

[REDACTED]

*SUBMISSION to*

*Australian Competition & Consumer  
Commission*

*Murray Darling Basin Water Inquiry*

*From*

[REDACTED]  
[REDACTED]  
[REDACTED]  
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[REDACTED]

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**RE: Unintended and unforeseen impact of Water Reforms resulting in the trade of HS and Conveyance water to GS licences to be carried over or 'parked.'**

# **The unintended and unforeseen impact of Water Reforms resulting in the trade of High Security and Conveyance water to General Security licences to be carried over or ‘parked’ and not maintaining its original ‘spill’ characteristics.**

## **Background**

When the original water sharing plans were established in 2003 different classes of water were created with different features or characteristics that ensured the equitable distribution of water between water users.

High security (HS) allocations were developed to ensure that in a very dry year the entitlement holder had the capacity to ensure they had water available to look after their permanent planting. There was to be a guaranteed volume held in reserve each year to guarantee access to that water the following year, hence the term ‘high security’.

The intention was that in a wet or normal year they would not require that full volume of water to sustain the permanent plantings and any surplus remaining on account at the end of the year spilled from the account to be socialised effectively being forfeited back to General Security (GS) in wetter years.

The ‘quid pro quo’ for having guaranteed volumes was that it cannot be carried over.

Alternatively, General Security (GS) water with lower reliability was devised to allow for more flexibility to annual cropping regimes and pasture programs, and had the capacity to carry over water due to the uncertainty of allocation availability early in the following water year to meet the program demands, particularly at the start of the year. The ‘quid pro quo’ on this was the condition that water used from that GS licence in a water year cannot exceed 110% of combined Carry over and allocation.

Conveyance water accounts were established to ensure the capacity to deliver stock & domestic, town water, Basic Landholder Right and any available allocation. The volumes established were apparently designed to ensure delivery was possible even in the driest of years.

It was never considered that HS and Conveyance could ever be carried over when the WSP was developed in 2003, and it certainly wasn’t part of the agreed rules. The Murray Lower Darling Water Sharing Plan does not allow for the carryover of HS or Conveyance water in accounts from one water year to the next, thus any water in these accounts ‘spills’ at the end of the water year.

## **Issue**

Whilst we all support the free and open trade of water, it is an unintended and unforeseen consequence of subsequent water reforms that now results in the trade of HS and Conveyance water to GS licences resulting in it losing its HS characteristics when transferred onto General Security licences and being carried over. This is effectively undermining General Security reliability of access to allocation and therefore property right value which is an unmitigated third- party impact of subsequent water reform which were introduced with the proviso of having no third- party impacts.

The transfer of both HS water and irrigation corporations Conveyance water to General Security licences to carryover is effectively an inequitable redistribution of potential allocation from all GS licence holders to those few lucky enough to be within an irrigation corporation.

This is clearly an unforeseen and unintended consequence of Water Reforms and is a serious issue which needs addressing to ensure the equity of resource distribution provided prior to water reforms.

### **Lack of trade transparency makes quantifying the impact difficult**

Quantifying the issue is difficult as GS licences do not currently have sub categories to recognise HS Murrumbidgee, HS Murray, VIC HR/LR or SA water traded on the General security licence. This would isolate these traded volumes and maintain their real characteristics to 'spill' from account at the end of season. There is currently no transparency around the volumes and no way of differentiating between classes of water once they are credited to a GS licence. The NSW Murray Lower Darling ROSCO were provided with the attached table.

From the figures contained in this table (attached) for the end of June 19/20 it appears there had potentially been maximum volumes of NSW Murray HS and Conveyance transferred to GS to be parked for carryover of [REDACTED] ML made up of:

[REDACTED]	[REDACTED] ML
[REDACTED]	[REDACTED] ML
[REDACTED]	[REDACTED] ML
[REDACTED]	[REDACTED] ML
[REDACTED]	[REDACTED] ML

This amounts to the equivalent of 11.3% General Security allocation that would have been available at the commencement of the 20/21 water year had these accounts spilt rather than having the volumes transferred to GS and effectively being 'hidden'.

This is not just an issue for the NSW Murray General security reliability as the same situation exists in the Murrumbidgee River system.

According to the Murrumbidgee ROSCO update in July, the volumes of water assigned out of High Security and conveyance water licences in 19/20 water year were

[REDACTED]	[REDACTED] ML
[REDACTED]	[REDACTED] ML
[REDACTED]	[REDACTED] ML
[REDACTED]	[REDACTED] ML

This is only the maximum potential parking of [REDACTED] ML which equates to 17.46% General Security allocation forfeited.

However, it is not that simple or advisable to use this as a real indication as we don't know how much of the volume in the General Security accounts at the end of the season was in fact NSW High Security or was VIC HR/LR or from SA and was 'parked' on NSW licences to allow carry-over and avoid forfeiture required by its licenced characteristics.

Rather, these figures seem to indicate the potential MAXIMUM extent of the issue.

## **Transparency and mitigation of third- party impact on GS allocation.**

One way to still allow for the free trade of water for consumptive use in that year is to ensure that sub-categories are applied to NSW GS licences for the trade in volumes of NSW High Security and Conveyance water, as well as Victorian HR/LR and SA water that are traded onto that licence.

This would identify the volumes transferred onto the GS licence for use in that year and ensure that the water would be 'split' or forfeited from accounts at the end of the water year as intended thereby mitigating the unintended and unforeseen impact on general security allocation and the value of the property right.

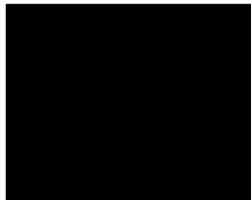
### **Recommendation**

That the ACCC recommend that NSW General Security Licences have subcategories implemented that identify the type of licence it originated from and reflect the characteristics of that volume of water transferred onto that licence so HS and Conveyance spill as required in the Murray Lower Darling Regulated River Water Sharing Plan, as do volumes acquired from Victoria and SA with the same characteristics.

Please do not hesitate to contact me for any clarification.

I respectfully request that you keep this submission private and confidential. In providing this information to others and discussing the issue, it has become very apparent that the irrigation corporations with powerful lobbying ability are understandably very unhappy with the prospect of losing the ability to effectively convert spillable Conveyance water to GS to carryover. I can be identified by the figures I have provided so request you do not publish this submission.

Yours Faithfully

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