



RIVERINA AND MURRAY JOINT ORGANISATION

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RAMJO SUBMISSION TO THE ACCC'S MURRAY DARLING BASIN WATER MARKETS INQUIRY

To whom it may concern,

The Riverina and Murray Joint Organisation (RAMJO) welcomes the opportunity to provide feedback to the Interim Report on the ACCC's Murray-Darling Basin Water Markets Inquiry.

We acknowledge the complexity of water management in the Basin, and see that complexity as one of the main drivers of the diversity of views on how it should be managed. In the face of such multi-faceted, often competing sets of objectives and obligations, it is perhaps not surprising that stakeholders frequently revert to narrow advocacy platforms reflecting regional and/or industry interests. It is significant, in our view, that dissatisfaction with elements of the system seem to be somewhat 'soluble in water'. When allocation levels are high, as they have been for short periods in the 2000s, and for most of the 1990s, there is less demand for change. Conversely, when allocations are low, there are few elements of the water policy and the water market which escape criticism. The reality being that scarcity brings to the fore the inadequacies, inefficiencies and inequalities of an intricate and complex web of governance and regulatory arrangements that make up the water trading market.

WHO

RAMJO, as a collection of Local Government bodies in the Riverina Murray region, have a strong interest in water management policy and maintain a role in advocating for our communities. We are a region established from high levels of agricultural productivity, stemming from both dryland farming and irrigated agriculture, and the manufacturing, logistics and other value-add industries that support produce from our region.

WHAT

That being said, we recognise that water is a precious commodity, and the demand for current and future water availability continues to divide communities, States and the Nation. For that reason, we as a group have worked towards developing a RAMJO Water Position Paper. We have attached the **Executive Summary** for consideration (Attachment A) and a full copy of the paper can be found on our website at:

<https://ramjo.nsw.gov.au/strategic-regional-priorities/water-security/>

While only several areas of our paper refer to the water market, it provides a holistic view of the step changes we'd like to see in water management and the acknowledgement that climate change will continue to impact water availability. As a nation, we will need to find ways to be solution focussed while providing evidence based input into areas of water policy and the water market which are not operating as intended, or possibly not to their full potential.



CONTRIBUTION

The RAMJO Water Position Paper identifies 8 key recommendations, with number one focussed on the **water market**. In particular, we recommended in this paper a comprehensive review of the water market, including: water ownership, water security, capturing the true costs of water transfers, telemetric reporting and floodplain harvesting, the majority of which are considered in the interim report.



RAMJO Recommendation 1 – Water Market

RAMJO recommends a comprehensive review of the water market, which could include (but not be limited to): ownership, water security, capturing true costs of water transfers, telemetric reporting, and floodplain harvesting. Regulatory reform across multiple areas is necessary to ensure a nation-wide plan goes hand in hand with an efficient water market.

Some of the recommendations from the RAMJO Water Position Paper are outside the scope of the ACCC's Inquiry into the Murray-Darling Basin Water Markets, however we recognise that due to the complexity and integrated nature of water policies and the water market, there are areas of overlap and commonality.

Naturally, the water market is an incredibly intricate and complicated matter and we are not in a position to provide detailed input on all aspects covered in the ACCC's Interim Report. However, the following is a summary of the points that align with our regional policy position.

The Riverina and Murray Joint Organisation welcomes the acknowledgment of:

- the effect of climatic conditions which are increasing evaporation across the Basin (pp 11-13).
- significant problems in the markets for water rights in the Basin that need to be addressed, particularly relating to “stakeholders’ concerns about conduct of some market participants and the impacts of existing market architecture and governance arrangements (which) are strongest in the Southern Basin”. (p 15)
- the strong inverse relationship between water prices and water availability (p14)
- stakeholders hold strong concerns about the role of specialist water investors in water markets. These include concerns that the trading behaviour of these investors artificially inflates prices (p 19)
- stakeholders regard market confidence and effective oversight is impacted by a lack of transparency (p3 37)
- stakeholders concern that lack of oversight and transparency is leading to the potential for misconduct to occur (and we note that you referenced RAMJO’s previous submission in this section of the paper) (pp 335 – 336)
- conveyance losses and that “changing trends in demand for water are exacerbating the impacts of increased movement of water through limited capacity points during more concentrated time periods. Despite some information gaps, it is generally accepted that delivery risk appears to be increasing. These changing trends are also increasing the impacts caused by inappropriate market design for delivery capacity.” (p 455)
- changing delivery patterns which are contributing to increased strain on river systems and at capacity points. “Concerns regarding environmental damage from the overuse of natural river channels are mostly related to the high flow rates through the Barmah Choke, the Goulburn River and the Murrumbidgee River.” (p 456)



Furthermore, we welcome the support and strongly align with the following points referenced in the interim report:

- support for the maintenance of the separation of water entitlements from land, as it permits water to be redirected to areas where it can be most productive, and permits those wishing to leave the land to realise the value of the water. This goes to the heart of optimal use of a limited resource, and facilitates the evolution of water as needs change and new opportunities arise.
- establishment of transparent trade data registers harmonised across the basin states. We further support the restriction or elimination of zero value trades.
- establishment of an independent government whole of basin regulator to oversee the conduct of market participants. We see this option as the most effective, provided it has the authority and reach across all participants.
- restriction or elimination of zero value trades and carryover parking. They represent, in most instances, attempts to work around principles of the plan, and should only be permitted in very specific instances.
- proposal for the application of transmission loss factors for trades delivered to a downstream site in the Southern Basin. We further recommend the consideration of its application (in the form of an incentive, for “transmission gains”) when trading water to an upstream location. Regulation should be reflected by adjustments to volume and/or cost of trade.
- removal of grandfathered tag trading, and recommend a detailed examination of all tag trades, with a view to eliminating them.

RAMJO strongly supports the ACCC’s position to favour harmonisation of governance, trade processes, registers and digital technologies across states rather than centralisation.

We welcome the inclusion of elements of RAMJO’s previous submission in the Interim Report and trust that the RAMJO Water Position Paper will provide further guidance relating to matters referenced in the ACCC’s Interim Report.

We applaud the intent of the inquiry, but also recognise that true improvements can only be made if the recommendations of the final report are seriously considered and implemented by all levels of government.

Please do not hesitate to contact RAMJO should you require any further information.

Kind regards,

Cr. Chris Bilkey

CHAIR RAMJO Water Sub Committee

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