

Mr Richard McLoughlin
Assistant Secretary
Water Infrastructure Northern
Water Efficiency Division
Department of the Environment
GPO Box 787,
CANBERRA ACT 2601

Dear Mr McLoughlin

Attached is a copy of the report by the independent expert (RMCG) on water savings titled "Independent Verification and Assessment of Actual Water Savings Achieved by the NSW Metering Scheme Murray Pilot Project - Final Report – June 2014 ". This report has been commissioned as part of the verification of actual water savings as a consequence of installation of new meters under the Murray Metering Pilot.

The consultant (RMCG) has undertaken considerable analysis and assessment of the past and present accuracy of metering in the area covered by the Pilot. In summary this work indicated that the average meter that has been replaced under the Pilot project was under-recording water by 2.7%, and with a standard deviation of 17%. The NSW government (as represented by the NSW Office of Water, and the State Water Corporation) supports the finding of RMCG in regard to meter accuracy.

With most regulated river systems, it is recognised that the increased accuracy of meters, coupled with the benefit of regular telemetry of the readings, would enable the rivers systems to be operated in a more efficient manner. RMCG has investigated such operational improvements in the Murray, and has found that the magnitude of any benefits is swamped by the relatively large flows that pass through the system to South Australia. In this context the Murray is different to other regulated systems, and hence while the operational benefits and any associated potential for savings are not able to be quantified in the Murray River, it is expected that they would be able to be quantified in other regulated systems. NSW agrees with the findings of RMCG in regard to the (absence of) operational savings in the Murray Pilot area.

The area where the NSW view differs from that of RMCG is in regard to the conversion of the meter bias (ie the 2.7% difference described above) into a quantified water saving that is able to be transferred to the Commonwealth Government. RMCG's view is that the meter bias can be determined as a designated volume of water that is in addition to existing entitlements in the system.

While at the time of the original agreement with the Commonwealth Government it was NSW's view that the meter bias could be directly converted to an equivalent water savings, the current NSW view of the legislative framework is that in regulated river systems the correction of meter bias simply results in a better estimate of Long Term Annual Extraction Limits (LTAAELs) under the water sharing plans, and is not directly available for assignment as a new entitlement. NSW does not agree with the consultant's conclusion that there is a quantifiable amount of water savings (equivalent to the meter bias) that can be transferred to the Federal Government as a specified entitlement.

We believe that the metering project delivers many benefits to stakeholders (as set out in the original business case of June 2010) including

- Efficiency gains from improved river management
- Improved accounting, management and reporting to water agencies
- Improved environmental flow regimes
- Improved resource reliability
- Improved scope for water trading
- Beneficial flow-on effects to on-farm operations

The agreement that the NSW Government has with the Commonwealth Government still stands. For the Murray Pilot area NSW has already transferred 6,100 shares of water entitlement to Commonwealth. NSW is of the view that the additional water savings of 257 shares as identified in the consultant's report are not able to be quantified as a entitlement, and are not able to be transferred to the Commonwealth. Hence the 6,100 shares that have already been transferred will constitute the final entitlement under the Murray Pilot project

I am happy to take advice from you as to the how this matter needs to be progressed, possibly through the Verification Steering Group, and whether additional analysis is necessary.

Should you have any further enquiries about this matter, I have arranged for Mr Peter Christmas, Acting Sustaining the Basin Coordinator, to assist you. Mr Christmas may be contacted at the NSW Office of Water's Tamworth Office on telephone number 0427 247 569.

Yours sincerely

Michael Bullen
Acting Deputy Director General, Water
23/6/2014