

Senate Select Committee on the Murray-Darling Basin Plan
PO Box 6100
Parliament House
Canberra ACT 2600

11 December 2015

Dear Senators,

SELECT COMMITTEE ON THE MURRAY DARLING BASIN PLAN

Thank you for the opportunity to appear at the Select Committee's public hearing in Shepparton on Friday 6 November 2015. We would like to provide responses to the questions on notice.

Operation of the water market

Water prices on the temporary market this season are high and we are seeing a large amount of competition within and across state borders. Irrigators need to feel confident that the water market is a level playing field.

There is concern that high prices are due to speculators in the market. Analysis by the VFF suggests that, aside from the water the Commonwealth has purchased, the extent of high reliability water shares unconnected to land is currently around 11 per cent. Some of these water shares are held by irrigators who have chosen to separate their water share from their land for business reasons.

The VFF believes there is an opportunity to look at the transparency of water markets operations. It is vital that as market participants, irrigators can see what water is available and where it is moving to and from. We have consistently supported a national live water exchange where brokers are brokers to the exchange. A live exchange means that market participants will be able to see prices and trading activity as it happens.

The Victorian Water Register is well established and comprehensively tracks the trading of water into, out of and between Victorian water trading districts. It provides an average price over the preceding seven days. The requirement to provide price information is not mandated but it is often provided. However there are still a proportion of trades which do not include any price information or where the price is clearly not an accurate reflection.

However the Victorian Water Register does not provide information on the volumes of water which are currently available for a certain price. In order to access this information irrigators need to contact a water broker. This restricted access to information reduces transparency and creates a potential risk for irrigators. The ACCC acknowledges these risks in its advice to buyers and sellers to beware and not assume that a water broker is acting in your best interests.

The Government's response to Recommendation 9 of the *Independent Review of the Water Act 2007* supports self-regulation but reserves the right to intervene should there be sufficient evidence of need. Self-regulation is less costly than government intervention. Some water brokers have already signed up to voluntary codes of conduct. However it is not clear whether that is sufficient to prevent and dissuade inappropriate conduct or to provide compensation when something does go wrong.

More clarity is also needed about why trading restrictions are in place. For example, the limit on trade out of the Murrumbidgee system has the potential to put pressure on prices in the rest of the Southern Basin and on trade out of the Goulburn system. On the 19 November 2015 trade out of the Murrumbidgee opened and closed within 24 hours with the 50,000ML that was available for trade quickly bought up. This has raised concerns about the reason for the limit and how the limit is being managed. There needs to be detailed public information about trade restrictions and clear public processes for announcing any change in trading conditions. We all need to understand the rules and have a fair opportunity to participate in the market.

Role of Victorian State Government in implementing the Basin Plan

The Victorian State Government has engaged with the VFF about the implementation of the Basin Plan. We have had meetings about the operation of the SDL adjustment measures including progress on supply measures projects, design of the efficiency measures projects and constraints projects.

The supply measures projects are being developed by Catchment Management Authorities in consultation with the Victorian Government. We understand that the CMAs have strong local engagement networks.

The Goulburn-Broken CMA is responsible for developing the constraints projects for the Goulburn River. We have met with the GB-CMA and discussed our concerns about the risk and liability of environmental flooding, the consultation process and the timing and resourcing required to undertake the assessment of risks.

The GB-CMA is also a key delivery partner in the existing on-farm efficiency program. The on-ground knowledge and experience they have developed by working with irrigators is valuable input for the design of future programs.

The VFF has reviewed the Hansard proofs of the public hearings held in Echuca on 5 November 2015 and Shepparton on 6 November 2015, and would like to present the Committee with some additional information on the following issues:

Carryover

The northern Victorian carryover model is based on the capacity in northern Victorian storages and the volume of entitlements issued. This methodology supports our strong water security and reliability regime. In Victoria high security water has enabled permanent plantings and high return dairying to be established.

NSW carryover rules are different because they have different storage capacity and have over-allocated volume of entitlements. In NSW general security water supports annual opportunistic crops like rice and cotton.

The VFF does not believe that the Victorian carryover system needs to be changed.

Campaspe Irrigation District

The VFF understands that the closure of the Campaspe Irrigation District was a customer led decision. Farmers who wished to continue irrigating were reconnected to the distribution system via the Waranga Channel or via the Goulburn, depending on their relative location. These farmers are now able to access a bigger water market for buying and selling their entitlements and allocations. The VFF does not believe that anyone was forced to give up their water.

The VFF is unaware of any situation under the Connections Project where Part 7A Reconfiguration Plans of the Victorian *Water Act 1989* has been enforced to date.

Thank you for the opportunity to provide this additional information.

Yours sincerely

Richard Anderson
Water Council Chair