

# Terms of Reference for Analysis of Efficiency Measures

## Purpose

To provide advice to the Murray-Darling Basin Ministerial Council on the recovery of 450 GL in additional environmental water through efficiency measures, with neutral or beneficial socio-economic outcomes, to enhance the environmental outcomes that can be achieved by the Basin Plan, consistent with the Basin Plan, Part 2AA of the Water Act (2007) (the Act), and the terms of the 2013 *Intergovernmental Agreement on Implementing Water Reform in the Murray-Darling Basin*.

This advice is to be considered in the context of the implementation of the Basin Plan to date.

As far as is practical the economic analysis should incorporate case studies with examples from previous programs, identifying other factors impacting on communities.

## Scope

The Ministerial Council seeks advice on how to recover 450 GL of water from efficiency measures by 2024 with neutral or improved socio-economic outcomes within the legal framework of the Basin Plan and Water for the Environment Special Account. Specific advice is sought on:

1. How to design, target and resource efficiency measures to recover 450 GL of water by 2024, with neutral or improved socio-economic outcomes, including:
  - a. scope and timing for efficiency measures to be administered in ways that do not impede current efforts to bridge the SDL gap under the Basin Plan by 30 June 2019.
  - b. whether the funding multiple provided to program participants is sufficient to attract genuine interest (noting provisions for reviews of progress under section 86AJ of the Act) and what the multiple should be;
  - c. whether the design of the program is robust to ensure that participants are not able to gain an unfair advantage through subsequent market participation;
  - d. opportunities for greater flexibility for the types of measures eligible to receive funding in return for water savings;
  - e. opportunities for an increased focus on urban water efficiencies;
  - f. opportunities for integrated program design to better align assistance for irrigation infrastructure operators with the delivery of efficiency measures on-farm and reduce the cost of supply;
  - g. opportunities for off-farm infrastructure works
  - h. how notified efficiency measures may be improved;
  - i. the anticipated cost of recovering 450 GL of water through efficiency measures, consistent with statutory requirements; and
  - j. any other activities that have not been investigated that could provide an efficiency contribution.
2. The potential socio-economic impacts arising from efficiency measures at a range of scales, including socio-economic concerns that go beyond the specific legal requirements of the Basin

Plan, and on strategies that may be required to ensure neutral or improved socio-economic outcomes. The impacts and concerns associated with the recovery of 450 GL may include:

- a. the net impact of on-farm efficiency measures on the viability and productivity of irrigation districts;
  - b. the impact of efficiency measures on employment opportunities in basin communities;
  - c. the impact of efficiency measures on the temporary and permanent water markets; and
  - d. consideration of any other information to ensure a comprehensive analysis of cumulative socio-economic impacts.
3. The extent to which adverse socio-economic impacts could be negated through:
- a. further refinements to efficiency measures program design to maximise socio-economic benefits;
  - b. existing Commonwealth programs; and
  - c. any further opportunities for Commonwealth-funded activities in support of broader regional development.
4. The advice must take into account information arising from the Murray-Darling Basin Authority's evaluation of the social, economic and environmental outcomes of the implementation of the Basin Plan and any other relevant analysis such as studies by State governments.