

IN THE MATTER OF
The Hazelwood Mine Fire Inquiry

STATEMENT OF CLINTON EDMUND RODDA

Date of Document: 04 December 2015	Telephone: +61 3 8684 0444
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I, Clinton Edmund Rodda of 88 Johnson Street, Maffra, Victoria, Managing Director of Gippsland and Southern Rural Water Corporation, can say as follows:

INTRODUCTION

1. I am the Managing Director of Gippsland and Southern Rural Water Corporation, which operates under the trading name Southern Rural Water (SRW). My background is in water management and business administration. I attach a copy of my biography (**Annexure 1**).

THE BOARD'S REQUEST FOR THIS STATEMENT

2. This statement has been prepared pursuant to the request made by the Hazelwood Mine Fire Board of Inquiry by letter of 1 December 2015 (**Board's letter**).
3. The questions posed by the Board's letter, and my responses, are set out in the remainder of this statement.
4. The information contained in the body of this statement is derived from research carried out by officers of SRW at my request in response to the Board's letter and is accurate to the best of my knowledge, information and belief.

THE BOARD'S QUESTIONS AND MY RESPONSES

Question 1: Provide an overview of Southern Rural Water including the regulatory regime and relationship to DELWP, the EPA and other water corporations and authorities with a particular focus on the Latrobe Valley. Provide supporting documentation.

5. SRW is a water corporation pursuant to Part 6 and Schedule 1 of the Water Act (Vic) 1989 (**Water Act**). It is governed by a Board of Directors who are appointed by the Minister for Environment, Climate Change and Water (**Minister**). The current Board of Directors commenced on 1 October 2015.

6. SRW was formed on 1 July 1995 following the dissolution of the Rural Water Corporation and the merging of Southern Water and Gippsland Rural Water. SRW manages rural water resources in Southern Victoria and comprises approximately 165 staff.
7. SRW has three key operational responsibilities:
 - 7.1 management of the Macalister Irrigation District and major dams in the Latrobe and Macalister basin;
 - 7.2 management of the Werribee and Bacchus Marsh Irrigation Districts and major dams in the Werribee and Maribyrnong basins; and
 - 7.3 management of licensing relating to surface and groundwater, and the construction of bores and farm dams in southern Victoria, including the Latrobe Valley.
8. SRW has two shareholding ministers, namely the Minister and the Treasurer.
9. The EPA has regulatory responsibility for groundwater contamination. SRW is a referral authority for EPA works applications and the EPA is a referral authority for groundwater licence applications. The EPA advises SRW of contaminated sites, which SRW makes known to potential groundwater users. The EPA consults with SRW about its policies, for example its revisions to the Groundwaters of Victoria policy currently under review.

Question 2: Detail the role of Southern Rural Water in relation to the allocation of water to each of the Latrobe Valley mines and power stations including by way of licences, entitlements and supply agreements (or any other way in which the mines/power stations are provided with access to water) (“the allocations”). Provide supporting documentation including maps/diagrams.

10. With respect to the mines in the Latrobe Valley, SRW administers the mines’ water usage in two ways:
 - 10.1 SRW acts on behalf of the Minister as Resource Manager for the Latrobe System and Storage Manager for Bulk Entitlements (**Bulk Entitlements**). AGL (for Loy Yang Mine) and Energy Australia (for Yallourn) both hold Bulk Entitlements.
 - 10.2 SRW administers ‘take and use’ licences pursuant to section 51 of the Water Act (**Groundwater Licences**). Groundwater Licences are currently held by GDF Suez for Hazelwood Mine and Loy Yang B; AGL for Loy Yang A; and Energy Australia for Yallourn.
11. These two roles are discussed in more detail below.

Bulk Entitlements

12. The Minister has the authority to issue Bulk Entitlements to water pursuant to section 34A of the Water Act. Bulk Entitlements are ongoing and do not have a termination date. The Bulk Entitlements contain general stipulations regarding

the purpose for which they can be used. With respect to the Latrobe Valley mines, the water is provided to “supply electricity generation works”.

13. Bulk Entitlements are apportioned by a percentage figure, with each mine being allocated a certain percentage of water available in the Blue Rock Reservoir and Lake Narracan, up to a maximum total allocation of water. The allocations of Bulk Entitlements for Latrobe Valley entitlement holders are as follows:

14. Blue Rock Dam

Entitlement Holder	Inflow Share %	Storage capacity share %
Gippsland Water	16.27	16.27
Loy Yang A	16.40	16.40
Loy Yang B (SRW)	8.20	8.20
Loy Yang 3-4 Bench	10.43	10.43
SRW (licensed diverters)	2.00	2.00
Yallourn	14.97	14.97
Reserve (SRW)	22.73	22.73
Water Holder	9.00	9.00
Unallocated	0	0
Total	100.00	100.00

15. Lake Narracan

Entitlement Holder	Inflow Share %	Storage capacity share %
Loy Yang A	32.80	32.80
Loy Yang B (SRW)	16.40	16.40
Loy Yang 3-4 Bench	20.86	20.86
Yallourn	29.94	29.94
Total	100.00	100.00

16. Unregulated flow

Entitlement Holder	Unregulated flow share %
Loy Yang A	24.55
Loy Yang B	12.28
Loy Yang 3-4 Bench	15.61
Yallourn	22.41
SRW (licensed diverters)	25.15
Total	100.00

17. Each entitlement holder listed in the table above is entitled to take a share of the unregulated flow in the system, after passing flows have been met. Passing flows are those flows that are required to be in the system at a given compliance point. Passing flows can be environmental flows or ordered flows with licensed diverters. Passing flows are measured at strategic points along a waterway.

Latrobe Valley mines' Bulk Entitlements

18. The following Bulk Entitlements are relevant to the Latrobe Valley mines:
- 18.1 AGL Loy Yang Partnership has a Bulk Entitlement up to 40,000ML per annum for use at the Loy Yang A mine, pursuant to the Bulk Entitlement (Latrobe – Loy Yang A) Conversion Order 1996. This water is taken from the Tanjil River and Blue Rock Reservoir, and the Latrobe River and Lake Narracan.
 - 18.2 Energy Australia Yallourn Pty Ltd has a Bulk Entitlement up to 36,500ML per annum pursuant to the Bulk Entitlement (Latrobe-Yallourn) Conversion Order 1996. This water is sourced from the Latrobe River at the Yallourn Weir.
 - 18.3 SRW holds two Bulk Entitlements in its own name, including a Bulk Entitlement to water in the Latrobe River pursuant to the Bulk Entitlement (Latrobe – Loy Yang B) Conversion Order 1996. SRW 'passes on' this entitlement to Loy Yang B power station through provision of a Licence to GDF Suez (**Annexure 2**). This water is sourced from works provided by Loy Yang A power plant and diverted from the Latrobe River at Yallourn Weir. This Licence entitles GDF Suez to divert up to 20,000ML per annum from the Latrobe River for use at the Loy Yang B power plant. This water is sourced from works provided by Loy Yang A power plant, who divert water from the Latrobe River at Yallourn Weir, for their purposes and for GDF Suez. SRW issued a take and use licence under Section 51 of the Water Act. The second Bulk Entitlement is for supply of Licensed Diverters on the Latrobe River, who use water primarily for agricultural production.
 - 18.4 The Minister and the Department of Treasury and Finance jointly hold a Bulk Entitlement for Bulk Entitlement (Latrobe – Loy Yang $\frac{3}{4}$ Bench) Conversion Order 1996. This entitlement is intended to facilitate provision of up to 25,000ML per annum to the Loy Yang $\frac{3}{4}$ Bench. Because the Loy Yang $\frac{3}{4}$ bench has not yet been developed, this allocation is not currently being accessed.
 - 18.5 Gippsland Water has a Bulk Entitlement with shares as outlined above from the Blue Rock Reservoir, pursuant to the Bulk Entitlement (CRGWA – Blue Rock) Conversion Order 1997.
19. Copies of all Bulk Entitlements, together with an explanatory notes summarising all entitlements in the regulated Latrobe System, are published on the Victorian Water Register website at <http://waterregister.vic.gov.au/water-entitlements/bulk-entitlements>.
20. SRW has been appointed as Storage Manager and Resource Manager of the Latrobe Basin. In this role SRW is responsible for the general management of the sites, including developing and enforcing storage rules and annual operating plans for Bulk Entitlement holders, developing and maintaining water accounts,

and monitoring Bulk Entitlement holders' compliance with entitlement obligations.

Groundwater Licences

21. The Minister, through the Water Act, has oversight of the State's groundwater resources and the monitoring and reporting on the condition of those groundwater resources.
22. SRW, under delegation from the Minister, has operational responsibility for managing groundwater resources and issuing licences to take and use water in accordance with the Water Act, statutory management plans and local management plans.
23. The following Groundwater Licences are relevant to the Latrobe Valley mines:
 - 23.1 GDF Suez holds Groundwater Licence 2007412 (now recorded as 9009434) (**Annexure 3**)
 - (a) The licence entitles GDF Suez to extract groundwater from the M1 Aquifer and the M2 Aquifer to a total volume of 22,484 ML per annum (2012-2019) and 20,480 ML per annum (2020-2025).
 - (b) The licence authorises the take and use of groundwater to facilitate mining of coal and generation of electrical energy and purposes incidental thereto.
 - (c) The object of the licence is "to allow the efficient depressurising of the Morwell open cut mine whilst minimising adverse impacts of the Gippsland Groundwater Basin".
 - (d) The Groundwater Licence is valid for a period of 30 years from 1 September 1995.
 - (e) The Licence is subject to a number of conditions. Condition 2 states: "the Licensee is authorised to take and use groundwater to facilitate mining for coal and generation of electrical energy and purposes incidental thereto".
 - (f) Condition 5 stipulates: "the licensee may only take and use groundwater under this licence on the land with respect to which the licensee holds a mining licence for the Hazelwood power mine".
 - 23.2 AGL Loy Yang Partnership has Groundwater Licence 2007440 (now recorded as 9012311) (**Annexure 4**).
 - (a) The licence entitles AGL to extract groundwater from the Morwell Formation Aquifer System and the Traralgon Formation Aquifer System to a total volume of 19,996 ML

per annum (2012-2019) and 19,302 ML per annum (2020-2025).

- (b) The licence authorises the take and use of groundwater to facilitate mining of coal and generation of electrical energy and purposes incidental thereto.
- (c) The object of the licence is “to allow the efficient depressurising of the Loy Yang open cut mine whilst minimising adverse impacts of the Gippsland Groundwater Basin”.
- (d) The Groundwater Licence is valid for a period of 30 years from 1 September 1995.
- (e) The Licence is subject to a number of conditions. Condition 2 states: “the Licensee is authorised to take and use groundwater to facilitate mining for coal and generation of electrical energy and purposes incidental thereto”.
- (f) Condition 5 stipulates: “the licensee may only take and use groundwater under this licence on the land with respect to which the licensee holds a mining licence for the Loy Yang Power mine”.

23.3 Energy Australia Yallourn Pty Ltd holds Groundwater Licence 2007403 (now recorded as 9007180) (**Annexure 5**).

- (a) The licence entitles Energy Australia to extract groundwater from the Haunted Hills Gravels and Morwell Formation Aquifer Systems. A total volume varying from 851 ML per annum (1996) to 1278 ML per annum (2025).
- (b) The licence authorises the take and use of groundwater to facilitate mining of coal and generation of electrical energy and purposes incidental thereto.
- (c) The object of the licence is “to allow the efficient depressurising of the Yallourn open cut mine whilst minimising adverse impacts of the Gippsland Groundwater Basin”.
- (d) The Groundwater Licence is valid for a period of 30 years from 1 September 1995.
- (e) The licence is subject to a number of conditions. Condition 2 states: “the Licensee is authorised to take and use groundwater to facilitate mining for coal and generation of electrical energy and purposes incidental thereto”.
- (f) Condition 5 stipulates: “the licensee may only take and use groundwater under this licence on the land with respect to

which the licensee holds a mining licence for the Yallourn Energy mine”.

Question 3: In regards to each such allocation, detail:

- a. The amount of water the mine/power station has access to – including detailing whether this amount is fixed or may fluctuate over time and what may influence any such fluctuation;***
24. Bulk Entitlements are allocated based on a percentage share. As such, the amount of water that each mine/power station has access to under their Bulk Entitlements will vary depending on the overall water within the system.
25. Groundwater Licences specify the amount of water allocated to a holder. The amount is shown in a schedule that varies over time according to the projected need for mine depressurisation.
26. See my response for question 2, above, for the Bulk Entitlement and Groundwater Licence allocation for each mine/power station.
27. The mines do not have access to other water that is managed by SRW.
- b. What fees or other charges or costs are paid by the mine/power stations for any allocations;***
28. Bulk Entitlement holders are required to pay SRW for storage management and resource management costs in accordance with the schedules outlined in each Bulk Entitlement. The Schedules calculate the costs based upon:
- 28.1 a percentage of the annual storage management charges and river regulation costs for Lake Narracan and Yallourn Weir; and
- 28.2 a percentage of the annual storage management charge for Blue Rock Reservoir.
29. There are no further fees associated with the Bulk Entitlements holders’ access to water granted pursuant to a Bulk Entitlement.
30. The Groundwater Licence annual fee at the date of issue was \$19,300. The annual fee for the year ending 30 June 2016 is \$20,190 payable to SRW. There are no further fees associated with the Groundwater Licence holders’ access to water granted pursuant to the licence.
- c. The legal framework for this access;***
31. See my response to Question 2.
- d. Any conditions placed upon this access;***
32. See my response to Question 2.

e. The purpose for which the access has been granted/provided and whether this extends to rehabilitation of the mines after closure of the power stations and/or mine;

33. SRW has responsibility for administering Groundwater Licences and managing the resource from which Bulk Entitlements are drawn in the Latrobe Valley system. SRW is not responsible for issuing Groundwater Licences or Bulk Entitlements.
34. Groundwater Licences are issued for specific purposes. The Latrobe Valley mines have been issued Groundwater Licences to allow for efficient depressurisation of the mine voids.
35. SRW conducts site inspections of all mines to ensure all groundwater bores are correctly metered to record water extractions. In addition, the mines must prepare an annual report that provides details on annual water use and compliance with licence conditions.
36. Whether or not the mines could utilise their Groundwater Licence for rehabilitation of the mines after closure of the power stations is a matter for the Minister and the Department of Environment, Land, Water and Planning (DELWP).
37. The Latrobe Valley power stations' Bulk Entitlements are not explicit about the purpose they should be used for, other than to "supply electricity generation works." The Bulk Entitlements do not define what constitutes electricity generation works.

f. What period of time the mines/power stations may rely on this allocation (including terms of any licences, agreements, how they may be renewed/revoked/cancelled and how likely it is that any of these things would occur).

38. Bulk Entitlements do not expire.
39. Groundwater Licences are issued for a given period. The holder of a Groundwater Licence may, before the expiry of the licence and in accordance with section 58 of the Water Act, apply to the Minister for the renewal of the licence.
40. Bulk Entitlements and Groundwater Licences could both be revoked or cancelled by the Minister under the Water Act. SRW is not able to comment on the likelihood of the Minister revoking or cancelling a Bulk Entitlement or Groundwater Licence.

Question 4: Has Southern Rural Water considered how much water would be required to fill (partially or fully) the Latrobe Valley mines? Has this issue been discussed with Southern Rural Water by, for example, DELWP, the State Government or any of the mines including in any stakeholder working groups? If yes, provide details and any minute notes or documents detailing the discussions.

41. SRW has not considered how much water would be required to fill (partially or fully) the Latrobe Valley mines.

42. SRW has not discussed this issue with any Government entity, or the mines.

Question 5: What are the current and future costs of water allocation in Victoria? What are the factors which may influence costs in the future? Provide supporting documentation.

43. There is no established water market in the regulated Latrobe system at present, so information cannot be provided on current or future costs of purchasing water allocation or water entitlements.

44. Insofar as surface water is concerned, the bulk entitlement holders in the regulated Latrobe system, including the power generators, have to pay annual storage management costs to SRW in its capacity as storage manager. The charges are determined to cover the costs of operating the system storages and other infrastructure and are approved by the Essential Services Commission. The relevant costs are set out in SRW's Water Plan (**Annexure 6**).

45. Insofar as ground water is concerned, there are no costs for an entitlement. In capped systems entitlements are required to be traded where the system is fully allocated. The Permissible Consumptive Volumes of the groundwater management areas (Rosedale and Stratford Groundwater Management Areas), where Latrobe Valley Coal mines' licences are held, are fully allocated. Within the licence each mine is required to pay an annual fee to administer the groundwater licences as set out in paragraph [31] above. As the administrator of the groundwater licences, this fee goes to SRW.

46. SRW is not aware of any matters that would make a significant change to our cost basis in the future. SRW cannot comment on other factors which may influence the future cost of water allocation in Victoria.

Question 6: Has Southern Rural Water been involved in any discussions with, for example, DELWP, the State Government or any of the mines regarding:

a. Rehabilitation of the mines generally;

47. SRW has responded to the AGL 2015 Work Plan Variation Application, in a letter dated 24 August 2015, which was referred to SRW by the Department of Economic Development, Jobs, Transport & Resources (DEDJTR).

b. Sourcing water to rehabilitate the mines (fill the pits), including by way of river diversion and/or use of water from the Blue Rock Reservoir or Lake Narracan;

48. See my response to question 6(a).

c. How to maintain water quality in any pit lakes created in the mines. If yes, provide details and any minute notes or documents detailing the discussions.

49. SRW has not been involved in any discussions on this topic specifically.

Question 7: Who owns and maintains the infrastructure for water in the Latrobe Valley? Provide supporting documentation.

50. SRW owns the dam embankments, structures and some surrounding lands for Lake Narracan, Blue Rock and the Yallourn Weir.

Question 8: Is it realistic to consider diverting the Latrobe Valley and/or Morwell Rivers to assist in filling the mines with water? Provide supporting documentation.

51. SRW has not considered the possibility of diverting the Latrobe or Morwell Rivers to assist in filling the mines with water. Answering this question would require significant consideration.

Question 9: Is the Gippsland Region Sustainable Water Strategy 2011 still current government policy? Are there any specific action items in the strategy relating to mining that Southern Rural Water is working on, for example Action 6.8? Provide supporting documentation.

52. The Gippsland Region Sustainable Water Strategy is a document developed by the former Department of Sustainability and Environment (currently DELWP) in 2011. I am unable to answer questions regarding whether this document is current government policy.
53. SRW has undertaken work to fulfil actions from the Gippsland Region Sustainable Water Strategy. The primary action that affects water availability for the power generators that SRW has undertaken is action 6.3.
54. Work on action 6.3 has led to the establishment of a drought reserve that all entitlement holders in Blue Rock can call upon in the event of a drought to provide additional water security.
55. SRW has not had any involvement with action 6.8.

Question 10: Has Southern Rural Water reviewed any of the mines' work plans or proposed work plan variations? If so, provide information regarding whether those plans make any assumptions regarding water and outline any advice provided by Southern Rural Water on those plans and their feasibility. Provide supporting documentation.

56. See my response for questions 6(a).

Question 11: Can you provide detail on the comment at p.132 of the Gippsland Region Sustainable Water Strategy which states that "flooding of the Latrobe Valley mines may not be a viable rehabilitation option due to insufficiency of water."

57. SRW cannot provide detail on the comment at p. 132 of the Gippsland Region Sustainable Water Strategy.

Dated: 04 December 2015

LIST OF ANNEXURES

ANNEXURE	DESCRIPTION OF THE ANNEXURE	DOCUMENT ID
Annexure 1	Clinton Edmund Rodda Biography	DELWP.1007.001.0001
Annexure 2	GDF Suez Licence for Loy Yang B	DELWP.1007.001.0002
Annexure 3	GDF Suez Groundwater Licence 2007412 (now recorded as 9009434)	DELWP.1007.001.0189
Annexure 4	AGL Loy Yang Partnership Groundwater Licence 2007440 (now recorded as 9012311)	DELWP.1007.001.0138
Annexure 5	Energy Australia Groundwater Licence 2007403 (now recorded as 9007180)	DELWP.1007.001.0166
Annexure 6	Southern Rural Water, Water Plan 3 2013 to 2018	DELWP.1007.001.0012