basin where the impacts of land management are a significant, if not the dominant, factor in river health deterioration.</p> <p>The report implies that the environmental benefits may be in the context of not worsening an already degraded situation. This is yet to be proven.</p> <p>The negative comments regarding water resource development in the Condamine-Balonne catchment past the 1993/94 level need to be modified to recognise the equity position applied by Queensland when committing to the Cap.</p>

<p>2) However, the Project Board has concluded that there is no certainty that the Cap on diversions at its current level represents a sustainable level of diversions – the level at which it is set being that which existed at the time when it was decided to introduce a Cap. Further, the Project Board recommends that as better information informs our management of the Basin’s resources, the level at which the Cap is set should continue to be refined to reflect our increased understanding. It is likely that such refinements may lead to the lowering of the level of the Cap in some valleys. Indeed, some jurisdictions have already increased the environment’s share, via access restrictions in addition to that required by the Cap, as part of their longer-term direction of improved water management.</p>	<p>AGREED</p> <p>To be objective there should also be recognition that, in theory, the CAP could in some areas be raised (not just lowered as stated) <u>if it can be demonstrated that additional extraction is sustainable</u>. This should be viewed in a whole-of-basin context.</p> <p>There has been very little science behind capping water resource utilisation within the Murray-Darling Basin at the 1993/94 level. It should be acknowledged that Queensland is the only state/territory that appears to have any scientific approach (through WAMPs) to address this issue, in order to provide the dual objectives of ecologically sustainable rivers and certainty of water entitlements.</p>
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3) Other comments	<p>a) Case Study 2 on the Condamine-Balonne (p 98-104) Comments within the review are obviously based on information available at the time of writing. In some cases, e.g. the Condamine-Balonne, this information is now quite out-dated. Given details in the now-released draft Condamine-Balonne WAMP, comments in regard to the WAMP for this catchment lacking reference to important out-of-channel flows (e.g. p. 103, para. 1) are misleading.</p> <p>There are relatively few sections in which technical methods are questionable, but p.103, para. 2 refers to the use of NDVI for 1985-1999 as indicating environmental stress within the Lower Balonne area (Sims <i>et al.</i> 1999), and given the naturally dry period during the early to mid 1990s it would be extremely useful to know if the natural variation in rainfall was accounted for.</p> <p>It is noted that several of the ‘findings’ are based simply on the observations, as distinct from the measurements, of the researchers. On this basis, the cause of various signs of environmental degradation eg, riverbank erosion, decline in floodplain vegetation vigour, has been attributed in the report directly to the upsurge in water diversions over recent years. While it is possible these conclusions are correct, it would have been preferable that other possible causes eg drought, land management practices, were discussed.</p> <p>Condamine-Balonne WAMP has focused on the riverine environmental flow requirements. This includes flow requirements of out-of-stream habitats such as floodplains, wetlands and flood runners. WAMPs have no influence on land management aspects such as loss of floodplain habitat from leveeing of cropped areas and ring tank construction.</p> <p>The continuing ecological degradation due to lag effects has been recognised in the Condamine-Balonne Environmental Flows Technical Report (EFTR). The EFTR highlights the environmental implications of the changed flow regime from the 1997 level of development which are generally poor for the lower Balonne distributaries, however the term ‘dramatic’ in the Review is not technically appropriate.</p> <p>There is a somewhat negative attitude to the Condamine-Balonne WAMP within the review document which reflects poorly upon the State of Queensland and is not evident for other valleys for which far less effort has been allocated (in writing the document).</p> <p>Many of the negative comments towards the Condamine-Balonne WAMP are only justifiable if the issue of equity in water resource development across States are ignored, e.g. water resource development has continued in this area past 1993-94 levels but it has only really now (1999/2000) reached the levels common in other portions of the Basin (which admittedly were acknowledged in 1993-94 as being to high).</p>
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	Cap Project Board Position	<i>Comment</i>
		<p>b) Border Rivers FMP:</p> <p>The report mistakenly says that the Current Ecological Report does not point out the temporal scale problem between very recent hydrological changes. In fact the lag effects are pointed out in the report's conclusion and states that this assessment should not be used to draw conclusions about the long-tem altered flow regime.</p>
		<p>c) Salinity</p> <p>Table 7.5 (p75) indicates Queensland rivers are expected to have rises in salinity by a factor of 3 to 6 over the next 20 years (as noted in the 1999 Salinity Audit). Queensland's river salinity figures were preliminary. Further work in 1999/2000 to update these figures will be presented to the MDBC meeting No. 55 and following review in the same manner as the 1999 audit figures will be publicly released in the next few months. Initial information indicates the updated estimates of long-term stream salinity will be significantly less than the 1999 Audit figures for Queensland streams. Also, it would appear most of the salinity issues in the Queensland part of the Basin for the next 50 years will not be in regard to streamflow impacts and management but due to land management (both dryland and irrigated ) in Queensland.</p> <p>Queensland will be looking to improve the reliability of these figures over the next three years. This would involve field investigation and the implementation of a shallow groundwater monitoring network as well as more detailed modelling at a sub-catchment level. This level of information will enable Queensland to predict salinity sources and flows at the sub-catchment and regional scale.</p>

	Cap Project Board Position	<i>Comment</i>
<p><b>E</b> <b>c</b> <b>o</b> <b>n</b> <b>o</b> <b>m</b> <b>i</b> <b>c</b> <b>a</b> <b>n</b> <b>d</b></p> <p><b>S</b> <b>o</b> <b>c</b> <b>i</b> <b>a</b> <b>l</b> <b>I</b> <b>m</b> <b>p</b> <b>a</b> <b>c</b> <b>t</b> <b>s</b></p>	<p>4) The Project Board considers that there is compelling evidence that the Cap has already delivered significant economic and social benefits to the Basin community and that the net benefit will increase over time.</p>	<p>Definitive answers with regards to the costs and benefits of the Cap were not provided due to the fact that the Cap has not had a physical impact on constraining diversions. The Cap has yet to be implemented in the northern systems (i.e. QLD) and the southern systems have been confined by resource scarcity.</p> <p>The report noted that the announcement of the Cap had a temporary impact on the growth of water trading, particularly in NSW and Victoria. Due to the analysis of the Cap impact being based on an active water market, there may be difficulty in applying the impact findings in the Queensland context, where a water market has yet to be established.</p> <p>The report found that “on balance a prima facie case existed for concluding that the Cap has produced public and private benefits to the Basin community and Australia more generally” and “In the present circumstances, the immediate benefit cost ratio i.e. for the first five years [of the Cap] is undoubtedly highly positive”. It follows that these findings would apply in general in Queensland upon implementation of the Cap. However the report notes that the costs and benefits of the Cap would differ in each valley or irrigation scheme.</p>
	<p>5) The results of research conducted for the Review make it clear that, in the absence of the Cap, the erosion of security of supply for irrigators and other users would have been significant. These analyses were performed on several systems across the Basin reflecting diverse agricultural practices and climatic conditions.</p>	<p>The Full Development scenario, outlined in the 1995 Audit of Water Use, clearly defined the No Cap scenario ensuring an accurate identification of the costs and benefits of the Cap. As the report was intended to be a desk review, it was heavily reliant on information that was contained in submissions. The robustness of information included in the report depends very heavily on the rigour of the studies that produced the findings and the accuracy of any information provided by stakeholder groups. As many submissions compared the Cap situation with the pre-cap situation (rather than the No Cap situation) when outlining the impacts of the Cap, several had to be disregarded. Also, of the 25 direct submissions to the Review on economic and social impacts, 24 were from NSW organizations, suggesting that the conclusions of the report could be more representative of the NSW situation rather than the whole of the basin.</p>
	<p>6) Through guaranteeing security of water supply at the valley level, the Project Board views the Cap as having provided a more certain climate for long-term investment and development, particularly in high value agriculture and value adding processing, as well as providing benefits to the environment.</p>	<p>The report implies that the environmental benefits may be in the context of not worsening an already degraded situation. This is yet to be proven.</p> <p>The Environmental Flow Objectives and the Water Entitlement Security Objectives work together in a WAMP to ensure security for water users and provisions for the environment.</p>

	<p>7) The Project Board considers that the Cap has provided a mechanism for restraining, in an orderly fashion, growth in diversions while enabling economic development to proceed.</p>	<p>The Cap has not yet been fully implemented in Queensland, however with the Water Allocation and Management Planning process in Queensland, with its dual objectives of protection of the environment and providing entitlement security, it is agreed that this would be a useful mechanism.</p>
	<p>8) The Project Board recognises that this strong positive conclusion will not be the perception of every stakeholder in the Basin. However, the Project Board concludes that the overall benefit of the Cap, especially from ensuring security of supply at a valley level and providing an environment within which water trading and related reforms could be developed, has been a positive one.</p>	<p>The Environmental Flow Objectives and the Water Entitlement Security Objectives work together in a WAMP to ensure security for water users and provisions for the environment.</p>

<p><b>E q u I T y</b></p>	<p>9) The Project Board identified several equity issues (notably Cap arrangements for Queensland and the ACT) of longstanding duration that require urgent resolution. In addition there are several more recently identified equity issues (floodplain and overland flows and diversions, farm dams and tree plantations) also requiring attention. The effective management of these issues will necessitate a total catchment management approach to water management that embraces both surface and groundwater resources.</p>	<p>The Draft Report correctly acknowledges that CAP arrangements for Queensland valleys have yet to be finalised owing to the ongoing progress of its water management planning initiatives.</p> <p>The report suggests completion dates that need revision in light of current knowledge. Refer 4.2 page 11, Expected completion dates are as follows:</p> <ul style="list-style-type: none"> <li>o Condamine Balonne: Water Allocation Management Plan (WAMP) – January 2001</li> <li>o Moonie: Water Management Plan (WMP) – September 2000</li> <li>o Paroo/Warrego/Nebine: Water Management Plan (WMP) – November 2000</li> <li>o Border Rivers: Flow Management Plan (FMP) – July 2001</li> </ul> <p>While it is acknowledged that final positions are not available at this point in time substantial progress has been made on all water management planning fronts with</p> <ul style="list-style-type: none"> <li>- A draft plan out for the Condamine Balonne (released 14 June 2000)</li> <li>- A draft plan consultation period just closed for the Moonie (30 June 2000)</li> <li>- Draft plans out for the Warrego, Paroo and Nebine (June 2000)</li> <li>- An information paper being circulated on the Border. This document serves as a precursor to a Draft Plan planned for release in October 2000.</li> </ul> <p>It is only in the Condamine-Balonne and to a lesser extent in the Border Rivers that there are significant groundwater resources. Provisions exist within the WAMP framework for groundwater to be included in the overall water resource planning equation. It is noted that many groundwater systems in Queensland Murray-Darling valleys are closed to new allocations and in the most developed area (Condamine Groundwater Management Area in the Upper Condamine) announced allocation practices are in place to tailor extractions to sustainable yield estimates.</p>
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<p>10) The Project Board focused on equity issues arising from the implementation of the Cap between jurisdictions and between river valleys within States. In several cases, the submissions received by the Review of the Operation of the Cap raised equity issues that are about the details of implementation within valleys which are outside the jurisdiction of the Murray-Darling Basin Commission and Ministerial Council processes. The vast majority of such issues related to the recognition of licensed entitlement versus history of use, specifically in New South Wales (the “sleeper/dozer” issue). Such issues need to be dealt with by the particular jurisdiction concerned. In order that all submissions receive appropriate attention, these submissions and that of the CAC have been referred to the appropriate Government for consideration and reply.</p>	<p>Emerging positions have been identified in each planning initiative, which start to outline the shape and flavour of Queensland’s Cap position.</p> <p>These draft plan directions indicate a commitment to arrive at final cap arrangements for Queensland valleys and so clarify the State’s expected equity position across the broader Murray Darling Basin. This outcome is consistent with the equity position for Queensland where its Cap allow for additional development since 1993/94.</p> <p>The Draft Report conclusions and recommendations with regard to Queensland are sound.</p> <p>With respect to Recommendation (ix) page 16 of Equity Paper the advice to Council in July will be of an indicative nature at this point in time as most valleys will have draft plans before their respective communities at this time and it would be inappropriate to make any final determinations.</p> <p>Regarding Recommendation (xi) it is advised that the new water legislation is now in Parliament for reading and debate. Subject to this process, the <i>Water Act 2000</i> may be passed in August 2000.</p>
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	11) Other comments	The following table summarises the various scenarios currently before the various valley committees:
	<p>Condamine-Balonne:</p> <p>A – Adopt planned development limits no lower than mid 1999 level of development</p> <p>B – Improve planned development limits towards the environmental flow limits, particularly at the downstream end of the system.</p> <p>C – Further improve planned development limits towards levels associated with 1997 levels of development.</p>	<p>This scenario would effectively set a basin wide cap on long term average diversions based on the mid 1999 level of development</p> <p>This scenario is based on reductions in the current levels of long-term annual and monthly reliabilities for water project areas (2.5% to 5%)</p> <p>In addition reductions are proposed in current levels of long-term average diversion opportunities for ‘hectare licences’ and ‘waterharvesting’</p> <ul style="list-style-type: none"> <li>- 10% upstream of Beardmore Dam</li> <li>- 15% downstream of Beardmore Dam</li> </ul> <p>This scenario suggests similar reductions to water project areas as in Scenario B and reductions for ‘hectare’ and ‘waterharvesting’ licences of</p> <ul style="list-style-type: none"> <li>- 10% upstream of Beardmore Dam</li> <li>- 27% downstream of Beardmore Dam</li> </ul>
	Border No further growth in water use that leads to deterioration of end-of-system flows	This agreed position suggests a valley wide cap on long-term average diversions based on the mid November 1999 level of development.
	Moonie A – Provide for some modest increase in licensed extraction (26% over current). This equates to additional mean annual harvested volumes totalling 5290 Megalitres per annum	This scenario results in mean annual flow at the NSW border reducing to about 71% of its natural mean annual flow. Current licensed extractions place the flow reduction at 76% of natural mean annual flow.
	Warrego: Option A no further increase in the level of existing authorised extractions except for town supplies, stock and domestic and small scale industrial use	94% of mean annual flow remains instream.
	Paroo: Option A no further increase in the level of existing authorised extractions except for town supplies, stock and domestic and small scale industrial use	99.8% of mean annual flow remaining instream
	Nebine: Small increase in level of extraction for purposes other than town supplies, stock and domestic and small-scale industrial use.	

	Cap Project Board Position	Comment
<p><b>I m p l e m e n t a t i o n  a n d  C o m p l i a n c e</b></p>	<p>12) The work of the Independent Audit Group (IAG) on the ongoing implementation of the Cap and compliance of actual diversions with Cap target diversions has provided a clear direction for the finalisation of the implementation phase of the Cap. The Project Board generally supports the IAG recommendations.</p>	<p>In this section the Draft Report correctly reaffirms Queensland's ability develop Cap arrangements upon completion of its WAMP and WMP water planning processes. Hence at this point in time it is not possible to make any specific findings with respect to performance and compliance against existing Cap type benchmark.</p>
	<p>13) Significantly, effective compliance tools (computer simulation models used to determine Cap target diversions) have not yet been developed and the Project Board recommends that a high priority be given to the finalisation of these models.</p>	<p>The models for the Border Rivers and Condamine-Balonne (which cover 95 % of diversions) and for the Moonie are the most advanced for use as compliance simulation tools. Modelling of the other valleys (Warrego, Paroo, Nebine) are not to a highly robust standard and development in these areas is at a level where it is questionable whether there is a need for a high quality model.</p>

	<p>14) The Review has found that Victoria and South Australia have complied with the Cap, while Queensland and ACT are yet to complete the establishment of their respective Caps. Nevertheless, it is apparent that in Queensland there has been significant growth in storage which will impact on the water available for alternative consumptive and environmental uses. In New South Wales, the Cap has been breached in the Barwon-Darling system, with other valleys being within Cap limits.</p>	<p>With the completion of the WAMP and WMP process, Queensland will be in a position to agree to a Cap and to develop appropriate modeling and monitoring arrangements against which Cap compliance can be measured.</p> <p>Increases in diversions associated with private storage development forms part of Queensland's equity position where it has previously been acknowledged that Queensland's Cap position need not be tied to 1993/94 development levels.</p>
	<p>15) Recommendations of IAG</p>	<p>The following table provides commentary on the various implementation and compliance recommendations relevant to Queensland:</p>
	<p>i) the Commission's office give consideration to the preparation of a register of Cap definitions as agreed by the partner governments as they finalise their monitoring and compliance programs;</p>	<p><i>Supported.</i> This register is near completion with a draft in circulation and Queensland's definitions submitted to the final register.</p>
	<p>ii) within the spirit of the Cap, jurisdictions should be encouraged to consider groundwater usage and allocation rules on an integrated basis with surface water diversions;</p>	<p><i>Supported.</i> It is only in the Condamine Balonne valley and to a lesser extent in the Border Rivers that there is a significant groundwater resource. Provision exists within the WAMP planning framework for groundwater to be included in the overall water resource planning equation. It is pointed out that many groundwater systems in Queensland Murray Darling Valleys are closed to new allocation and indeed in the most extensively developed area (Condamine Groundwater Management Area in the Upper Condamine) announced allocation practices are in place to move extractions more towards the sustainable yield estimates.</p>
	<p>iii) jurisdictions should be asked to advise on likely implications of groundwater usage on the integrity of the Cap and downstream river health;</p>	<p><i>Supported.</i> This analysis will form part of evaluating any basis to add a groundwater management module to the WAMP's and WMP's currently being developed.</p>
	<p>iv) MDBC note the substantial growth in storages and by implication diversions in Queensland;</p>	<p>Increase in diversions associated with private storage development (largely in the Condamine-Balonne catchment) forms part of Queensland equity position where it has previously been acknowledged that Queensland's Cap position need not be tied to 1993/94 development levels. Nevertheless, the growth is of concern and will be addressed in the WAMP process.</p>
	<p>v) Each jurisdiction puts in place an appropriate quality management system for the management of metering, monitoring and reporting data;</p>	<p><i>Supported.</i> The current monitoring and reporting system is undergoing review and redevelopment into a quality system. In addition WAMP and WMP implementation is suggesting more comprehensive metering. This will assist in improving the quality of the Queensland diversion estimates.</p>

	vi) The States and ACT through the MDBC establish a set of trading rules to enable free trade within and between valleys, within and between States (and the ACT);	<i>Supported.</i> An important and needed outcome of the Flow Management Planning (FMP) exercise along the Border will be the subsequent development of more liberal interstate trading arrangements. The scope for and practicality of trading in other valleys is limited.
	vii) Models for the major valleys be completed and forwarded to the MDBC for assessment and endorsement in time for the finalisation of Schedule F in September 2000;	The models for the Border, Condamine-Balonne and Moonie are only offered at this stage. (This is where over 95% of diversion occurs) Modelling for the other valleys viz Warrego, Paroo, Nebine is not to a highly robust standard plus development is at a level where the need for high quality models is questioned at this stage.
	viii) The definition of the Cap be modified to delete reference to “in unregulated rivers this Cap may be expressed as an end-of valley flow regime”;	<i>Not Supported.</i> At this point in time with water resource plans yet to be finalised for Queensland valleys it is preferred that the end-of-valley flow regime reference remain.
	ix) Schedule F be modified to delete the end-of-valley flow option;	<i>Not Supported.</i>
	x) Schedule F Clause 17 Suggested Modifications	<p><i>Not Supported</i> if “ensuring that cumulative diversions are brought back into balance with the cap” means paying back cumulative overtake from the years preceding when a valley is declared to be in breach of the Cap. <b>QLD could support</b> the proposal on the understanding that this means a State is required to take action to ensure that long-term average diversions are brought back into balance with the Cap, and would be worded as “cumulative diversions (or cumulative end-of-valley flows) or equal to the cumulative cap target (or cumulative end-of-valley flow targets) from the time when Commission declares a valley to be in breach of the Cap”.</p> <p>An important measure of performance relates to the river manager putting into place improved operating rules that deliver Cap outcomes.</p> <p>The objectives of the “make good” or “pay back” provisions of Schedule F need to be made clear. It should be seen essentially as a compliance tool that seeks to result in a clear commitment and confidence in the Cap arrangements being applied by the States and to ensure some measure of equity in terms of the economic wealth share from the capped resource. The “make good” or “pay back” provisions have little to do with an ecological outcome, particularly for the highly variable unregulated river systems in QLD, where there is no large headwater storage to adjust and redistribute the available water resource. In highly variable and unregulated river, diversions are largely directly proportional to streamflow frequency and size.</p> <p>Whilst it is unreasonable to expect the “make good” provisions to apply to diversions occurring say 5 to 10 years previously, it is appropriate to apply a “make good” provision from the date when the particular valley is declared in breach of Cap. The period over which the “make good” could occur will depend on the occurrence of streamflows but would result in an actual reduction in the allowable diversions until the “make good” requirement has been satisfied. The period will vary accordingly e.g. it may take 3 to 5 years if no large streamflows occur for that period of time.</p>

	<p>xi) Clause 11(8) (a) in Schedule F be modified to read “include information about every water year concluding after 1 November 2000”.</p>	<p><i>Not Supported at this stage.</i> With draft management directions before Queensland valley communities in 2000/01 finalisation and sign off in the two major diversions valleys i.e. Border and during Condamine Balonne occurring that water year there will be no clear Cap position available at 2000/01 year start. It would be more appropriate to have the Queensland compliance regime kick off in 2001/02 when there will be prior knowledge of the Cap regime to be judged against and the Queensland Cap performance measures have been more clearly specified.</p>
<p><b>S</b> <b>c</b> <b>h</b> <b>e</b> <b>d</b> <b>u</b> <b>l</b> <b>e</b> <b>F</b></p>	<p>16) The most important challenge in Cap implementation is to finalise the arrangements under “Schedule F – Cap on Diversions” to the <i>Murray-Darling Basin Agreement</i>. This schedule is the primary tool for defining Cap arrangements especially those concerned with assessing compliance and its consequences.</p>	<p>Until the WAMP and WMP processes are complete, Queensland cannot sign-off on a permanent Schedule F. The Cap is not able to protect river health by itself. The Environmental Flow Objectives and the Water Entitlement Security Objectives work together in a WAMP to ensure security for water users and provisions for the environment that when combined will directly influence the end-of-valley flow regime.</p> <p>Including water use from farm dams and overland flow and floodplain diversions in the Cap is not fully supported at this stage. These forms of use are diffusely spread across Queensland valleys and the extent of knowledge and quantification of these features is not high. Investments needed to accurately measure and report these uses would be significant. Rather than attempt to assess and monitor all use across the Basin it is suggested that a more pragmatic where it is significant approach be adopted. For example in Queensland the focus at this point in time is for developing greater understanding of the floodplain and overland flow diversion situation along the Upper Condamine floodplain and in the Lower Balonne System. In these more concentrated areas of development metering to better quantify use could be a feature of a specific management plan.</p>
	<p>17) With the intent of improving the operation of the Cap through the development of fair and meaningful compliance arrangements, the Project Board invites comments on the following modifications to Schedule F which have been recommended by the IAG:</p>	
	<ul style="list-style-type: none"> <li>Removal of references to end-of-valley flows as a method for Cap compliance.</li> </ul>	<p>The suggestion that Schedule F be modified to delete the end-of-valley flow option is not supported. At this point in time with water resource plans yet to be finalised for Queensland valleys it is preferred that the end-of –valley flow regime reference remain.</p>

	<ul style="list-style-type: none"> <li>• Arrangements for remedial actions in the case of Cap exceedance. The recommendation of the IAG is that States be required “to ensure that cumulative diversions are brought back into balance with the cap”.</li> </ul>	<p><i>Clause 17 Suggested Modifications is not supported.</i> If “ensuring that cumulative diversions are brought back into balance with the cap” means paying back cumulative overtake from the years preceding when a valley is declared to be in breach of the Cap. QLD <b>could support</b> the proposal on the understanding that this means a State is required to take action to ensure that long-term average diversions are brought back into balance with the Cap, and would be worded as “cumulative diversions (or cumulative end-of-valley flows) or equal to the cumulative cap target (or cumulative end-of-valley flow targets) from the time when Commission declares a valley to be in breach of the Cap”. An important measure of performance relates to the river manager putting into place improved operating rules that deliver Cap outcomes.</p> <p>The objectives of the “make good” or “pay back” provisions of Schedule F need to be made clear. It should be seen essentially as a compliance tool that seeks to result in a clear commitment and confidence in the Cap arrangements being applied by the States and to ensure some measure of equity in terms of the economic wealth share from the capped resource. The “make good” or “pay back” provisions have little to do with an ecological outcome, particularly for the highly variable unregulated river systems in QLD, where there is no large headwater storage to adjust and redistribute the available water resource. In highly variable and unregulated river, diversions are largely directly proportional to streamflow frequency and size.</p> <p>Whilst it is unreasonable to expect the “make good” provisions to apply to diversions occurring say 5 to 10 years previously, it is appropriate to apply a “make good” provision from the date when the particular valley is declared in breach of Cap. The period over which the “make good” could occur will depend on the occurrence of streamflows but would result in an actual reduction in the allowable diversions until the “make good” requirement has been satisfied. The period will vary accordingly e.g. it may take 3 to 5 years if no large streamflows occur for that period of time.</p>
	<ul style="list-style-type: none"> <li>• re-setting the commencement date for accounting for diversions under the Cap to start with the 2000/01 water year.</li> </ul>	<p>It would be more appropriate to have the Queensland compliance regime kick off in 2001/0 when there will be prior knowledge of the Cap regime to be judged against. With draft management directions before Queensland valley communities in 2000/01 finalisation and sign off in the two major diversions valleys i.e. Border and during Condamine Balonne occurring that water year there will be no clear Cap position available at year start.</p>

	Cap Project Board Position	Comment
S u s t a i n a b l e R i v e r s A u d i t	18) With the implementation of the Cap nearing completion in most jurisdictions, there is now the opportunity to take the “next step” and to consider the environmental outcomes of the Cap from a whole of Basin perspective. The Project Board supports the introduction of a regular Sustainable Rivers Audit which would cast the Cap as an input to Basin health, rather than an outcome in itself. Whereas the Cap is seen as the first step towards achieving the longer-term objective of the <i>Initiative</i> , a Sustainable Rivers Audit can be viewed as the next step in the process of achieving this objective.	<p>The proposed establishment of a regular Sustainable Rivers Audit is supported. It is expected this will be fully integrated with the various similar projects being undertaken by State agencies, CRCs and under various funding programs.</p> <p>From a Queensland perspective, the general proposal in the review is not inconsistent with the style of ecological auditing DNR is proposing in the implementation of WAMPs and WMPs with a focus on establishing a better understanding of the link between flows and river health.</p> <p>Queensland is keen to participate in the development of the details of the SRA, and will need to consider:</p> <ul style="list-style-type: none"> <li>• Whether the sampling would contribute to Queensland's monitoring aims (i.e. to provide improved information for the next WAMP review)</li> <li>• Sampling sites should be linked to WAMP and WMP reporting nodes</li> <li>• Compatibility/overlap with current monitoring/assessment programs</li> <li>• Whether the sampling methods are appropriate for QLD conditions.</li> <li>• Additional costs</li> </ul>

A n y  O t h e r I s s u e s	19) Are there any other issues raised in the draft report that you wish to comment upon?	<p>Equity</p> <p>On pages (ii) and (iii), the review says that the Pindari Dam equity issues is being addressed within the Border Rivers FMP and is expected to be finalised by June 2000. This is incorrect in that the FMP is being conducted on a whole-of-catchment basis and will determine Queensland's cap. NSW is determining its cap outside the FMP and may be completed by June 2000. Due to the process changes since the IAG review, the QLD cap will be made in stage 2 (2001). In the meantime, QLD and NSW have an agreement to maintain the 1998/99 end-of-valley flow regime and to maintain diversions in the regulated streams to the current level of development.</p>
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