

Our ref: ME/11/0017

14 February 2011

Peter Borrows
Chief Executive Officer
Seqwater
PO Box 16146
City East QLD 4002



Dear Mr Borrows

On 20 January 2011, the Honourable Stephen Robertson MP, Minister for Natural Resources, Mines and Energy and Minister for Trade, wrote to the Queensland Water Commission (Commission) requesting the Commission provide all necessary assistance to Seqwater to ensure the Minister's requests to Mr Phil Hennessy, Chair, Seqwater, as raised in his letter of 20 January 2011, are able to be responded to as a matter of priority and with urgency.

On 25 January 2011, the Commission advised the Minister that it was liaising with Seqwater and undertaking preliminary work to support the matters raised.

Since that time the Commission has progressed its work in order to be in a position to provide advice to Seqwater and/or the Minister as and when required.

On 4 February 2011, you provided us with a copy of a letter from Seqwater's Chair to Minister Robertson regarding Seqwater's consideration of the appropriate Full Supply Levels (FSL) for Wivenhoe and Somerset Dams. This letter advised that "DERM may be satisfied, based on advice from QWC and the WGM from a water supply security perspective, that Wivenhoe Dam's FSL could be reduced in the short term to, say, 75% of its current FSL".

I note that the South East Queensland (SEQ) Water Grid Manager has provided you with a letter on 9 February 2011, confirming that "from a water security perspective, the SEQ Water Grid Manager has no objection to Wivenhoe Dam being drawn down to 75% of its FSL".

As you are aware, the Commission has now finalised a draft report as input information material for Seqwater, as requested by the Minister (attached), titled *Impacts on SEQ Water Strategy of Various Operating Scenarios for Wivenhoe Dam, 14 February 2011, Version 6*. The purpose of this report is to provide information on the potential impact on the security of supply in SEQ if a significant volume of water is released from the water supply capacity of Wivenhoe Dam as a potential flood mitigation measure. The information in this report has been shared with Seqwater officers during the course of its preparation, and a full version provided to you on 12 February 2011.

In preparing this report, the Commission has based its assumptions on the SEQ Water Strategy of July 2010, including the addition of purified recycled water into Wivenhoe at the 40% trigger level. Demand forecasts have been updated to align with the recent bulk water price review in November 2010.

The report has considered scenarios as temporary options for the 2011 wet season, and commenced consideration of scenarios contemplating any permanent reductions to FSL from a Level of Service (LOS) yield perspective.

In summary, the report concludes that:

- If releases were made as a temporary measure to reduce the water level in Wivenhoe Dam by 25% from its FSL (a release of about 291,250 ML), the Risk Criteria of the *South East Queensland System Operating Plan* would still be met.
- Despite the above being met, if inflows for the next six years were as low as the 2001-2006 drought, full desalination may be triggered, as Grid 12 storage levels could drop to 60% in this time.
- As the volume released increases, more factors become impacted such as the increased likelihood of triggering desalination and the use of purified recycled water and restrictions, and potentially increased operating costs of the grid.
- Permanent reduction of the FSL by 25% will lower the LOS yield by about 30,000 ML/annum. This reduction in LOS yield may require the construction of new infrastructure to be brought forward by about five years to 2021, based on current demand assumptions. Other options to mitigate the yield reduction such as demand management measures may also be possible.
- Given the current demand is less than that in the recent bulk water price review assumptions used in this assessment, there is more confidence in the margin of supply security available in the demand/supply balance.
- Any permanent reduction would have to be more critically investigated, with this report commencing the analysis for purposes of assisting to inform the annual update of the SEQ Water Strategy and investigations related to the Brisbane River system.

Given the announcement on 13 February 2011 to lower the FSL to 75% for the 2011 wet season, the Commission looks forward to working with you closely in relation to any consideration of a permanent reduction of Wivenhoe's FSL.

The Commission would appreciate your feedback on this draft report, prior to formally progressing it as a final report to Seqwater and the Minister. I will be in touch shortly in order to discuss timing for your feedback with the aim of finalising the report within the next week or so.

If you require any further information, please contact me on [REDACTED] or on email at [REDACTED]

Yours sincerely

[REDACTED]
Karen Waldman
Chief Executive Officer

Enc (1)

cc John Bradley, Director General, Department of Environment and Resource Management

Barry Dennien, Chief Executive Officer, SEQ Water Grid Manager