30 October 2020

SunRice Group and Ricegrowers' Association of Australia

Joint submission to the ACCC Murray-Darling Basin water markets inquiry

Response to Interim Report

Executive Summary

There are significant flaws in current policy settings for water trading in the Basin

We welcome the robust analysis undertaken by the ACCC in its Interim Report, and its finding that the Murray-Darling Basin (**Basin**) water markets require decisive and comprehensive reform in order to rectify the serious problems that these markets are facing. Systemic and lasting changes to the governance and regulation of the Basin are urgently required to ensure that the objectives of the 2004 National Water Initiative (**NWI**) and the Basin Plan are met.

We have a strong interest in the viability and success of irrigators in the Murrumbidgee and the Murray Valleys of NSW. For the close to 2000 NSW family farmers whose livelihoods depend almost entirely on viable annual allocations from General Security water entitlements held in southern NSW, their overwhelming concern is fair access to water and the need for certainty.

Unfortunately, the current policy and regulatory settings for water trading in the Basin, the inconsistency in trading rules and policies across the Basin States and the fragmentation of roles and functions has resulted in these farmers not receiving fair access and has driven uncertainty. The cumulative impacts of the past two decades of state and national water reform has been an erosion in the reliability of yield against General Security entitlements in the Murray and Murrumbidgee valleys, and a failure to deliver key objectives of the NWI and Basin Plan.

This is despite commitments from the Federal Government that General Security water entitlements would not be eroded. In particular, growers have experienced decreasing allocations relative to available water. The effect of this, coupled with the impact of increasing water market prices, means the annual irrigation sector is increasingly vulnerable, casting doubt on the continued presence of a diverse and resilient agriculture sector in Australia. There is an imminence to this vulnerability – the next wave of structural adjustment has possibly already commenced.

We have, through Submissions to a range of State and Federal Government inquiries, and representations to Basin Government Ministers and relevant State and Federal agencies, called out the significant unintended and adverse impacts of the current water market policies and rules on General Security entitlement holders in NSW. Many of these have been identified by the ACCC in its Interim Report, and we urge the ACCC to continue to engage with annual irrigators to understand how the existing market framework is inadvertently and disproportionately affecting General Security holders over other entitlement holders. However, despite working constructively with the Federal and NSW Governments on possible reform to address these issues, the property rights of rice growers in NSW continue to be eroded, causing many to lose trust in the water market and the Government agencies responsible for its governance.

At the same time, some market participants are benefiting to the detriment of others. For instance, non-water users have exploited policy shortcomings to their advantage while productive use of water for annual irrigation has reduced – the issues associated with speculators and brokers are well publicised.

More broadly, past water reform has primarily focused on achieving a distribution of a scarce resource to its highest value in the short term, as opposed to considering broader socio-economic benefits. It is now time to consider the longer-term implications of water policy on the resilience of the agriculture sector and to recognise the national importance of equitable water allocations that promote a diverse agricultural sector, and value-added regionally based food manufacturing industries which rely on this production. We believe there should be a diverse, resilient irrigation sector in the southern connected system which delivers broad-based economic benefit, particularly with the current and predicted climate variability. The current approach of allowing the market to determine the future of the industries and communities in the southern connected system has not yielded satisfactory socio-economic outcomes.

Australia's Murray-Darling Basin river system is one of the most variable in the world, and the rice industry has been at the forefront of adapting to climate variability. Particularly as the climate continues to change, we believe Government has a critical role to play in ensuring that there is an appropriate balance between permanent and annual irrigated agriculture in the southern connected

Murray-Darling Basin system. The rice industry has an important role to play in underpinning this diverse agricultural system, as it has done for many decades, and the industry has been at the forefront of adaptation. As a consequence of coordinated investment between growers, the private and public sectors over many years into research, development and extension – Australian-grown rice uses 50% less water than the global average. This research, development and extension has resulted in new varietals, and innovative sowing and growing techniques like flush irrigation and direct drilling, with high adoption rates leading to improvements in water-use efficiency for rice production in Australia of 60% in the last 10 years[1]. In the face of continued drought, low water availability and high water prices in 2019 and 2020 – which we believe was exacerbated by the impacts of state and national water reform – the industry took significant steps to ensure an ongoing viable industry. This included the SunRice Group paying record high prices ahead of planting for the 2019-20 Riverina rice season, and also flexing its international supply capability to ensure continued supply of branded products into markets which have traditionally been serviced with Australian-grown rice, to ensure positions in these markets could be maintained for when Australian rice production returned.

To assist with the drafting of our response to the Interim Report, the Ricegrowers' Association of Australia undertook a survey of its member growers.

89% of the surveyed growers actively participate in the water market, using a range of products, and mainly to purchase water to increase production and to supplement small allocations.

51% of the surveyed growers feel that all water users do not have equal access to the water market.

Survey question 1, 3, 4 and 7.

Comprehensive reform is required to address previous policy failings

The experiences of the state and federal water reform processes of the past two decades have illustrated that there is not a clear vision for irrigated agriculture in Australia, and particularly in the southern connected system. In addition, water market reform has not supported diversity of commodities and industries in the agricultural sector. While we support the establishment of water markets, and the wealth that has been generated by the realisation of the value of held water, we also agree that some communities and economies that predominately rely on annual irrigated agriculture in the southern Basin have suffered as a result of the unintended consequences of a poorly designed water market and the impacts of other state and federal water reforms.

There needs to be a comprehensive, forward-looking and coordinated approach to achieving effective reform to address these impacts. We think that reform should focus on four central principles:

- **Fairness and equity for all water users.** The benefits of water reform to date have not been distributed fairly and equitably (including across the agricultural sector). In addition, inconsistent rules and polices across Basin States has created winners and losers in the water market. General security holders in NSW have been the losers, bearing the brunt of reduced water availability as a result of the current policy settings, while other groups of water users have benefited significantly from the current framework. Productive water users such as annual irrigators have been put under immense pressure to reduce their water use, while environment, towns, stock and domestic users, and river operators have not been subject to the same standards of efficiency. Brokers and more sophisticated, often corporate, market participants continue to have significant information advantages over their less sophisticated counterparts, creating substantial imbalances in bargaining power. Any reform proposed by the ACCC must ultimately ensure that there is greater fairness and equity for all water users, in line with the objectives of the 2004 NWI.

[1] SunRice Group Sustainability Website 2020

- **Distribution of water that aims to ensure a diverse and resilient agriculture sector, and related value-add industries.** A number of recent reports have highlighted two important trends. First, there has been a reduction in the volume of water available, adjusted for climate. Secondly, there has been an increase in the variability of water resources available in the Basin. Despite these trends, there has been an increase in total demand for water and an increasing reliance on permanent water availability. This has had significant consequences for all irrigators across the Basin, but especially General Security holders who are facing skyrocketing costs for a critical input and greater uncertainty in their allocations. As a result, irrigators that grow annual crops—including rice growers—are facing an existential crisis. This is not without consequences – the decline of annual plantings makes Australia's diverse and resilient agriculture sector extremely vulnerable to external shocks. Further – there are flow-on impacts through the supply chain. The rice industry is one of Australia's success stories. Riverina-based rice growers produce the most water-efficient rice in the world, and then SunRice has built significant fixed assets in the Riverina to process this rice into branded products for sale in Australia and in markets around the world, and this decline could ultimately be irrevocable.

  A more holistic approach to government planning and regulation is needed to ensure that changes in demand and use patterns across the Basin are complementary to the Basin's physical characteristics. An appropriate balance between annual and permanent plantings needs to be struck. Ensuring that there is a diversity of commodities grown in the southern Murray-Darling Basin is critical to promoting a resilient agricultural sector that supports the ongoing social and economic fabric of regional communities reliant on agriculture. Accordingly, the ACCC must ensure that water policy settings are consistent with creating a viable and diverse agricultural sector in Australia. A focus on maximising the area planted to permanent plantings requires holding very large inter-seasonal water reserves previously used to grow annual crops. The new broad acre plantings of permanent tree-crops will still be vulnerable to a crop wipe-out and tree deaths, induced by water shortages, in a repeat sequence of the Millennium Drought from 2007-09.

- **Reducing underuse of productive water in the southern connected Murray-Darling Basin system**. One of the key concerns that our growers have raised relates to the significant underuse of productive water in the southern NSW connected system. Mick Keelty, Interim Inspector General of the Basin, recently stated that there could be approximately 375GL per year of underused productive water in the southern Basin.[2] However, we believe that the volume of unused water against General Security and low reliability water entitlements in the southern connected system is likely to be substantially higher. This represents water that could otherwise be put to productive use, which is crucial in these times given the minimal allocations available to NSW General Security holders.

  This underuse is partly driven by some of the key factors identified in the Interim Report. These drivers include the increasing river losses resulting from the exponential increase in 'Below Choke' demand in the Murray River system, the increased conservatism of the allocation policies adopted by Basin States (and, in particular, the NSW Government), and the increased reliance by irrigators on products such as carry-over parking, as they attempt to mitigate the risks associated with a conservative allocation system, and increasing water market price.

  The path for future reform must consider what measures are required to at least reduce underuse, so that productive water can be allocated and used up to the Sustainable Diversion Limits. This has had a disproportionate impact on the rights of General Security entitlement holders who are witnessing declining yields from their entitlements. These allocation decisions—as well as other parts of the market architecture that are causing underuse—should be carefully scrutinised, given their significant impact on the efficient functioning of the Basin.

- **Genuine and meaningful community co-design and participation in future water reform.** Community stakeholders throughout the Basin have felt increasingly disenfranchised with the

[2] https://www.abc.net.au/news/2020-05-13/basin-top-cop-looking-into-unused-water-in-the-southern-basin/12238858

water reform process. Government processes have failed to sufficiently consult with, engage and empower community members and stakeholders to contribute to and participate in water reform. This has resulted in a significant erosion of trust and confidence in water reform decisions and processes. Many of these concerns arise from the fact that there have been many inquiries into water reform to date, with very few concrete steps taken to address the issues identified. It is therefore crucial that the ACCC's recommendations for reform are implemented in an effective and efficient way. We simply cannot have an additional lost decade of ineffectual and untargeted water policy reform.

Our proposed reforms

As the ACCC is aware, there have been numerous inquiries over the past two decades into the Basin. SunRice and the RGA have consistently highlighted to Basin Governments the significant impact of water reform on our industry. We have sought to work constructively with these governments to identify and evaluate possible solutions to the unintended and adverse impacts on annual irrigation in southern NSW. However, we feel that for the most part our suggestions have failed to result in successful or lasting systemic reform. This is highlighted by the fact that Governments have largely ignored the many recommendations from the near 50 reviews of Australian water reform and management that have occurred over the past decade, including the Productivity Commission's own inquiries. The RGA and SunRice have dedicated significant time, effort and resources to being a constructive contributor to these inquiries and are disappointed that Governments have not taken these recommendations more seriously.

We are hopeful that the ACCC's Final Report will set the agenda for market reform across the next decade and beyond. A coordinated response which adopts a holistic approach and encompasses both policy and regulatory changes is urgently required. However, we appreciate that the prospect of comprehensive market reform will be extremely complex to implement, given the large number of competing stakeholders. In order to ensure that this can be achieved in a realistic way, it is critical that the ACCC in its Final Report (and the Federal Government response to that report) specifies a plan for how effective water market reform can be achieved in the future. Not only should this specify what recommendations should be adopted, it should also specify who should lead this reform, and the likely timeframes and costs for achieving each recommendation (including who should be responsible for these costs). Importantly, it should set out what matters must be dealt with as a matter of priority, and which will require further thought and should be implemented in the medium to long term.

In our view, the priority matters to be addressed in the short to medium term are:

- **Acknowledging the impact of Basin Plan water recovery on the market.** The Interim Report fails to meaningfully address this, and to attribute price increases experienced during the dry periods. The data for the review also effectively starts only in 2012, well into the water recovery phase.

- **Improving water market governance arrangements**. As the ACCC has acknowledged, this is a fundamental issue from which many of the issues affecting the Basin flow from. One of the key concerns is that no agency has centralised responsibility for water market reform, leading to a fragmented regulatory system with agencies unwilling to harmonise their water policies and rules. Without undertaking the crucial task of developing a strong water market governance framework where responsibilities are clearly delegated, it will be very difficult to engage in meaningful and comprehensive reform.

- **Amending the water market objectives so that, going forward, allocation decisions factor in the need for a resilient and diverse agricultural industry to drive long-term sustainability**. Water policies have predominantly, if not solely, focused on the role of the market to allocate water to its most valuable use at the time of allocation. As identified in the report, this has been at the expense of the efficiency of the water delivery system, meaning there is less overall water available for productive purposes, and is potentially impacting upon the long-term sustainability of the irrigation sector and the communities which rely upon this sector. If this is not changed, there is a risk that the water market will only be accessible by a small range of permanent plantings, shrinking the volume and diversity of total annual irrigated production, and leaving Australia's agricultural sector vulnerable to external shocks.

- **Improving the quality of information available across Basin States, including by developing a single water market information platform**. Water users require clear, timely and predictable information in order to have confidence in water markets. It is important that the quality of information available is improved and standardised across Basin States. This will encourage market participation and level the playing field between participants with different degrees of bargaining power. In particular, the ACCC should recommend the establishment of a single water market information platform as a matter of priority to reduce the significant information asymmetry that currently exists in the market.

- **Harmonisation of water trading rules and processes**. We strongly support measures to improve, unify and streamline trade processing rules and processes across all Basin States, including the harmonisation of trade application forms, methods, timeframes and charges.

- **Harmonisation of carryover rules and increased reporting**. We strongly support measures to harmonise carryover rules across the Basin and to impose increased reporting and transparency requirements in relation to carryover parking trades, while ensuring there are no third-party impacts.

- **Removal of grandfathered tagged Inter-Valley Trade (IVT) licences and better communication of IVT opportunities.** We strongly support the removal of the handful of grandfathered tagged IVT licences, mainly located in the Murrumbidgee River system. We also believe that State Governments should improve their communication about when IVT windows open and close to ensure that there is fair access to market opportunities in the Basin.

- **Mitigation of excessive conveyance losses**. Given the harm that excessive conveyance losses cause to the environment and to General Security entitlement holders in NSW, we urge the ACCC to look at ways to prevent these losses from physically occurring. While we agree that applying a conveyance loss factor to water trades or water extraction is an important step in discouraging behavior that causes these losses, it is not a substitute for preventing these losses in the first place. Therefore, we urge the ACCC to support the implementation of individual extraction limits and restrictions on irrigation development downstream of the Barmah Choke to mitigate these inefficient excessive losses from occurring.

- **Developing policies that address underuse in the Basin**. The ACCC should continue to look at ways to highlight the importance of mitigating underuse in the Basin and support reforms that limit underuse from occurring.

- **Improving regulation of water market intermediaries**. In our view, it would be preferable to impose a national government-initiated broker licensing scheme. However, irrespective of whether the ACCC recommends a licencing scheme or the application of existing financial services regulation to brokers, any additional regulation must include stronger obligations to avoid conflicts of interest and prevent brokers from engaging in conduct that undermines the integrity of the water market.

In our view, the matters to be addressed in the short to medium term are:

- **The development of a central water trading platform**. We consider that there is value in continuing to assess the advantages and disadvantages of a centralised trading environment. However, as the other measures proposed in the Interim Report (to harmonise rules and processes and improve transparency) are likely to address issues with price discovery and trade processes—and can be implemented more quickly, efficiently and for lower cost—these measures should be prioritised over a centralised trading platform. It is also critical that a thorough cost-benefit analysis be undertaken before proceeding with the development of a central water trading platform.

- **Further review of carryover arrangements**. We consider that there needs to be a more comprehensive review of carryover arrangements. This should involve further modelling to determine the impact of carryover on General Security water entitlements and allocations.

- **Further review of IVT arrangements**. We agree that further work needs to be done to develop an IVT system that is dynamic, encourages improved performance by river operators and mitigates the volume of river conveyance losses.

- **Measures to address concerns around speculator conduct.** We welcome the ACCC's ongoing efforts in investigating allegations about investors' conduct and the distortionary impact of their trading activities on market prices and the efficiency of the market. The ACCC should consider how the issues associated with speculators can be mitigated, given their real impact on water availability for actual water users.

We urge the ACCC to carefully consider the path for reform from here. Without meaningful reform to address the issues that rice growers and other irrigated industries have raised, there may be irrevocable changes to the productive capacity, diversity and flexibility of irrigated agricultural industries in the southern Basin, and the regional value-added industries downstream in the supply chain. This will have dramatic consequences for the viability and resilience of the Australian agricultural and value-added food manufacturing sector in the near future.

1 Water market policy settings need to be updated to ensure that the rights of General Security holders do not continue to be eroded

The Interim Report identifies a number of significant shortcomings in the management of, and policy settings for, water trading in the Basin, which have adversely impacted General Security entitlement holders in NSW.

Many of these reflect a failure by State and Federal governments to deliver on the Basin Plan and the NWI objectives when making water market and related policy decisions.

For the reasons set out below, it is important that the ACCC's recommendations focus on policy and system reforms that are consistent with the:

- commitments made by the Federal Government as part of the NWI, being:
    - clear and nationally compatible characteristics for secure water access entitlements;
    - transparent, statutory-based water planning;
    - progressive removal of barriers to trade water (while respecting the physical constraints of the river system) and meeting other requirements to facilitate the broadening and deepening of the water market, with an open trading market to be in place;
    - statutory provision for environmental and other public benefit outcomes, and improved environmental management practices;
    - complete the return of all currently over-allocated or overused systems to environmentally sustainable levels of extraction;
    - clarity around the assignment of risk arising from future changes in the availability of water for the consumptive pool;
    - addressing future adjustment issues that may impact on water users and communities.
- objectives of the Basin Plan, which support the development of regulation and policies that sustain a diverse and resilient agriculture sector.

Implementation of the NWI and water reform has been successful in changing the balance between consumptive water and the environment through state and national water reform, achieving some of the above objectives. However others, like ensuring clear and nationally compatible characteristics for secure water access entitlements and those related to the water market, have failed to be delivered as successfully. In addition, we believe there have been other unintended consequences which were never the intention of the NWI and water reform, with a disproportionate impact of those consequences on General Security water entitlement holders.

It is also important that any future reform does not inadvertently and unnecessarily impose additional costs on General Security holders.

1.1 Reform is urgently needed to ensure that the commitments of the NWI are delivered

As acknowledged in the Interim Report, many of the objectives that Basin State governments have attempted to pursue in setting policy and rules for trading water in the Basin have not been achieved. In addition, the Federal Government has failed to deliver on the commitments it made as part of the NWI in 2004 and through other processes, like the *2007 Water Act* and Basin Plan.

Contrary to these commitments, the allocation yield against General Security entitlements continues to be eroded in NSW. For instance, as identified in the Interim Report, existing policy settings have:

- encouraged speculative trading of water rights by intermediaries, pushing up the temporary water price for actual water users;
- exacerbated conveyance losses by not factoring appropriate losses into water allocations and allowing for unconstrained development of irrigation sites (predominately permanent plantations) below the Barmah Choke, to the detriment of General Security entitlement holders;
- failed to account for storage losses and spills caused by carryover products to the detriment of General Security entitlement holders;
- created inefficiencies and an uneven playing field amongst different rights holders through opaque information settings and inconsistent and complex regulation across Basin States; and
- adopted overly restrictive and conservative water allocation policies that have led to unnecessarily high levels of underused productive water in the Basin, particularly in the southern connected system.

In addition, water recovery has been skewed towards certain entitlement products (almost completely failing to recover any NSW Murray or Murrumbidgee High Security entitlements), which has further undermined the availability for remaining NSW General Security entitlement dependent industries in these valleys.

Due to inconsistent and inequitable Government policies, NSW rice growers have less secure and reliable access to water than ever before. General Security entitlement holders have been the losers of the state and national water reform processes, with most growers experiencing material financial losses. The outcome has been reduced rice production, which has had flow-on impacts to the value-adding industry which is owned by SunRice in the Riverina, and the local employment and economic activity this generates. Rice growers have limited recourse in a system characterised by complexity and opaqueness, with an explicit policy of using all available resources to secure other classes of water entitlement access. Meanwhile, non-water users have exploited policy shortcomings to their advantage.

Contrary to the NWI commitments, the Federal Government has not borne any of the risks associated with the erosion of General Security holders' water entitlements caused by government policy.[3] Almost 15 years after the NWI was first introduced, there does not appear to be any certainty as to how the Federal Government is intending to deliver on the NWI commitments for the benefit of those who have relied on these commitments, including growers, businesses and families in the Riverina.

It is time to address the inequitable impact of policies on water rights holders in the Basin and, in particular, the negative impact on General Security rights holders in NSW. The uneven impact of market reforms has, as recognised by the Final Report by the Independent Panel for the Assessment of Social and Economic Conditions in the Basin, been overlooked for far too long:[4]

> *There is clear evidence that market reforms have had uneven impacts, with some communities feeling like the collateral damage of improved outcomes in another region. We consider these negative impacts are under acknowledged and often overlooked.*

[3] Interim Report, page 465.

[4] Final Report, Independent Panel for the Assessment of Social and Economic Conditions in the Murray–Darling Basin, April 2020, page 59.

It is critical that any recommendations proposed by the ACCC are aligned with the original commitments of the NWI, and provide for fair and equitable allocations of water that serve the economic, social and environmental interests of all participants and regional communities as required under the Basin Plan.

1.2 Any reform to water markets should reflect the importance of a diverse and resilient agriculture sector

We agree with the ACCC that the Basin water markets require decisive and comprehensive reform to ensure that the intended objectives and outcomes of the Basin Plan and state and national water reform are met.

One of the key objectives of the Basin Plan is to "*optimise social, economic and environmental outcomes arising from the use of Basin water resources in the national interest*".[5] However, the optimisation of social and long-term sustainable economic outcomes appears to have garnered little attention in water market reform to date. Instead, policies have predominantly, if not solely, focussed on the role of the market to efficiently allocate water to its most financially valuable use at the time of allocation.[6]

While it is true that an efficient water market plays an important role in allocating scarce resources, water policy that has a myopic focus on moving water to its highest "economic value" at the time of allocation is overly simplistic. Any assessment of economic value needs to also take into account the fact that a resilient and diverse agricultural industry drives long-term economic sustainability.

A market that predominantly focuses on the short term economic value of water means that water will likely be used by a handful of commodities that can at that time (or in the near future) pay the highest amount. Over the past decade, the products that have benefited most from this have been permanent plantings, particularly irrigated almonds. If this continues, it will create vulnerabilities in Australia's agricultural sector by undermining the diversity of this industry and cause Australia to rely on a small number of agricultural exports. This will pose a serious threat to Australia's national food security and the prices that consumers will pay for agricultural products (contrary to the national interest).

Relying on a limited production base will also leave Australia vulnerable to disruptions in production that may be out of its control. For instance:

- it will leave Australia exposed to the fluctuations of the commodity cycle in a fickle international marketplace, and increasingly reliant on a narrow set of end markets. This may also leave Australia overexposed to unpredictable changes in political sentiment and agricultural policies overseas;
- in years of drought, the available water sources may not be able to support the significant and currently uncontrolled increase in permanent plantings;
- unforeseen events, such as a biosecurity incursion, may have a significant impact on these products. For example, the xylella fastidiosa disease has killed millions of olive and almond trees in Italy since 2013, and is now threatening those in Spain and Greece. If this were to arrive in Australia, this would leave our agricultural sector in a very vulnerable position; and
- changes in the investment appetite of international pension funds and trusts—who now control the large majority of the corporate funding for new, expanding horticultural production—would have a significant and disproportionate impact on the continued viability of the Australian agricultural sector.

[5] Basin Plan 2012, clause 5.02.
[6] Interim Report, page 16.

It is well established that, in order to have a long-term thriving and resilient irrigation sector, there must be a diversity of irrigation commodities produced in the Basin. This strengthens regional economies (and promotes social and long-term economic objectives) by ensuring that these economies are less exposed to volatilities, enabling them to adapt during challenging circumstances. As Professor Jamie Pittock of the Australian National University has stated, "*[o]ur rural communities need to produce a diverse range of agricultural commodities and industries to be more resilient and thrive.*"[7]

The consolidation of water to a handful of permanent horticultural industries will likely lead to the demise of annual cropping and dairy industries in the Southern Basin. If there is then a downturn in permanent horticultural, we could be left with no significant irrigation industry in the Basin. This risk needs to be assessed and addressed in future water market reform.

Having a diverse range of agricultural industries in conjunction with value-adding processing facilities in regional areas also promotes social objectives. SunRice and the Australian rice industry have built branded positions and significant consumer demand in approximately 50 markets worldwide, which ensures that Australian rice is traded as a high-value branded product as opposed to a commodity, and is less exposed than other agricultural products which are traded in highly variable global commodity markets.

All of the value-adding of this rice occurs locally in the Riverina, in the downstream food manufacturing facilities and industry which SunRice and the rice industry have built over the past 70 years. These facilities include two rice processing mills in Deniliquin, a third in Leeton, other value-added manufacturing facilities in Leeton which produce microwave rice and snacking products, a network of storage and receival facilities across the Riverina, and other facilities which take rice by-products and turn them into high-value animal feed and food ingredients products.

In years of historically normal production, like in 2018 when there was a crop of 623,000 paddy tonnes in the Riverina, these value-added food manufacturing facilities employ approximately 600 people, and generate close to $400 million in direct economic activity. This includes injection of $256 million into the region via paddy payments to growers, payment of regional wages and salaries, other broader social benefits like funding of regional sponsorship training to the value of $700,000 and direct payment of more than $60 million to more than 400 Riverina-based companies for goods and services.

Flow-on economic benefits like these are at risk if the diversity of primary industries is not maintained. Maintaining a diversity of agricultural industries will also ensure that Australia has adequate food supplies and can reduce its reliance on overseas products, which is critical at a time where global supply chains have been interrupted due to COVID-19, and will shield the communities of the Riverina from being too heavily reliant on one or a small number of agricultural commodities which are highly exposed to the variability of global commodity markets.

It is imperative that water market policy and regulatory settings be amended to reflect the importance of a diverse and resilient agriculture sector. This will ensure that Australia can maintain its strong comparative advantage in agriculture on the global market, and enable us to remain self-sufficient. And importantly, it will ensure the sustainability and growth of our regional communities which rely on regular access to water from the Basin for their livelihood.

To this end, in assessing the maximum value of water trades, the ACCC and Basin Governments should expressly require that when assessing "economic value", consideration is given to the need for long-term diversity in, and the sustainability of, the agriculture and food manufacturing industries in the Riverina.

[7] https://science.anu.edu.au/news-events/news/cotton-and-rice-have-important-place-murray-darling-basin

1.3 The costs of reform should not be disproportionately borne by irrigators

We agree with the ACCC that reform needs to occur to address the concerns arising from the existing market architecture. However, the costs associated with decisive and comprehensive water market reform are likely to be considerable. Therefore, it is important that the ACCC and governments consider the cost of reform measures and who should bear these costs.

To date, the Basin Plan and state water policies have encouraged irrigators and water delivery service providers to spend billions of dollars' on buying water from irrigators within irrigation areas, and saving water by modernising on-farm irrigation lay-outs and irrigation schemes. However, water market policies and Government buy-back initiatives have also led to significant declines in water use within many of these farms and schemes, leaving irrigation assets stranded and underutilised, with annual crop producers struggling to recover their annual infrastructure fees, which are effectively sunk costs. Future reform must be carefully crafted to ensure that this does not occur as a result of new policies implemented.

We request that the ACCC and governments undertake an independent cost-benefit analysis to assess the potential costs for each regulatory option. This will enable a proper assessment of the potential consequences of reform and the benefits for stakeholders that rely on water trading markets. With this in mind, we encourage the ACCC and Government to consider which measures would deliver the maximum improvement to the transparency and efficiency of the water market architecture, while minimising the costs of these reforms to irrigators.

Further, given the Basin-wide benefits of reform—including to environmental water holders, investors and traders—it would be disappointing if the majority of the costs were borne by irrigators, particularly given the disproportionate impacts of water reforms to date on this group of water users. Irrigators have previously contributed to the costs of a number of failed attempts by government to improve both the operation of the water market and the availability of market information. In addition, and as set out above, many of the risks arising in the water market have to date been borne by General Security irrigators. It is important that any future regulatory reform does not inadvertently and unnecessarily impose disproportionate additional costs on General Security holders.

2 Comprehensive market architecture reform is required

The market architecture for trading in the Basin is misaligned with the physical characteristics of the Basin itself. This has led to adverse outcomes for General Security holders in NSW, as well as for the environment, contrary to the NWI commitments and the objectives of the Basin Plan. The Interim Report recognises this misalignment, and we welcome its robust analysis.

For the reasons set out below, the market architecture for water trading in the Basin would better align with the Basin Plan objectives and the NWI commitments if:

- conveyance losses were appropriately accounted for by implementing an individual daily extraction limit to licence/use below the Barmah Choke where daily demand would otherwise contribute to an overbank event which would significantly increase losses, and by applying a conveyance loss factor to downstream water trades;
- the impact of carryover on the rights of General Security holders are carefully scrutinised – further modelling needs to be undertaken to determine the impact of carryover on General Security water entitlements and the consequences of standardising carryover rules across the Basin;
- IVT processes and rules were updated to prevent manipulation by sophisticated traders, including by abolishing grandfathered tagged IVT licences, and by considering further improvements to the transparency and accessibility of the IVT trade opportunities;
- agencies that approve land use changes were required to have regard to a framework that clearly articulates and values the impact of a land use change on the availability

of water in the Basin for other rights holders, as well as to the long term sustainability of a diverse agriculture sector;

- unnecessary systemic underuse was prevented through reviewing the conservative nature of water allocation policies and determining whether these policies are fit for purpose, by providing sufficient flexibility in Water Sharing Plans to allow for adjustments in better resourced seasons, to debit underuse spills that create an environmental benefit to environmental account holders and, in years of above average flows, to allocate higher volumes of water at an earlier stage in the season;

- the rights attaching to environmental water are reviewed to ensure they do not have unintended adverse third party impacts on General Security holders; and

- there is telemetry and metering standards adhered to by all water use in the Basin, including environmental water users. As part of this, it is critical that all water users have sufficient water held in their account before using water, and that no water user be allowed to read and self-report their own meter reading.

2.1 The costs of conveyance losses should be internalised in the price of water trades

The failure to account for conveyance losses in the price of water trades is the most pertinent example of how the market architecture for trading in the Basin is misaligned with the physical characteristics of the Basin.

As noted in our submissions to the Issues Paper, transmission losses created by downstream trade in the Basin continue to have a material and detrimental impact on the yield of General Security water entitlements. The financial implications of this for broad acre industries like rice, cotton and specialist cereal (which heavily rely on these entitlements) cannot be overstated.

The existing water trading market is largely based on an assumption that one megalitre of water upstream is equivalent to one megalitre of water downstream. This is fundamentally incorrect. When allocation trades are made downstream, water is potentially conveyed for large distances far away from the where it is stored. The additional distance travelled and changes in flow rates contribute to conveyance losses, and reduce the water resources available in the system. As a result, a greater volume of water needs to be set aside to deliver that water trade.

However, conveyance losses that are caused by the water trades, which would otherwise be water that could be put to productive uses by irrigators farming nearer to storages, is not accounted for in the price of these trades – an individual buyer of water downstream is credited with the same volume of water that is debited from a seller upstream. This means that a buyer of water downstream does not bear any of the costs or consequences associated with conveyance losses and is therefore incentivised to continue to engage in downstream trades at a greater than optimal level, causing more conveyance losses to accrue. By failing to account for the externalities arising from downstream trades, the current water architecture leads to sub-optimal allocative outcomes and creates significant distortions in the market.

The MDBA prepared a report in March 2019, which provides a detailed explanation as to the role of trade in increasing conveyance losses.[8]

Increased demand for water downstream (which is in large part driven by permanent plantings downstream from the Barmah Choke) has also contributed to prolonged high flows at choke points, where the channel capacity reduces and limits the volumes that can be conveyed. Constant high flows have led to the erosion and slumping of the river banks, which further

[8] MDBA, 'Losses in the River Murray System 2018-19', March 2019, https://www.mdba.gov.au/sites/default/files/pubs/river-murray-system-losses-report-march-2019.pdf.

contributes to conveyance losses as well as environmental damage, contrary to the objectives of the Basin Plan.

The Interim Report suggests that:

> *"The Barmah Choke trade restriction prevents net trade of water from above the Choke to below, meaning that water trading from upstream to downstream of this constraint cannot contribute to increased deliveries through this constraint."*[9]

As a result, the ACCC concludes that "*[h]igh flow rates and bank erosion through the Barmah Choke are largely driven by operational and climate factors rather than trade"*.

However, the Barmah Choke restriction only regulates ***annual*** demand for water downstream of the Barmah Choke, and does not prevent or address increased conveyance losses in the Basin that are driven by spikes in ***daily*** demand for water downstream of the Barmah Choke. Daily demand spikes result from increased demand from all water users (river operations, the environment and from productive uses) and have a disproportionately large impact on conveyance losses in the Basin.

Attempts to socialise conveyance loss costs—rather than internalise such costs in the price of water trades—has disproportionately impacted rice growers and other irrigators in NSW who rely on General Security entitlements. The hierarchy of water allocations under NSW policy means that General Security entitlements are the last entitlements to be met. As a result, conveyance losses cumulatively reduce the water available to irrigators that rely on General Security entitlements. For this reason, conveyance losses are not truly socialised amongst all stakeholders in the Basin. This is expressly recognised in the Interim Report:[10]

> *Currently, those who hold lower reliability water entitlement types are disproportionately affected by changes to conveyance losses. These water users will face the greatest impact on the reliability of their allocations as a result of structural shifts in conveyance losses (and inflows).*

This inequitable outcome is inconsistent with the NWI commitment made by the Federal Government that General Security water entitlements would not be eroded. It is also contrary to Basin Plan objectives which, as explained above, require a long-term diverse and resilient agriculture sector.

To address these issues, the market architecture for conveyance losses needs to move away from inequitable attempts at "socialisation" of costs, to a system that aims to mitigate actual losses to preserve scarce resources in a drying climate, to protect the environment and to ensure that the rights of General Security holders are not further eroded. This could be achieved by:

- developing simple measures to limit actual conveyance losses and maintain the total volume of productive water; and
- apply a conveyance loss factor to water trades or water extraction (as a secondary measure).

To this end, we recommend the following:

(a) Reducing actual conveyance losses

It is important for the long term sustainability of the Basin that factors that contribute to increased conveyance losses are properly addressed in order to maintain the

9 Interim Report, page459.
10 Interim Report, pages 464 to 465.

highest volume of productive water available in the Basin. For this purpose, we recommend that:

i. Individual daily extraction limits be applied on water access licenses across Basin States, including those owned by environmental water holders. These limits should be proportionately decreased to reflect any conveyance losses that occur. In addition, the losses from the conveyance of water further downstream should be seasonally limited to a certain level. This volume of losses should not be subtracted from the pool available for allocation to General Security licence holders.

   We consider that the application of individual daily extraction limits should be the primary regulatory option. This is because individual daily extraction limits will prevent additional conveyance losses (and future growth in losses) and, therefore, address the underlying concern. By contrast, although necessary to also address further erosion of General Security rights, implementing a conveyance loss factor (without extraction limits being imposed) will likely only institutionalise conveyance losses (and provide little incentive for Government river operators to act to limit future losses).

ii. Basin States develop a more restrictive land use approval process for new irrigation sites. As set out above, the increase in permanent plantings located downstream from the Barmah Choke has been a significant contributor to the rise in conveyance losses as large volumes of water are moved to these plantations each year, and considering their demand for water often occurs in a similar timeframe. The increased southern flows in the Barmah Choke have caused significant damage through silt movement and the erosion of the river banks. This is further discussed in section [2.4] below.

(b) Application of a conveyance loss factor to water trades or water extraction

We consider that, in conjunction with applying extraction limits, a conveyance loss factor should be applied either to allocation trades downstream or at the point where water is extracted from the system. This should not be a replacement for measures to stop conveyance losses from occurring (including by establishing an individual daily extraction limit). However, it is an important measure to ensure that traders of water downstream internalise the costs associated with their water trades.

We appreciate that there are existing information gaps that may impede the ACCC's and/or Basin States' ability to determine the exact magnitude of conveyance losses and the extent to which such losses can be factored into the price of particular trades. We therefore recommend that an independent engineering study be commissioned to determine how to account for conveyance losses in individual trades. This study could model and assess the quantum of conveyance losses that are caused by water trading at different points in the Basin with the results to be published within a year of the Final Report, and updated on an annual basis thereafter.

We consider that this study could also provide insights into whether it is preferable to apply conveyance loss factors when water is traded or when water is extracted.

Applying a conveyancing loss factor will ensure that the costs of conveyance losses are internalised in pricing and trading decisions undertaken by participants in the market. As the ACCC noted in the Interim Report, "*[d]oing so would more effectively attribute the incremental increase in conveyance losses as a result of changing water use activity to those who are benefitting from this change—those involved in trading*

water downstream."[11] In other markets, freight costs are factored into the cost of the product: water should be no different.

> 80% of the surveyed growers felt that river conveyance losses have a significant impact on water markets. The reasons provided by the surveyed growers, as listed in the survey results, strongly support the reasoning outlined above. These growers near unanimously felt that the movement of water use downstream was contributing to increased conveyance losses which was therefore eroding General Security entitlement allocations.
>
> *Survey question 21.*

2.2 Carryover is an important mechanism, but impacts of carryover must be understood and addressed

We support the retention of carryover, which is an important risk management tool available to irrigators to manage their water supply across wet and dry seasons.

However, we have concerns that some of the carryover arrangements, and the extent of the use of carryover, is causing excessive water market prices and contributing to underuse.

The uptake of carryover in recent years has been driven by:

- irrigators lack of confidence in water allocations – carryover is being used as a mechanism to insure against anticipated increases in water prices and reduced water availability (driven by climatic factors and concerns about conservative water allocations); and
- the increase in permanent plantations downstream of the Barmah Choke, who often use carryover to sure up their water supply for future years.

Current carryover arrangements and use are however contributing to the inefficiency and inequity concerns outlined above. However, to characterise this as 'irrigator behaviour' leading to underuse is incorrect. Our view is that annual irrigators in particular have increasingly turned to carryover as one of the few remaining risk management tools available to them to manage the unintended consequences of state and national water reform. However, there are a number of issues that must be understood and addressed:

- **Increased inefficiencies and contribution to underuse –** the increasing use of carryover is potentially contributing to increased water losses in the Basin—which has an adverse impact on water entitlement reliability. This is because carryover leads to more water being held in storage, therefore contributing to increased storage losses and risk of spill events. As carryover users do not fully bear the costs of these increased losses, they are not discouraged from maintaining more water in storage than is efficient.
- **Increased underuse –** in addition, some water market participants are taking advantage of carryover arrangements to create a quasi-permanent water product by carrying over General Security water entitlements every year. This is predominately for the purpose of providing water to permanent plantings. This is potentially creating a large volume of water that remains in storages unused for several years, contributing to the underuse issue.
- **Unintended use of carryover** – the development of carryover parking products has enabled water allocations attributable to water entitlement without carryover facilities, to now carry over water. It was always intended that higher security and some

[11] Interim Report, page 465.

conveyance water entitlement would not have access to carryover considering the high yield on these products. However the fact that these parties can now access carryover parking facilities means that they are benefitting from a further increase to the security of their entitlements, often at the expense of the less secure licence categories.

In particular, some of the current generous carryover arrangements (particularly in Victoria and South Australia) are enabling near unrestrained development of carryover parking products, contributing to the development of quasi-high security water products. In Victoria and South Australia, 100% of water entitlements can be carried over compared with 50% in NSW Murray (and 30% in Murrumbidgee). This has been to the detriment of annual irrigation industries, who in some instances have been unable to compete with the resulting water market prices paid. The development of the quasi-high security water products is also contradictory to the physical characteristics of the system – i.e. these arrangements in particular do not reflect the variable nature of the southern connected river systems.

To address these concerns, we suggest there be a review of current carryover arrangement and their impacts on entitlement reliability. In particular we consider that the Government should commission a report that models the impact of the current carryover arrangements on the reliability of current water entitlements and seeks to answer the question as to what is the optimal level of carryover (across different entitlement classes) to ensure reliability of entitlements This review should examine the impact of some of the very generous carryover provisions. The outcome of any such review should inform the future design of carryover rules.

We also recommend that this review consider whether all entitlement classes should be able to make use of carryover opportunities. We argue that considering the original intent was for carryover to only be available to the less reliable water licence categories, then this should be enforced if proven that enabling carryover for other entitlement classes is creating unintended and negative impacts for water reliability.

In addition, to discourage the use of carryover as an 'insurance' product by some water users, it is important that future reforms address the underlying cause of peoples concerns about future water availability by:

- ensuring clear, transparent and predictable water allocation decisions, which are not overly conservative, and are based on accurate and timely information about new water availability are communicated in a timely manner;
- ensuring clear and transparent water market information to encourage a more predictable market; and
- addressing and mitigating the impacts resulting from increased irrigation development, and in particular the increased prevalence of permanent plantation, including impacts on demand and river efficiency.

72% of the surveyed growers agreed that there is a need to improve the rules and settings for carryover. In particular, these growers suggested improvements would relate to reviewing the intent of carryover, the maximum volume of carryover, who is allowed to carryover water, and whether carried over water should 'spill'.

Survey question 20.

We note that the ACCC is considering whether to formalise the markets for carryover parking and/or to create formal separate markets for storage by unbundling from water entitlements a right or permission to access storage capacity. We do not consider that a new storage rights

market is a key priority at this stage. We consider that the issues identified could better be addressed through the proposals outlined above in conjunction with better reporting and transparency regarding the use of carryover parking products. However, if the ACCC proposes to recommend radical reform to storage rights—and the introduction of an entirely new entitlement class—more detailed modelling would be required to understand and assess the potential impacts of this proposal on existing rights holders.

2.3 IVT limits should be maintained and strengthened

We consider that it is important for IVT limits to be maintained. When they operate effectively, IVT limits play an important role in preventing conveyancing losses and ensuring that as much productive water is maintained in the system as possible. Therefore, while we agree that there needs to be some reform to IVT limits to ensure that they effectively, fairly and transparently manage the reliability impacts for source zone water users from trades, any amendments should ensure that IVT limits continue to play their critical role in reducing conveyance losses.

With that in mind, we support the following measures to improve the operation of IVT limits and mitigate the risk that IVTs will cause negative third party and environmental impacts.

- **Grandfathered tagged IVT licences should be abolished.** The current exemption for grandfathered tagged IVT licences enables certain license holders to circumvent the operation of IVT limits to the detriment of other water entitlement holders. This is a major concern as water can be traded between these accounts even when a trade restriction is in place, causing externalities that are imposed on third parties who are mainly General Security holders. Accordingly, the current exemption creates inequitable access to inter-valley trading opportunities. There is no compelling reason for this exemption to remain.

- **Basin States should be required to clearly communicate when IVT windows open and close.** There have been instances where thousands of rice growers missed an opportunity to purchase water during an IVT window due to poor communication, which meant that growers were not sufficiently aware that the trade window had opened and would be closed in one day. As a result, only those with sophisticated knowledge of the system (e.g. sophisticated brokers) benefited from the trading windows, at the expense of growers.

- **The rules of, and processes for, water trading in the Basin need restructuring to prevent market manipulation by sophisticated players.** We agree with the Interim Report's finding that NSW's first in first served processing of IVT trade applications is open to manipulation by sophisticated investors, who can rely on automated programs that 'scrape' data to determine when a limit will open, or submit multiple applications to increase their chance of success. We are also concerned that NSW's current communication methods for providing information about time sensitive trade applications could be further improved.

- **More dynamic IVT mechanisms**: We support the exploration of more dynamic IVT mechanisms for the Murrumbidgee IVT account in particular. However we suggest that any exploration should be done in close consultation with impacted stakeholders including water market participants and their representatives in the NSW Murray and Murrumbidgee valleys.

Of the 24% of surveyed growers who have traded water via the IVT accounts, all but two growers felt that they had to use a broker to complete this/these trades.

Furthermore, 69% of surveyed growers supported the abolition of the grandfathered tagged IVT licences.

Survey questions 31 and 32.

2.4 Stronger regulation of new irrigation developments is required

As recognised in the Interim Report, in regions downstream of the Barmah Choke, agricultural production has been concentrated in permanent plantings for some time, with permanent plantings (almonds, grapevines and fruit trees) accounting for 64% of water volumes applied in 2017–18.[12] Permanent plantings require access to significant amounts of water on a consistent and long-term basis, the amount of which is likely to increase over time as the plants mature. The recent increase in permanent plantations downstream of the Barmah Choke—and associated increase in demand for water in the Basin—is concerning as Australian water resources are highly variable and water availability in the Basin has been decreasing.[13]

The impact of permanent plantings on third party water users and on the long term resilience of a diverse agricultural sector appears to have been overlooked by policy makers to date. We believe that a more holistic planning and regulatory approach is required to ensure that changes in water use and demand in the Basin are not misaligned with the physical characteristics of the water system – to this end, there needs to be an appropriate balance between annual and permanent plantings. As recognised in the Interim Report, different approaches to permanent entitlements in NSW and Victoria is in part a response to irrigator preferences based on existing cropping mixes in these states. However, the varied approaches in each state is also likely to have entrenched the preference for certain crop types: [14]

> *"This is because water users interested in developing permanent plantations (which need water every year) would be attracted to the predictability of allocations offered by Victorian high reliability entitlements, while annual croppers would be attracted to the higher allocation volatility nature of New South Wales General Security entitlements*."

These varied approaches to water entitlements has resulted in a preference for permanent plantations in Victoria to take advantage of the predictability of allocations in that state. There are also a significant number of new permanent plantings downstream of the Barmah Choke in NSW, which rely upon General Security and temporary water entitlements.

Overall, the substantial increase in permanent plantings downstream of the Barmah Choke (in both NSW and Victoria) has resulted in a significant reduction in the amount of water available to other water users in the Basin and has increased the price of traded water. Higher numbers of permanent plantations downstream of the Barmah Choke has also contributed significantly to conveyance losses in the Basin.

Given that NSW rice growers (and other annual crop producers) have no commercially realistic choice but to rely on General Security entitlements and temporary trading, these developments have been at their expense. These producers unfairly bear the costs of conveyance losses associated with permanent planting downstream trades due to the current inequitable "socialisation" of such costs and are left with reduced and later water allocations, leading to a reliance on temporary trades in a market characterised by increasing prices. This is a major concern for historical water users—including many of our rice growers—who have made significant financial investments that have been eroded as a result of planning decisions made by local governments.

Going forward, State governments need to better consider the impact of their policy decisions on all water users across the Basin. In addition, when approving changes to land use, local governments need to consider the impact of permanent plantations on third party water users,

12 Interim Report, p 119.
13 Interim Inspector General of Murray-Darling Basin Water Resources, 'Impact of lower inflows on state shares under the Murray–Darling Basin Agreement', April 2020
14 Interim Report, p 433.

the long-term sustainability of the agricultural sector in the Basin and the environment. To date this does not appear to have occurred.

Changes in land use—including permission to plant permanent crops—are usually approved at the local government level without coordination with bodies that have responsibilities for water allocations and planning within the Basin. Therefore, approval of permanent plantings occurs with insufficient regard to the externalities that they cause through their impact on the Basin and other water users. It also appears that little or no consideration has been given to sustaining a diverse and variable agricultural sector when approving changes to land use. It is not in the national interest for planning and development decisions of one local area to have such an extraordinarily detrimental impact on the sustainability of the Basin and on Australia's agricultural industry as a whole.

The decisions from local councils to approve land use changes to date, based understandably upon the immediate short-term economic benefit to that specific local government area, has damaged (and, without change, will continue to damage) the agricultural sector, and the growers and regional communities and economies that are part of otherwise profitable annual irrigated industries. It is imperative that the approval process for future irrigation developments change, and we urge the ACCC to consider what action could be taken to address this issue.

At a minimum, we consider that the Basin State governments should develop a coordinated and aligned process for approving new irrigation sites. This should require Governments to consider the impact of land use changes on the availability of water for other rights holders and the long-term sustainability of a diverse agriculture sector (which is in the national interest). This analysis should also take into account the forecasted increase in conveyance losses due to the land use change.

This proposal may take some time to implement and we consider that, in the interim (i.e. until such changes are made), it is imperative that approval for permanent planting developments downstream of the Barmah Choke be put on hold.

2.5 NSW water allocation policies need to be revised to prevent unnecessary underuse

One of the key concerns that our growers have raised relates to the significant underuse of water in the Basin. Since the Millennium Drought (2007-09), average water use in both the Murray and Murrumbidgee river valleys has been less than the set diversion limits for those two valleys (being the allowed level of use for irrigation purposes adjusted for climate and water availability).

A key driver of this underuse has been the increasingly and unnecessarily conservative allocation policies adopted by Basin State governments (and, in particular, the NSW Government). This has had a disproportionate impact on the rights of General Security holders who sit at the bottom of the allocation framework, and who are consequently witnessing declining yields from their entitlements.

We understand that Basin State governments and the MDBA have been more cautious with their allocation policies as a result of the Millennium Drought, leading to the development of multiple reserve accounts, as well as the introduction of policies for managing water availability during periods of reduced inflows. These mechanisms have combined to result a significant volume of water being held in storage rather than being allocated, leading to reduced water allocations and significant underuse of water in the Basin. While we support ensuring water supply for critical human needs in times of drought, we have concerns that the reserve and drought management policies have not been developed in a coordinated manner, and have not been considered collectively to determine the actual volume of water now being retained for drought purposes, and whether this is contributing to an overly conservative approach to drought.

Mick Keelty, Interim Inspector General of the Basin, has recently stated that there could be approximately 375GL per year of unused water in the southern Basin.[15] We believe that the volume of unused water is likely to be substantially larger.

As outlined above, General Security entitlement holders bear the brunt of underuse.

There is also room for improvement with respect to the information availability and communication of water allocation policies and decisions. Despite the improvements that have occurred in recent years, it is still extremely difficult for water holders to understand the rationale for water allocation decisions and some of the underlying policies. It is therefore critical that water allocation policies and decisions are based on current and accurate information, and that the formula for making allocations is consistently applied and clearly communicated. This will improve grower confidence in the allocation framework, and assist to reduce the conservative approach to water use.

It is also important that the NSW Government recognises that its allocation policies have led to substantial underuse in the Basin system, and that this has been to the detriment of General Security holders.

We urge the ACCC to recommend that Basin States consider the impact of allocation policies on General Security holders and underuse more broadly, and take steps to align these policies with NWI commitments and Basin Plan objectives. To this end, we propose the following recommendations.

- **Preventing unnecessary water underuse**

  To prevent unnecessary underuse of water in the Basin, Basin States should be required to:

  - review and change their water allocation policies to allow water take up to the Sustainable Diversion Limits by allocating more water to irrigators in years when that water is available – this could be achieved by increasing General Security water allocations above the current maximum limits (100% and 110% in the Murrumbidgee and NSW Murray) in years when additional water is available and by improving irrigators' access to supplementary water;

  - improve the measurement of storage inflows and river flows in the Basin—which may involve more accurate modelling—and base allocation policies and decisions on this up to date information. At present, allocation determinations appear to be more of an art form than a science with a significant amount of "wriggle room" for the States;

  - consider—in consultation with the ACCC—ways to improve the efficiency of river operations delivering regulated flows to mitigate water underuse, with any savings to be credited to all entitlement holders. This may involve incentives to encourage adoption of greater delivery efficiency in river operations; and

  - debit all spills that occur as a result of underuse relative to SDLs that create an environmental benefit to environmental account holders. For example, the Lake Victoria spill rules should be changed so that any Lake Victoria spills are debited to environmental water accounts.

[15] https://www.abc.net.au/news/2020-05-13/basin-top-cop-looking-into-unused-water-in-the-southern-basin/12238858

- **Ensure allocation framework changes maintain General Security holders' water rights**

  To prevent further erosion of General Security holders' rights, Basin States should be required to revise their water resource policies to ensure that:

  - in years of above average flows, a higher volume of water should be allocated at an earlier stage in the season. This would help meet annual croppers' timelines for planting decisions; and

  - the recent trend by State agencies providing preferential guaranteeing of absolute security of water for following-season allocations to High Security users should not at the expense of current-season allocations of annual irrigators.

- **Increasing transparency**

  To ensure that all water users receive timely and transparent information about water allocations and policies, the Basin States should be required to clearly communicate decisions around water allocations, and set out the reasons for (and pertinent data relating to) water allocations in a timely manner.

  There is a need for predictable, timely and transparent allocation announcements and policies. All water users—regardless of their level of sophistication—should be able to easily understand the formula for determining allocation. For example, water users should have access to information on inflows (dam and tributary) and recent use so that they can estimate with a degree of certainty what the level of allocations are likely to be in the near future.[16]

  We would also encourage all Basin States to align their announcement dates and times to ensure greater consistency of information across Basin States.

2.6 Telemetry and metering of all water use in the Basin is important

Accurate measurement of how much water is taken and used in the Basin is necessary to ensuring that water users are complying with water rules and that Basin States have complete information available to make allocation decisions that reflect the physical characteristics of the river system.

We support metering and telemetry for all water use, including environmental use,[17] as well as the development of harmonised metering and telemetry policies and standards across the Basin States.

In particular, it is important that, regardless of which State, water users are not able to use water if they do not have this volume of water in their respective account. At present, overdrawing on a water allocation is treated as immediate breach of entitlement in some states, while in others (such as South Australia) an entitlement holder has a period of time in which to balance (or "true-up") their overall water usage. The Interim Report suggests that this is "*part of the 'property right' that the water entitlement bestows, similar to differing carryover rules between states and differing reliability between different classes of entitlements*".[18] We do not believe that this justifies overdrawing, which gives the benefiting party an unfair advantage in the market, and potentially has impacts on the reputation of irrigators more generally.

16 Interim Inspector-General of Murray-Darling Basin Water Resources, 'Impact of lower inflows on state shares under the Murray–Darling Basin Agreement', April 2020.

17 If environmental water use is not accurately metered or measured, there is a risk that more water may be used by environmental holders than they are entitled to. This will have a direct and adverse impact on the volume of water available for allocation to third parties.

18 Interim Report, page 471.

We also consider it important that water users are not allowed to read and self-report their own meter reading. This practice enables illegal water use and inaccurate reporting to the detriment of all other water users.

2.7 Environmental water policies and rules should be reviewed to ensure that they are not inadvertently affecting the reliability of water allocations

The rules and policies that govern environmental water have a significant impact on the water market trading. We are concerned that some uses of environmental water adversely affect water availability and reliability to the detriment of irrigators and regional communities. We urge the ACCC to further consider the impact of the current environmental water framework on the reliability of water allocations and to closely examine the following issues.

(a) Held Environmental Water – movement through trade restrictions

We encourage the ACCC to assess how the movement of Held Environmental Water between zones is impacting conveyance losses and the amount of water available to irrigators. Movement of large parcels of environmental water entitlements through trade restrictions in the opposite direction to the market imperative is allowing these restrictions to reopen more frequently than would otherwise be the case, and hence more water is then being traded through these restriction than was ever intended. Considering these trade restrictions exist to prevent excessive conveyance losses, this trade in particular is creating increased conveyance losses and which therefore reduces the overall amount of water available to irrigators.

Held Environmental Water – use across multiple trade zones/Valleys

We are concerned that the use of held environmental water entitlements across multiple zones/valleys may also be creating additional conveyance losses. When these water entitlements were previously held for productive purposes, they could only be used in one specific zone. However, once purchased for environmental purposes, they can be used across multiple zones, without regard to the impact that this may have on other water users. This is arguably a fundamental change to the characteristics of those water entitlements, and is contributing to further conveyance losses (depending on where the environmental water is used).

(b) Metering and telemetry of environmental water use

There is limited measurement of environmental water use, and there is both a perception and a real risk that hat actual use may be exceeding allocated volumes of use. This not only contributes to confidence issues in the system, but could also possibly reduce the amount of water available for other users. We believe that there needs to be more accurate and reliable metering of environmental water use – without this many water users will continue to lose confidence in the water market.

(c) Planned environmental water (PEW) rules

PEW rules, which materially impact water availability, are incredibly complex and opaque and are, therefore, challenging for everyday irrigators to understand.

These rules are a key reason for irrigators' confusion about future water availability and allocations. More sophisticated water market participants who have a better understanding of the rules can use the complexity of these rules to their benefit in trading decisions, which undermines other water users' confidence in the regulatory framework of the Basin.

It is important that there is greater clarity and transparency about how the PEW rules operate. We believe that clear and accessible information should be published in an easy to understand format to ensure that all water users have accurate information that allows them to make informed trading decisions.

In addition, we consider that further work is required to better understand the impact of PEW rules on water availability and the water market for the purposes of ensuring that the PEW rules are not having, and will not continue to have, unintended adverse impacts on General Security holders.

3 Harmonisation and transparency of water trading information is required to improve market participation and level the playing field

It is important that the quality of information available to market participants is improved and standardised across Basin States. This will encourage market participation, improve efficiency and level the playing field between participants with different degrees of bargaining power.

Therefore, we support the following proposals in the Interim Report:

- the short and medium term solutions proposed in section 11.2 of the Interim Report;
- an open digital protocol for enhanced interoperability between Basin State registers; and
- the establishment of a single water market information platform.

In addition, we consider that the Basin States should require that agencies overseeing Basin regulation and policies (including the MDBA) provide the State with clear and regular reporting about their activities to ensure appropriate accountability by all levels of government.

3.1 Lack of information about water trades makes it difficult for growers to make decisions

Information transparency is crucial for the proper functioning of efficient markets. This is especially true in complex and dynamic markets like those involving water trading where timely and reliable pricing and trade information is essential to enable market participants to make informed purchasing, carryover and trading decisions.

The lack of access to accurate and comprehensive sources of data has undermined growers' confidence in water markets. This issue manifests in a number of ways:

- **The inability to reliably verify market information provided by brokers has led many growers to question the integrity of the water market.** The lack of ongoing oversight has caused significant distrust in the market information that is available. In particular, many traders have grown suspicious of the large number of zero-dollar trades that take place, and their material impact on growers' understanding of the prevailing market conditions.
- **Information sources attributable to the water market are extremely fragmented.** The entire market is incredibly complex and disjointed making it difficult for growers to obtain information they require to make accurate decisions. For many growers, this has impeded their willingness and ability to participate in the water market.
- **The lack of market transparency and information in relation to water ownership, entitlements, use, supply and demand has created an uneven playing field that favours brokers and sophisticated market participants, and makes it difficult for growers to assess opportunities and understand market prices reported.** Unlike investors, growers do not have the time, effort and expertise to piece together fragmented information sources. These information failures limit the openness of markets and favour better-resourced and professional traders who can take advantage of opportunities that are not readily observable, such as IVTs/transfer openings. And critically, this information asymmetry further entrenches the significant imbalance in bargaining power between growers and brokers.

As is clear from the Interim Report, the lack of accessible information is a key limiting factor to market participation.

3.2 We support measures to improve water market information

We support measures to improve water market information accessibility. As a number of recent reports have identified, information transparency reduces the potential for market distortion and promotes the efficient allocation of resources. For example, the Final Report prepared by the Independent Panel for the Assessment of Social and Economic Conditions in the Basin recommended that:[19]

> *All parties involved in the design, development, implementation, monitoring and evaluation of water policy and reform should recognise the importance of transparency, and accountability in providing certainty and confidence to communities.*

The ACCC proposes short, medium and longer-term solutions to address these concerns. We support the short term and medium term solutions proposed by the ACCC. We also support the recommendations for an open digital protocol for enhanced interoperability between Basin State registers and a single water market information platform.

(a) Short-term solutions

We support the short-term solutions identified in section 11.2.1 of the Interim Report to improve information transparency and address concerns about the high transaction costs associated with the existing trade process. The proposed short term solutions are sensible, appropriate and targeted having regard to the significant impact that these issues are having on the functioning of water markets.

In particular, we support:

- Increasing interoperability and harmonisation across Basin States' registers through consistent terminology and data structures.
- Improving the information provided to the Bureau of Meteorology (**BOM**) by:
    - requiring Basin States to improve trade data validation and quality checking processes before providing data to BOM;
    - requiring BOM to improve metadata to allow users of BOM information products to better understand where revisions or updates have occurred; and
    - updating the *Water Regulations 2008 (Cth)* to more clearly specify data reporting requirements for trade of irrigation right.

  In addition, we question whether the BOM is the appropriate government agency to provide this water market information.
- Updating trade application forms to capture reason for trade or trade type, trade source, lodgement pathway and lodging party. One of the key concerns expressed by many irrigators is that they are unable to assess trading opportunities for new products like leases, forwards, carryover and derivatives because they do not have sufficient data to do so. Accordingly, it is critical that information on these products is adequately collected by trade

19 Final Report, Independent Panel for the Assessment of Social and Economic Conditions in the Murray–Darling Basin , April 2020.

forms, so that market participants can make trading decisions based on accurate market data.

- Removing the ability for zero-dollar trades to be approved or recorded unless certain conditions are met (as exception, and with explanation provided) and continue progress to move trade forms online. Requiring traders to substantiate their zero-dollar trades will enable growers and irrigators to base their pricing and trade decisions on information that is more reflective of the true state of the market.

We also consider that Basin States should adopt standardised online trade forms to ensure that there is consistency as to how different trades are recorded and defined. This will ensure that traders and brokers are readily able to compare information about trades in different States.

(b) Medium-term solutions

We support the medium term solutions identified in section 11.2.2 of the Interim Report to improve transparency and data accuracy. As with the proposed short term solutions, the proposed medium term solutions are sensible, appropriate and targeted having regard to the significant impact that these issues are having on the functioning of water markets.

In particular, we support:

- Clear and standardised legislative mandate for each Basin State to keep a register to record all entitlement trades and all allocation trades. All trading information should be required to be stored on a register.

- Clear legislative mandate for Basin State agencies to provide information services based on registry data, with clear publication requirements to be specified in delegate legislation so they can be changed from time to time as needed.

- Requirement that Irrigation Infrastructure Operators (**IIOs**) to publish trade data. We agree that IIOs should make data on trade within, into and out of their network publicly available to support decision-making for trading water into and out of IIO networks. We also agree that, since the benefits of this will accrue to market participants generally, and possibly entitlement holders more broadly, costs should be borne by market participants generally (rather than, for example, customers of a particular IIO who may need to update their registers).

- Requirement to establish a simplified and standardised trade processing and market reporting framework governing all entities who process trades across the Basin, including exchanges, IIOs, brokers who provide matching services and Basin State approval authorities. In this regard, we agree that:

    - standards and agreed processes for processing trade applications and recording and distributing trade data should be mandated and consistent across States. We also agree that this should apply to all IIOs and Basin State approval authorities;

    - there should be standardised record-keeping and continuous disclosure rules placed on exchanges and brokers, requiring buy and sell offers to be presented on websites in a consistent and timely manner;

    - the framework for water accounting should be consistent across the Basin States;

- the Basin States should work towards consistent tradeable water rights framework;
- ABNs or another common identifier for trading parties should be introduced to improve trade processing;
- the Basin Plan water trading rule 12.48 should be revised to require prices to be reported for all tradeable water rights, including irrigation rights and water delivery rights, and not only water access rights;
- there is a need to improve integrations between private exchanges and public approval authorities and water registers, and to better integrate irrigation infrastructure operator systems with broader water accounting, trade processing, and information frameworks.

- Requirement that different types of entitlement trades and allocation trades be better identified through a new and standardised 'dealings' framework.

(c) Longer-term solutions – open digital protocol and single information platform

In principle, we support the need for longer-term major technological changes to improve consistency across state registers, as discussed by the ACCC in section 11.3 of the Interim Report. In relation to water market information, we support:

- an open digital protocol for enhanced interoperability between Basin State registers, with the ability to securely transmit data, interface with private exchanges and execute instructions, and automate collection, cleaning and publishing of water market; and
- the establishment of a single water market information platform for publishing water availability and trade information. While the ACCC has classified this as a longer term solution, we ideally would like to see this being implemented as a matter of priority.

A single water market information platform would reduce the information asymmetry that currently exists in water markets. It would enable all traders to have access to a centralised and consistent source of trade information, facilitating a more equitable level playing field for irrigators. It would also reduce the search costs that growers would otherwise inefficiently incur if they were to attempt to find this information for themselves from an increasingly fragmented array of data sources.

In order for this platform to be most useful to traders, it is important that:

- the platform collects and displays real-time trade information. This is important to provide all market participants with access to timely and up-to-date information – not just large investors and brokers who have deep knowledge of these markets;
- any individual exchanges are directly connected in with the central information platform to facilitate the automated flow of information once a trade takes place on an exchange. This reporting of trades must be timely (i.e. in real time, or at least on an hourly basis if possible). There also needs to be consideration of how the platform reports trades that are agreed, but not yet approved;
- Basin States move towards more timely trade approval processing with approvals ideally occurring within 24 hours. We note that a number of states continue to rely on manual processing, which is prone to delays and errors. Delayed approval processing constrains the timely publication of water

market prices, leading to traders relying on out of date data. It also causes traders to incur higher search costs, as they must undertake significant research to eliminate mis-reported data and better understand the true state of the market at any given point in time;

- the platform make use of easy to access digital interfaces, which could be facilitated through the use of APIs and mobile apps;

- the information collected on trades is able to be characterised by entitlement categories, zones/valleys and trade types. This will allow the market to obtain a deeper understanding of the characteristics of the trades that are taking place. In order to best achieve this, Basin States will need to standardise the language and format which they use to report trades. This harmonisation will also significantly reduce the complexity of water market information for participants; and

- the platform is a comprehensive source of all water market information, and includes information on trading restrictions and trade opportunities, water availability, use, and other related information such as climatic conditions. In this regard, we broadly agree with categories of information which the ACCC has specified for inclusion in section 11.3.2 of the Interim Report. However, we think that the platform should also include information on:

    - the current trade rules, restrictions and processes;

    - current and past water allocations, as well as the information that the water allocation frameworks and policies of each State were based on;

    - storage capacities and river operations including details of the various parcels of water held in storage and 'in-stream' (including State shares, and the allocation of water between different reserves, accounts, uses and licence categories);

    - water sharing plans, as well as an explanation of the rules contained within them; and

    - environmental water holdings and activities.

A comprehensive platform of the nature outlined above would improve transparency, enabling buyers and sellers of water rights to be confident that these rights are being priced competitively by brokers and traders. It would also promote accountability by requiring Basin States and their government bodies to periodically update the centralised information platform to keep traders informed of developments in water policy and the reasons for any changes. And critically, it will reduce the information advantage—and the imbalance in bargaining power—that established investors and brokers currently possess over growers.

92% of surveyed growers felt that a water market information portal would be useful, further supporting the view of the RGA and SunRice that the establishment of a Central Information Platform should be a priority matter for reform.

In particular, the surveyed growers were supportive of the following information being included on the Central Information Platform:

- Current and past water allocation information (90%)
- Water sharing rules, including allocation rules, carryover limits etc. (85%)
- Trading rules (83%)

- Historical trading information, with sufficient detail to understand what products are being traded and for what price (90%)

- Current bids and offers, to understand market depth and current pricing (94%)

Included in the survey results is a list of suggested additional information that could be included in on the Central Information Platform, including information about weather forecasts, water storages and environmental water use.

With respect to individual trade data, the surveyed growers were supportive of the following data being recorded and published in real-time:

- Trade volume and price (98%)
- Trade type (allocation, entitlement, lease, forward) (87%)
- Party type (irrigator, investor, broker, environmental water holders) (85%)
- Party name (53%).

In particular, 80% of surveyed growers supported a public register of water ownership, and 70% of surveyed growers supported additional disclosure requirements for those who own more than a certain amount of entitlements.

Survey questions 18, 19, 22, 23, 24 and 25.

3.3 Governments should communicate information in a clear and timely manner

We agree with the ACCC's finding that information about market rules and policies is difficult to access and interpret. The current system creates significant search costs for many growers, who depend on water markets but do not have the effort, time or ability to decipher complex water market information from a range of fragmented sources. In particular, we have significant concerns that:

- the NSW Government, and in particular the MDBA (for the Murray River system) has much room for improvement in its communication of information about allocation policies and decisions. By way of example, and as highlighted in the recent report by Mick Keelty, Interim Inspector General of the Basin, there is insufficient information available regarding the allocation of resource between the three States in the Murray River system. As discussed in sections [2.2] and [2.7], carryover policies and PEW rules are complex and difficult to understand. This makes it challenging for stakeholders to make informed decisions; and

- it is very difficult for ordinary growers to navigate through complex trading rules. These rules are not located in one place, but are fragmented across multiple documents. This makes it extremely challenging for growers to meaningfully decipher how water markets works. For this reason, there is significant value in moving towards a system where information about trading rules is collated for users in a centralised and easy to understand way.

Therefore, in addition to the platform requirements outlined in section [3.2] above, we consider that Government agencies should be mandated to publish information about allocation policies, trading rules and river operations policies (in any easy to understand format) on the centralised information platform. This will ensure that growers are kept up-to-date with developments in water policies, and enable them to consider the impact on their trading decisions. It will also help keep the Government agencies which set these policies accountable.

In addition, we consider that all agencies involved in policy development and implementation for the Basin (including the MDBA) should be required to report on their activities in a timely

and regularly manner. This will ensure that growers have the opportunity to understand how proposed Government policies will affect their property rights, and make informed trading decisions based on this.

> 40% of surveyed growers did not feel that all water users have equal access to water allocation announcement information.
>
> *Survey question 16.*

4 Harmonised trade rules are required to improve the efficiency of trading and to level the playing field

We strongly support measures to improve, unify and streamline trade processing rules and processes across all Southern Basin jurisdictions, including their trade application forms, methods, timeframes and charges. We also consider that there is value in continuing to assess the benefits and detriments of a centralised trading platform. However, as the other measures proposed in the Interim Report are likely to address issues with price discovery and trade processes—and can be implemented more quickly, efficiently and for lower cost—these measures should be prioritised over moving toward a centralised trading platform.

4.1 Trade processing rules and processes should be harmonised

Rice growers are concerned that differences in trade processes and water registries across Basin States are preventing them from gaining a full, timely and accurate picture of water trade, including of prices, supply and demand. To address this, further work is required to harmonise trade processes and rules across states.

We agree with the ACCC that improved consistency and harmonisation between the trade processing systems and registers of the Basin States will create a more level playing field. We welcome the ACCC's proposals on this issue, which should be prioritised as part of reforms advanced by Basin States. In our view, the main areas of reform that need to be implemented are set out below.

(a) **Harmonisation of allocation trade processing times**

Currently, processing times vary significantly across Basin States, with some trading zones experiencing longer processing times than others. This could be addressed by requiring all Basin States to automate their water registry processes. We agree that all Basin States should seek to modernise their automated registry processes.

(b) **Adoption of a single trade form**

We strongly support the adoption of a single trade form to be used across Basin States, which will ensure that information is consistently collected and published. We also support standardising terminology used in these trade forms, which will make it less complex for market participants to navigate and much easier to create a real-time connected data base of information.

(c) **Harmonised standards for trade processes and reporting requirements**

We agree that there is a need to establish a clear, comprehensive and simplified trade processing and market reporting framework governing all entities who process trades that applies consistently across Basin States. We agree with the ACCC's suggestions of what standards this should include.[20]

[20] Interim Report, page 366 to 367.

(d) **Harmonised obligations attaching to water entitlement products**

The mismatch in obligations under different water products on offer in various regions of the Basin distorts the water market by creating an unequal playing field, and adds to the complexity of water trading. Some practical examples of this are:

- over-drawing on a water allocation is treated differently in different regions (in some regions, it is considered to be an immediate breach of entitlement whereas in other regions an entitlement holder has a period of time in which to balance or "true-up" their overall water usage);
- some water entitlement holders are allowed to self-report their meter readings whereas others are not; and
- environmental water allocations are subject to different storage, measurement, shepherding and delivery conditions to water supplied for irrigators.

These differences give rise to complexity and uncertainty. We recommend that the ACCC consider the impact of these discrepancies on the efficient operation of the market, and what measures should be implemented to address the impact of these differences.

90% of surveyed growers support the standardisation and consistent presentation of trade information, processes, forms and fees across all Murray-Darling Basin States, while 81% of surveyed growers supported the establishment of one set of trading rules for the whole Murray Darling Basin (with the exception of the State-based water sharing rules).

Survey questions 27 and 28.

4.2 A centralised trading platform should continue to be assessed; however, it should only be developed in the event that other less costly reforms proposed in the Interim Report fail to improve market participation, efficiency and price transparency

We consider that there is value in continuing to assess the advantages and disadvantages of a centralised trading environment. However, as the other measures proposed in the Interim Report are likely to address issues with price discovery and trade processes—and can be implemented more quickly, efficiently and for lower cost—these should be prioritised over a centralised trading platform.

This is not to say that there is not a role for a centralised trading platform in the event that the other solutions proposed by the ACCC do not have the intended effect of improving market participation, the ease and efficiency of trading, and price transparency. However, as a priority, we consider that proposals set out above (in sections 3 and 4) should be implemented. This would also address our concerns that the cost of implementing a central trading platform may not be proportionate to the relative size of the market if other reforms can be successfully implemented.

If the ACCC does recommend that a centralised trading platform or exchange be established, we consider that:

- Any trading platform or exchanges operate across Basin States. This would be preferable to having separate State-based platforms. However, if there are to be separate platforms in each State, Basin States should work together to ensure that their platforms interoperate with each other, are standardised and are subject to similar rules and guidelines.

- Any trading platform or exchanges address concerns about use of automated bots for trading. This is not just a theoretical concern – it has been reported that some brokers have adopted strategies which automate submission of bids in Victoria when an IVT opportunity arises. A centralised trading platform where sophisticated investors are able to rely on automated technology to execute their trades will impose a significant disadvantage on growers that do not have the capability to use this technology. If the exchange enables bots to be utilised, this will serve to further the interests of those sophisticated participants and brokers in the water market. Accordingly, it is critical that there are strict guidelines prohibiting the use of automated bots by investors – in fact, we consider that this issue should be addressed regardless of whether a centralised trading platform is introduced.

- Any platforms or exchanges are designed with regard for well-functioning platforms and exchanges for other markets, like the Australian Securities Exchange, with an appropriate mix of Government oversight and regulation. It is important that the costs in developing and running a platform are not prohibitive, and are not disproportionately borne by growers.

5 Measures are required to prevent market distortion by intermediaries and speculators

We welcome the Interim Report's finding that there is currently insufficient regulatory oversight of intermediaries in the water market, with brokers and water-exchange platforms operating in a largely unregulated environment.

This lack of oversight creates significant conflicts of interest in dealings between growers and brokers. The absence of any fiduciary relationship between brokers and clients also increases the incentives for brokers to provide incomplete or misleading information, with the goal of increasing the price or volume of a trade. And, given that client funds are not subject to management obligations (such as statutory trust accounts or an obligation to hold professional indemnity insurance), clients are potentially left with limited protection should something go wrong.

In addition, the current enforcement regime is not adequate to address market misconduct, insider trading and other behaviours that brokers and speculators could potentially engage in to manipulate supply and prices in temporary water markets, and undermine market integrity. It is our understanding that there is simply no mechanism to seek redress from market participants falsely reporting prices paid for water. We understand that many of those falsely reporting, or failing to report prices paid, believe it is simply a 'victimless crime'.

As the ACCC acknowledges, these inadequacies have consequences for the efficiency of water markets. Rice growers have expressed significant concerns that the lack of appropriate safeguards to regulate the conduct of brokers undermines confidence in the market and perceptions of market integrity and fairness. This ultimately distorts markets by discouraging buyers and sellers from fully participating in these markets.

Accordingly, we consider that water markets should be regulated by imposing a harmonised broker licensing scheme or, alternatively, applying the existing financial regulation framework to water products with penalties for non-compliance including the removal of the right to act as a broker.

5.1 Harmonised licencing regulation of intermediaries is preferred

Of the options for regulation of brokers, we prefer the harmonised licensing regime, as this could be specifically directed to the conduct that needs to be addressed in water markets. However, it is important that any regulatory framework is harmonised across the Basin States to provide certainty and to ensure that there is an even playing field. Therefore, if a national regime cannot be implemented or alternatively, the Basin States are not able to agree a standardised licensing arrangement across the Basin States, then extending the existing Federal financial regulation framework would be preferable.

We also encourage the ACCC to consult with brokers to understand which of the options will be most manageable and practical for them. There is a risk that applying existing financial services regulation to water brokers could potentially reduce the number of brokers competing in the industry given the complexity of such rules. This in turn could unintentionally have the effect of reducing competition among brokers, leading to higher prices for growers.

Irrespective of which of the options the ACCC ultimately recommends, it is critical that—at a minimum—regulation is developed to impose the following obligations on brokers:

- a requirement for brokers to subject their clients' funds to management obligations which, at a minimum, should impose a requirement on brokers to hold funds in statutory trust accounts and to hold professional indemnity insurance;
- compliance with market integrity rules, which should be substantially similar to those adopted in respect of financial markets. At the very least, these rules should prohibit market manipulation and insider trading;
- compliance with conflicts management obligations akin to those in s 912A(1)(aa) of the *Corporations Act 2001* (Cth) or some other obligation that mitigates the conflicts of interest risks identified by the ACCC;
- standards for professional conduct, including requirements for training and ongoing professional development;
- an obligation for brokers to keep client records and instructions;
- clearer and more transparent price reporting requirements, in particular in relation to zero-dollar trades;
- an obligation for brokers to comply with record keeping requirements in relation to complaints. Brokers should also be required to provide details on at least an annual basis about the number of complaints they have received, and the nature of these complaints, to a designated regulator;
- a requirement for brokers to maintain an internal complaints resolution mechanism;
- an obligation for brokers to not engage in misleading or deceptive conduct; and
- a requirement for brokers to maintain published policies relating to managing conflicts of interests.

Either option should be backed by strong investigative and enforcement powers. We agree with comments in the Interim Report that, to date, the voluntary mechanisms for compliance have been ineffective.

It is also important that the costs of new regulation are not unfairly borne by irrigators. To reduce costs, we consider that the regime could be enforced by existing regulators.

The introduction of new regulation should also not preclude the ACCC from bringing action against brokers and intermediaries under the *Competition and Consumer Act 2010* (**CCA**) (including the Australian Consumer Law) or financial services law (if applicable). We ask the ACCC to encourage water market participants to contact them if they have concerns about broker conduct that may constitute a breach of the Australian Consumer Law.

74% of surveyed growers indicated that they do use the services of water brokers. Key reasons identified for using brokers, as listed in our survey, include to make the transaction easier and to access information.

When asked about the services provided by brokers, our surveyed growers indicated that they are generally happy for brokers to provide services to both parties to a trade (81%), however are not happy for brokers to personally be a party to a trade (8%), have water accounts to assist to facilitate their clients trade (30%) or personally trade in water markets for personal irrigation purposes through an unrelated broker or firm (19%).

In addition, 64% of growers surveyed felt that the roles, services and products offered by brokers and exchanges are not well understood, and 22% of surveyed growers felt that they had previously been provided with misleading information by a broker. Examples of the misleading information provided are listed in our survey results, included as an appendix to this submission, and include misinformation about the market value of water, the timeframes for the delivery of traded water and the associated trade charges.

The surveyed growers were overwhelmingly in favor of the improved regulation of brokers with 82% of growers supporting the application of a licencing or financial regulation framework, 64% supporting the introduction of an independent market regulator, and 68% supporting the introduction of a market ombudsman for the purpose of resolving market disputes.

Survey questions 5, 6, 12, 13, 14 and 15.

5.2 Measures to prevent speculators engaging in market manipulation are required

We welcome the ACCC's ongoing efforts in investigating allegations about investors' conduct and the distortionary impact of their trading activities on market prices and the efficiency of the market.

Growers have expressed concerns that market conduct such as speculative trading is driving up the price of water for growers, making it more difficult for rice growers to obtain affordable, firm and timely access to water for rice production. In particular, growers have concerns that there are a handful of individuals and organisations that have the capacity to trade substantial volumes of water in what are sometimes shallow markets. These players could disrupt these markets by causing a significant impact on the price and availability of water.

This threat is especially acute during times of water scarcity, which enables speculators to have an even larger impact on prices and water availability. This threat is heightened by the fact that many irrigators are dependent on access to water for their enterprises to survive, and have no choice but to purchase water from these speculators. There is an underlying asymmetry in the water market, caused by productive water users having a greater, biologically-determined and inflexible need for timeliness of water access. Whereas a holder of water not needing to satisfy a biological demand doesn't have a physiological need to trade, despite water users having inflexible demand due to agricultural production cycles. This asymmetry favours price distortion.

For this reason, it is important that water trading rules and regulatory settings are adjusted to encourage behaviour that supports the sustainable apportionment of valuable water resources that is in the best interests of water users and the national economy at large.

In our view, a key reform to achieve this would be the introduction of regulation prohibiting market manipulation. As identified by many stakeholders, the concerns relating to speculator conduct arise in large part due to the limited rules governing the trading behaviour of water market participants. This has led to substantial concerns that speculators have the ability to adversely impact the efficient functioning of water markets by withholding water to raise prices, conducting allocation transactions to manipulate water markets and distorting market information to suit their interests. As we discuss in section [5.1], it is critical that strong market integrity rules—including a robust prohibition against market manipulation, with appropriate enforcement mechanisms—are introduced to address many of the concerns that stakeholders have raised in relation to intermediary conduct.

To facilitate greater transparency, we believe that organisations and individuals that hold a substantial volume of water should also be subject to additional disclosure requirements similar to the disclosure requirements for the ASX. As many stakeholders note, a lack of transparency is leading many to believe market manipulation is occurring.[21] Enhanced transparency may play a role in shining a spotlight on speculators, and discourage them from engaging in conduct that may be construed as market manipulation. Greater transparency will also reduce the information asymmetry that exists in the water market, and partially address the imbalance in bargaining power that persists between growers and speculators.

In addition, we consider that there is a role for the ACCC to play in conducting further analysis of the trading activities undertaken by speculators. This could be achieved through an extended market inquiry into conduct by water traders and speculators that may be distorting and adversely affecting competition in water markets. The ACCC's analysis will be critical to understanding the actual extent of irrigators concerns about speculators, and will potentially enable policy makers to determine what reform is required to ensure that the conduct of investors do not erode and interfere with the property rights of irrigators. Regardless of their current behaviour, the scale of some participants in the water market gives them market power, the abuse of which needs to be monitored and enforced under the *Competition and Consumer Act 2010.*

We are also of the view that the ACCC should give further thought about whether restrictions on the volume of water an entity can own without physically using this water should be imposed. If this proposal is advanced, it will need to be constructed carefully to ensure that there are no unintended consequences that adversely impact irrigators (including retired irrigators). Any reform will also need to be carefully drafted to ensure that it achieves its purpose. Growers have particular concerns that speculators—who rank as some of the most sophisticated stakeholders in the Basin—may simply be able to restructure their affairs to circumvent any restrictions that might be imposed to limit their ability to hoard water unsustainably. Therefore, new regulation targeting investors should be subject to anti-avoidance provisions to prevent this from occurring.

In particular, when asked if the surveyed growers supported the participation of particular parties in the water market, only 32% of growers supported investors (non-farm entities) being allowed to trade water, whereas growers were much more supportive of the government environmental water holders (63%), retired farmers who retain their water rights (71%) and irrigation companies 61% being allowed to trade water.

Survey question 10.

6 Greater coordination and harmonisation of the water market is required

The Interim Report identifies a large number of issues with the governance framework for the Basin. We share the ACCC's concerns and agree that the fragmentation of, and lack of clarity about, roles and functions in the Basin is affecting the fair, efficient and effective operation of the Basin.

In particular, we are concerned by the lack of clarity about governance roles. This has created a situation where roles and functions of different bodies are unclear and/or overlap and, as a result, no body fulfils its responsibilities adequately. We are also highly concerned by the inconsistent and complex rules that apply to water trading across the Basin. The failure to harmonise trading rules and policies has facilitated arbitrage opportunities and led to some States adopting policies that best serve its needs without consideration of the impact of these policies on water users in other States.

[21] Interim Report, page 337.

To date, there have been a large number of reviews and inquiries identifying the many significant concerns we have raised about the regulation of, and policies applying to, water trading in the Basin. Despite this, we have not seen comprehensive reform, which we consider is in part due to the fact that no independent body or government agency has been appointed to drive the comprehensive and harmonised reform that is needed. We, therefore, consider that:

- the ACCC in its Final Report, and the Federal Government in its response to the Final Report, should provide clear guidance on how reform can be implemented and set clear timeframes for this implementation over the next five to ten years; and

- a newly formed centralised body is required to drive effective and harmonised reform across all Basin States. This body (whether Federal or coordinated through the States) could work with established independent bodies including the MDBA and the ACCC as well as with the Basin States to take the ACCC's recommendations forward. For this body to be successful, it is critical that the appropriate skills, expertise and knowledge requirements are identified and recruited early in the reform process. We consider there could also be a role for this centralised body to play in managing whole-of-Basin governance arrangements going forward. This may involve taking over certain functions of existing agencies. As part of any potential reallocation of functions, we support the Productivity Commission's recommendation that the compliance function of the MDBA should be separated from its policy and operations functions.

7 Further questions

We would welcome the opportunity to provide the ACCC with further information in relation to the issues raised in this submission.

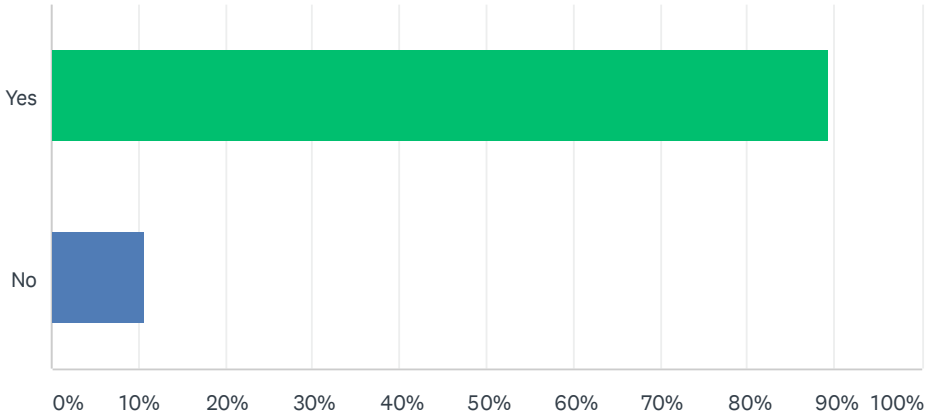
If the ACCC would like further details, or would like to discuss further, please contact Julian Luke (Head of Corporate Affairs, SunRice) at jluke@sunrice.com.au and Rachel Kelly (Policy Manager, RGA) at rkelly@rga.org.au.

Ricegrowers Limited and Ricegrowers' Association of Australia
30 October 2020

APPENDIX 1 – RGA MEMBER AND GROWER SURVEY – ACCC REVIEW –YOUR PARTICIPATION IN THE WATER MARKET

Q1 Do you participate in the water market?

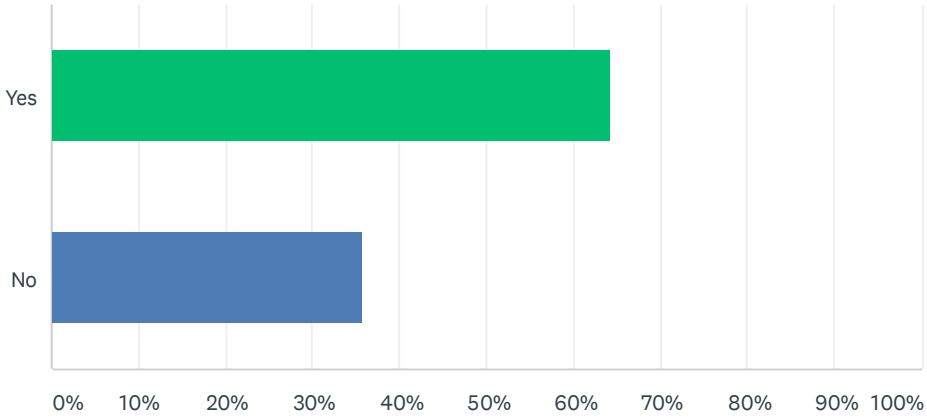
Answered: 56 Skipped: 1



ANSWER CHOICES	RESPONSES	
Yes	89.29%	50
No	10.71%	6
TOTAL		56

Q2 Is the water market easy to use?

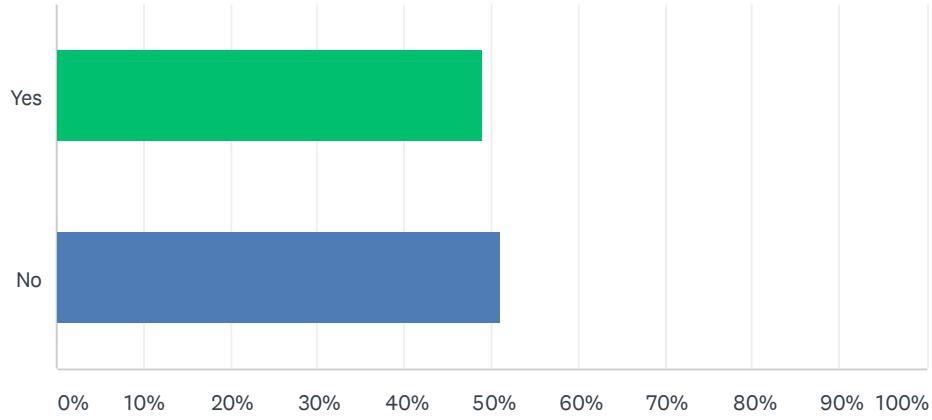
Answered: 53 Skipped: 4



ANSWER CHOICES	RESPONSES	
Yes	64.15%	34
No	35.85%	19
TOTAL		53

Q3 Do all water users have equal access to the water market?

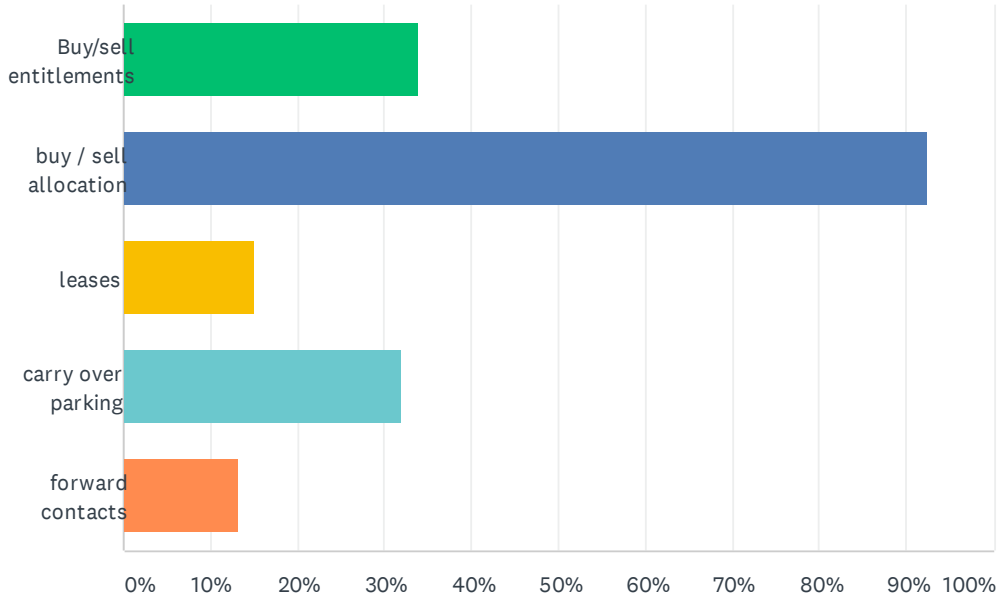
Answered: 53 Skipped: 4



ANSWER CHOICES	RESPONSES	
Yes	49.06%	26
No	50.94%	27
TOTAL		53

Q4 What products do you use? (please select appropriate)

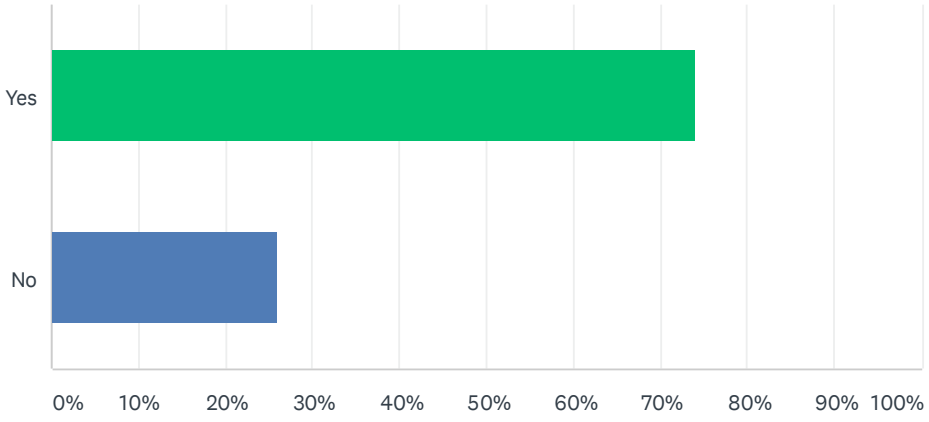
Answered: 53 Skipped: 4



ANSWER CHOICES	RESPONSES	
Buy/sell entitlements	33.96%	18
buy / sell allocation	92.45%	49
leases	15.09%	8
carry over parking	32.08%	17
forward contacts	13.21%	7
Total Respondents: 53		

Q5 Do you use water brokers?

Answered: 54 Skipped: 3



ANSWER CHOICES	RESPONSES	
Yes	74.07%	40
No	25.93%	14
TOTAL		54

Q6 If relevant, what are your key reasons for using water brokers? (Please list)

Answered: 30 Skipped: 27

#	RESPONSES	DATE
1	I have used them in the past. They supposedly have their finger on the market and are upto date with what is happening, available. They are ment too have more knowledge and up to date than what i am. I, to be honest, have no idea of the water market and how it works, but in short I do not trust water brokers, and have not bought water for a couple of years.	9/24/2020 12:51 PM
2	Time saving, easy access to prices of recent trades but only by that broker.	9/24/2020 9:23 AM
3	Access to valleys	9/23/2020 8:23 PM
4	Up to date info & assist with transactions	9/23/2020 6:59 PM
5	No other way to trade. It’s to complicated and to hard to access and limited information.	9/23/2020 5:37 PM
6	Information, negotiation ability	9/23/2020 11:18 AM
7	Extra help in a very difficult and confusing space	9/23/2020 9:27 AM
8	They do a great job	9/23/2020 9:12 AM
9	Easier to use a broker	9/23/2020 8:56 AM
10	They understand requirements and rules	9/23/2020 8:34 AM
11	Do paperwork	9/23/2020 8:31 AM
12	IVT trades also when market is quite	9/17/2020 12:28 PM
13	Information	9/16/2020 9:49 AM
14	Easy of transaction	9/15/2020 1:32 PM
15	Draw on their broader market knowledge, facilitation of transactions through the government approval process & opportunities that they provide	9/15/2020 11:52 AM
16	my broker provides a transparent trading platform	9/13/2020 10:24 AM
17	confusion, access to markets	9/8/2020 1:01 PM
18	Easier to find buyers/sellers	9/7/2020 9:25 PM
19	There is to many reasons to list here why you would not use them. Most of them from my experience are just parasites.	9/7/2020 1:54 PM
20	Access to non publicly visible water, buyers or sellers.	9/7/2020 12:26 PM
21	They know what is happening out in wider water world	9/7/2020 9:01 AM
22	Easier to manage	9/7/2020 6:11 AM
23	mainly for bore water	9/6/2020 7:59 AM
24	Access to different valleys , on top of rules, they have the time to monitor prices	9/6/2020 7:16 AM
25	local businesses	9/6/2020 6:46 AM
26	no worries	9/5/2020 5:47 PM
27	Find water and price	9/5/2020 3:35 PM
28	knowledge	9/5/2020 12:47 PM
29	time /established pricing	9/5/2020 10:46 AM
30	Easier to purchase temporary water when allocations are low	9/5/2020 9:36 AM

Q7 Why do you participate in the water market? List the key reasons.

Answered: 46 Skipped: 11

#	RESPONSES	DATE
1	To buy more water to grow more rice	9/25/2020 7:35 AM
2	To increase income.	9/24/2020 4:05 PM
3	My allocation is low The yield on water entitlements is hopeless. 48% and falling I can not survive on present allocations	9/24/2020 12:51 PM
4	When we have Insufficient water to justify cropping, or we get more return from selling than we would by growing due to the high value of water and the low value of crop/T.	9/24/2020 9:23 AM
5	Access temp water due to insufficient allocation	9/23/2020 8:23 PM
6	To grow food & water pasture for prime lambs	9/23/2020 6:59 PM
7	To run my farming enterprise because of lack of allocation.	9/23/2020 5:37 PM
8	need to enhance water portfolio above and beyond allocation	9/23/2020 4:58 PM
9	Maximise crop potential and hopefully increase cash flow	9/23/2020 4:23 PM
10	To gain access to more water to grow a crop/pasture	9/23/2020 11:18 AM
11	To produce	9/23/2020 9:27 AM
12	I see it as the way forward My business has steamed ahead since being involved in the water industry over last 20 years It’s evolved very well	9/23/2020 9:12 AM
13	For purchasing water to grow rice, pasture and cereals. Iv never sold water or entitlements	9/23/2020 8:56 AM
14	Risk management	9/23/2020 8:34 AM
15	No or low allocation	9/23/2020 8:31 AM
16	To either buy/sell water depending on commodity prices and water in account	9/17/2020 12:28 PM
17	Fully utilise our asset to the best of its abilities depending on the growing conditions and outlook	9/16/2020 12:12 PM
18	Buy Entitlement and allocation	9/16/2020 9:49 AM
19	To generate the best return in our water investments, to secure water for future years to ensure we meet our commitments	9/15/2020 1:32 PM
20	The market provides flexibility of access to our required resource requirement	9/15/2020 11:52 AM
21	Buy water - grow crop make money Crop prices aren’t high enough- sell water	9/15/2020 11:21 AM
22	my small entitlement means i need to purchase allocation to ensure production	9/13/2020 10:24 AM
23	Enhance our operation and to make our water go further. Increase plantings	9/8/2020 1:01 PM
24	To grow more crops/sheep feed	9/7/2020 9:25 PM
25	To top up our allocation if and when required or financially appropriate	9/7/2020 1:54 PM
26	Allocations low/late so temporary water needed. Sell when price unviable to grow crops/pastures. Enable irrigated production on my farm.	9/7/2020 12:26 PM
27	No other option - due to poor decisions made by MIL / MDBA. that directly impact us and the wider community	9/7/2020 9:01 AM
28	Generally selling water due to allocation being to low to be able to use water	9/7/2020 6:11 AM
29	To try and make some money	9/6/2020 4:01 PM
30	In order to produce	9/6/2020 1:35 PM
31	mainly a buyer Have a long history of high water use , but now with reduced total water yield, to maintain our programme we have to buy water	9/6/2020 7:59 AM
32	Access water for inc allocation to grow food	9/6/2020 7:16 AM

33	production risk management	9/6/2020 6:46 AM
34	need more water. have more than I can carryover. sell for cash flow	9/5/2020 8:50 PM
35	Finantial	9/5/2020 6:54 PM
36	to make extra money	9/5/2020 5:47 PM
37	To grow fodder rice and cereals	9/5/2020 3:35 PM
38	To purchase water to grow broad acre crops and fodder, despite low allocation. To continue to function as an employer. To maintain cash flow in our business and in the local community. To make use of expensive infrastructure.	9/5/2020 2:43 PM
39	no water	9/5/2020 12:47 PM
40	To purchase water for winter and summer cropping	9/5/2020 11:29 AM
41	spread risk	9/5/2020 11:24 AM
42	survival /sell some/ buy some/ use some usfull tool to help controle costs	9/5/2020 10:46 AM
43	I would prefer to grow produce, however sometimes it is more economical to sell water in times of very low allocation.	9/5/2020 10:44 AM
44	need water to grow crops	9/5/2020 10:36 AM
45	Temporary water allocation when low allocations are given, purchase of necessary water	9/5/2020 9:36 AM
46	I have to buy water now that used to be allocated to me.	9/5/2020 9:31 AM

Q8 What are the key pieces of information that influence your water trading and investment decisions? Please list

Answered: 46 Skipped: 11

#	RESPONSES	DATE
1	Water price vs the seasonal outlook	9/25/2020 7:35 AM
2	crop / pasture survival long range forecast	9/24/2020 12:51 PM
3	Volume on account, Value /ML, Net profit for crop depending on market price / T	9/24/2020 9:23 AM
4	Price - grain prices Weather forecast Allocation	9/23/2020 8:23 PM
5	Price Allocation Commodity prices	9/23/2020 6:59 PM
6	Price of water, availability.	9/23/2020 5:37 PM
7	price,scarcity of water	9/23/2020 4:58 PM
8	Price and availability of water and returns from using that water for specific crop types	9/23/2020 4:23 PM
9	Price of end product, price of water	9/23/2020 11:18 AM
10	Price	9/23/2020 9:27 AM
11	Seasonal change A lot of it is still gut feel by me And some of it is forward planning	9/23/2020 9:12 AM
12	Our own allocation and temporary price	9/23/2020 8:56 AM
13	Commodity price, stage of crop, opportunity to carry over	9/23/2020 8:34 AM
14	Water prices	9/23/2020 8:31 AM
15	Commodity price vs water price	9/17/2020 12:28 PM
16	Probable return on investment depending on current allocation, price for allocation, seasonal outlook, commodity price, outlook for future season	9/16/2020 12:12 PM
17	Brokers advise	9/16/2020 9:49 AM
18	Weather, allocation announcements, commodity prices	9/15/2020 1:32 PM
19	Weather, Price, commodity price	9/15/2020 11:52 AM
20	Water price / crop profitability	9/15/2020 11:21 AM
21	current pricing,available volumes and prices,price and volume of recent trades	9/13/2020 10:24 AM
22	Price Weather outlook Allocations Contracts on crops	9/8/2020 1:01 PM
23	Price	9/7/2020 9:25 PM
24	Value of the water versus the value of the crop I am going to use it on (rice, winter cereals, pasture)	9/7/2020 1:54 PM
25	Price Allocation, potential allocation. Cashflow	9/7/2020 12:26 PM
26	availability of water. Price of water	9/7/2020 9:01 AM
27	Price and allocation	9/7/2020 6:11 AM
28	Water price	9/6/2020 4:01 PM
29	Price/ ML and Price/tonne	9/6/2020 1:35 PM
30	Price of water and commodity price We rarely sell water, and then only to convert surface to ground water	9/6/2020 7:59 AM
31	Allocation Weather - rain forecast Temp water price	9/6/2020 7:16 AM
32	market depth BOM outlook commodity pricing water allocation and its predictabilty/transparency	9/6/2020 6:46 AM
33	price	9/5/2020 8:50 PM
34	Price & availability	9/5/2020 6:54 PM
35	Low water allocation	9/5/2020 6:47 PM

36	price	9/5/2020 5:47 PM
37	Commodity prices	9/5/2020 3:35 PM
38	price availability commodity prices	9/5/2020 2:43 PM
39	price	9/5/2020 12:47 PM
40	The economical value and risk of purchasing water to grow commodities	9/5/2020 11:29 AM
41	price	9/5/2020 11:24 AM
42	price/ seasonal predictions / storage levels	9/5/2020 10:46 AM
43	Commodity prices versus water sale.	9/5/2020 10:44 AM
44	price	9/5/2020 10:36 AM
45	Price of grain prices to cover costs and make a profit	9/5/2020 9:36 AM
46	Price and availablity of the water	9/5/2020 9:31 AM

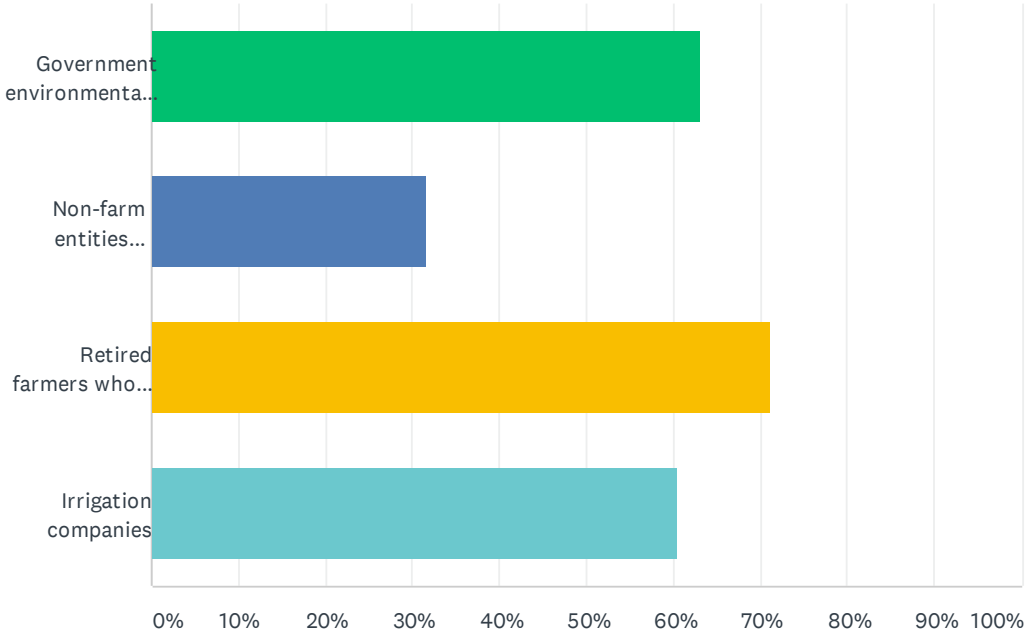
Q9 If you do not participate in the water market, what are the key reasons why you do not?

Answered: 20 Skipped: 37

#	RESPONSES	DATE
1	I have not been in the last 2 years because the water is too dear	9/24/2020 12:51 PM
2	-	9/23/2020 11:18 AM
3	Nil	9/23/2020 9:12 AM
4	Price	9/23/2020 8:56 AM
5	Low water price	9/17/2020 12:28 PM
6	Water price / crop profitability	9/15/2020 11:21 AM
7	B shareholder	9/8/2020 2:13 PM
8	I am no longer farmer	9/8/2020 11:43 AM
9	Price	9/7/2020 9:25 PM
10	No longer farming.	9/7/2020 6:37 PM
11	That means it is not viable for my business or I don,t need to enter the market at that time.	9/7/2020 1:54 PM
12	n/a	9/7/2020 9:01 AM
13	Too expensive to buy	9/6/2020 7:59 AM
14	N/A	9/6/2020 7:16 AM
15	To grow crops whenwe have water availability	9/5/2020 6:47 PM
16	Commodity prices verse water prices	9/5/2020 3:35 PM
17	knowledge and price of water	9/5/2020 12:47 PM
18	Any purchase of water returns less profit to crop growing most times to the point of no profit	9/5/2020 11:18 AM
19	water too expensive	9/5/2020 10:36 AM
20	non land holders having water	9/5/2020 9:17 AM

Q10 Do you consider the following parties should be allowed to trade water? (Select those you consider should be able to trade water)

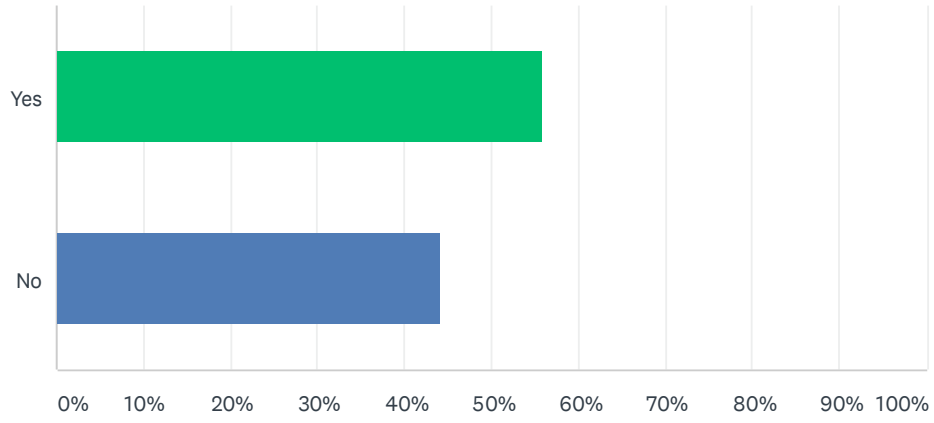
Answered: 38 Skipped: 19



ANSWER CHOICES	RESPONSES	
Government environmental water holders	63.16%	24
Non-farm entities (investors)	31.58%	12
Retired farmers who retain their water rights	71.05%	27
Irrigation companies	60.53%	23
Total Respondents: 38		

Q11 Do you support the establishment of a single water market trading exchange (like the Australian Stock Exchange)

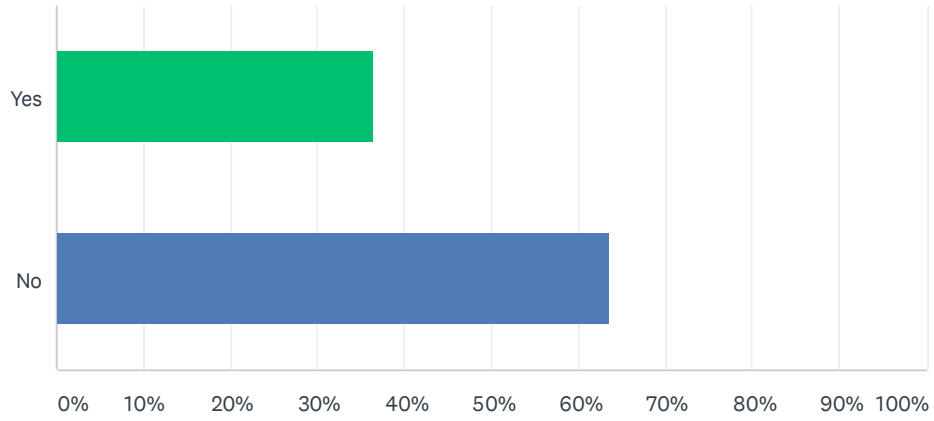
Answered: 52 Skipped: 5



ANSWER CHOICES	RESPONSES	
Yes	55.77%	29
No	44.23%	23
TOTAL		52

Q12 Do you consider that the roles, services and products offered by Brokers and Exchanges (like H20x, MIL and CICL exchanges) are well understood?

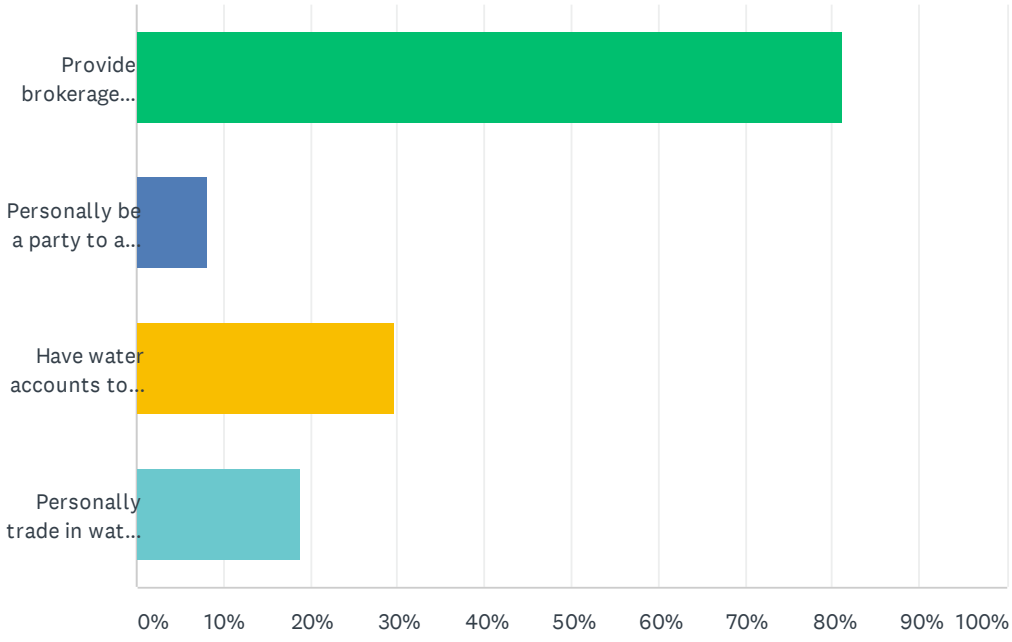
Answered: 55 Skipped: 2



ANSWER CHOICES	RESPONSES	
Yes	36.36%	20
No	63.64%	35
TOTAL		55

Q13 Should brokers be permitted to? (please tick appropriate)

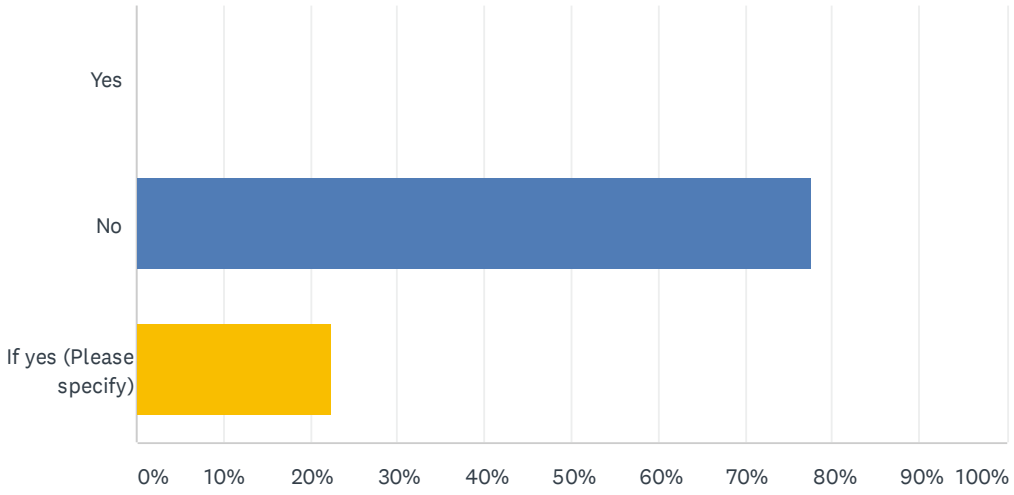
Answered: 37 Skipped: 20



ANSWER CHOICES	RESPONSES	
Provide brokerage services to both parties to a trade	81.08%	30
Personally be a party to a trade they are brokering	8.11%	3
Have water accounts to assist to facilitate their clients trade	29.73%	11
Personally trade in water markets for personal irrigation purposes through an unrelated broker or firm	18.92%	7
Total Respondents: 37		

Q14 Have you been provided with any misleading information by a broker? Y/N - please specify

Answered: 49 Skipped: 8

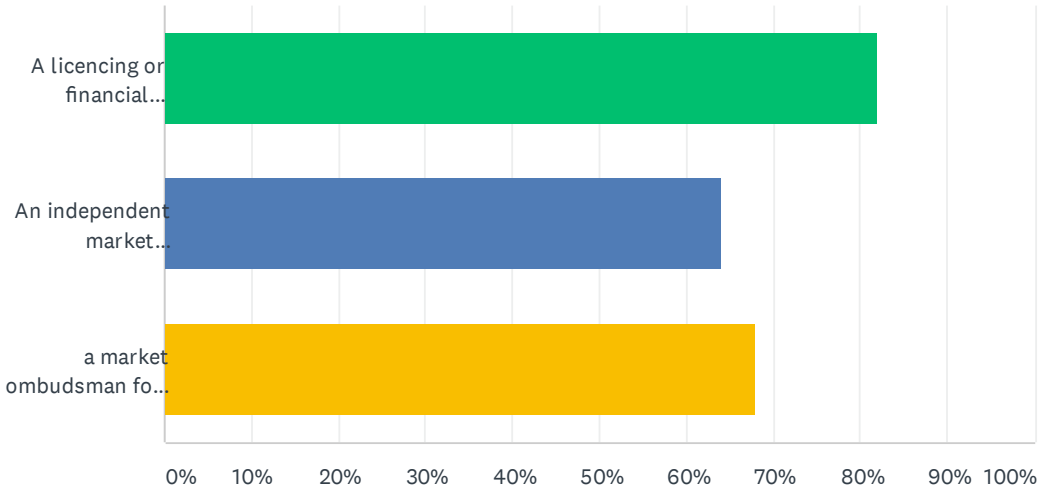


ANSWER CHOICES	RESPONSES	
Yes	0.00%	0
No	77.55%	38
If yes (Please specify)	22.45%	11
TOTAL		49

#	IF YES (PLEASE SPECIFY)	DATE
1	I do not KNOW	9/24/2020 12:55 PM
2	only on minimum price we would accept	9/24/2020 9:26 AM
3	Timing to access water, total costs	9/23/2020 8:25 PM
4	Unsolicted calls	9/23/2020 9:28 AM
5	Wrong prices, wrong volumes, predatory behaviour particularly by [redacted] telling me that prices will go up or down and suggesting I make a decision	9/15/2020 1:34 PM
6	Like in any profession there a range of skill sets and integrity. I believe most brokers are trying to do the best they can and operate fairly however their is one or two who i believe may have positions in the market and i believe this creates a conflict to the role that the are providing their clients. I dont have a problem where a broker has a farm on the side and needs to obtain water for that but where someone is trading their own book to their own clients i have a problem with.	9/15/2020 12:00 PM
7	Higher prices than relevant	9/15/2020 11:23 AM
8	wrong advice. Anything to make a sale to you so they can profit regardless.	9/7/2020 1:58 PM
9	Their forecasts and their tendency to 'oversell'.	9/6/2020 1:37 PM
10	[redacted] are very untrusted and ring up to gain information to set water trends and prices. Lied about the timeframe to deliver water to my account	9/6/2020 7:24 AM
11	extra charges	9/5/2020 6:54 PM

Q15 Should brokers be subject to the following regulations (please tick options that you think are appropriate).

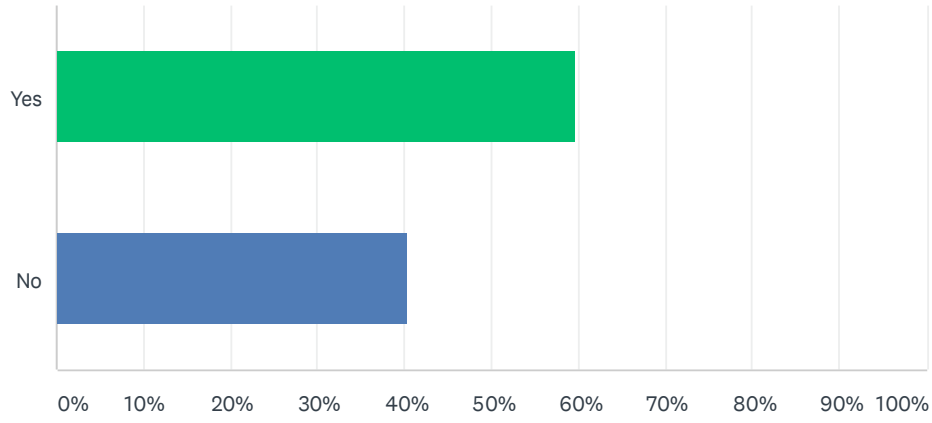
Answered: 50 Skipped: 7



ANSWER CHOICES	RESPONSES	
A licencing or financial regulation framework	82.00%	41
An independent market regulator	64.00%	32
a market ombudsman for the purpose of resolving market disputes	68.00%	34
Total Respondents: 50		

Q16 Do you think all water users have equal access to water allocation announcement information?

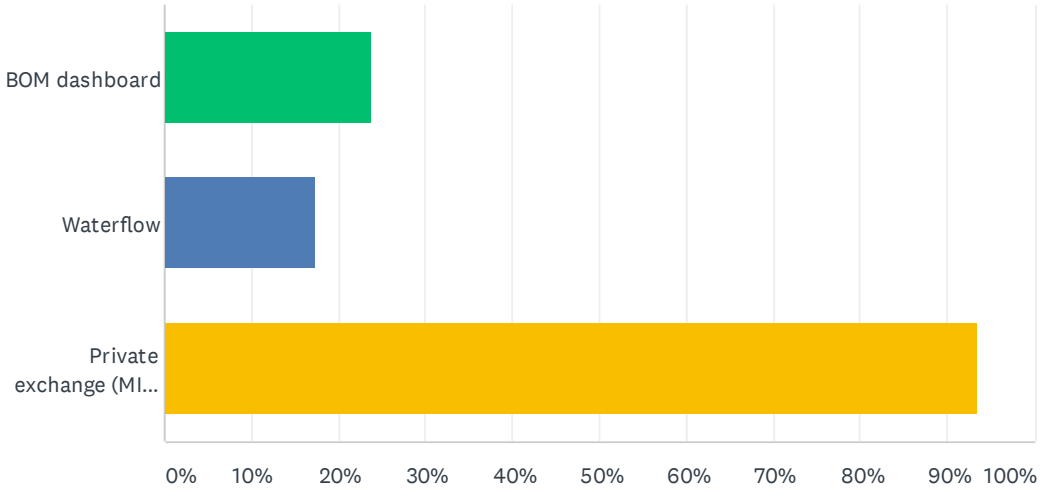
Answered: 52 Skipped: 5



ANSWER CHOICES	RESPONSES	
Yes	59.62%	31
No	40.38%	21
TOTAL		52

Q17 What water trade information platforms do you use?

Answered: 46 Skipped: 11

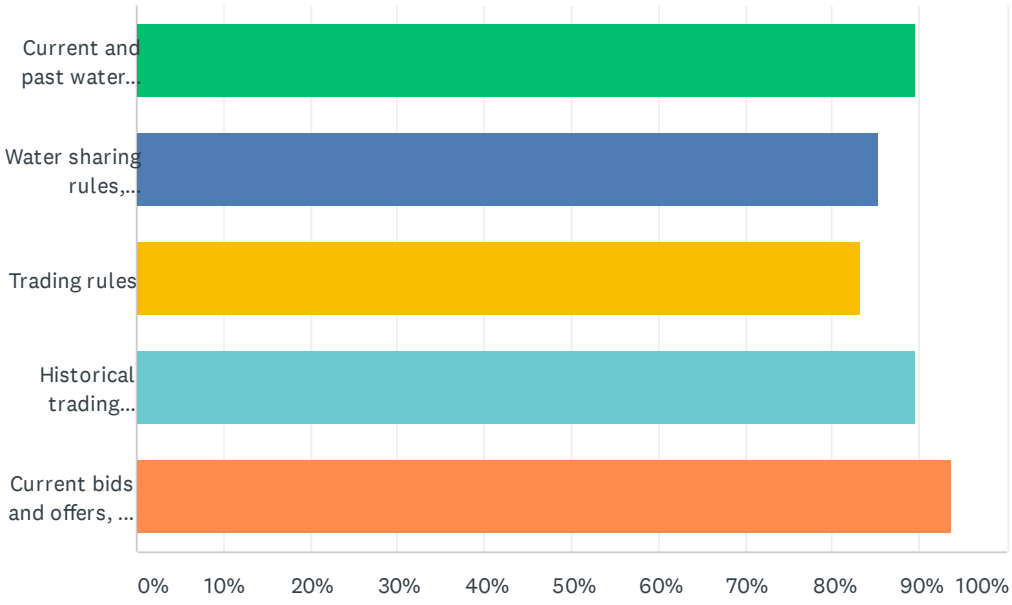


ANSWER CHOICES	RESPONSES	
BOM dashboard	23.91%	11
Waterflow	17.39%	8
Private exchange (MIL, CICL, H20X)	93.48%	43
Total Respondents: 46		

#	OTHER (PLEASE SPECIFY)	DATE
1	I have not heard BOM or Waterflow. I am flat out just farming, let alone following the water market and its ups and downs	9/24/2020 1:04 PM
2	All	9/23/2020 9:18 AM
3	Local brokers with non live online markets	9/15/2020 1:36 PM
4	Waterfind, Rural Co, Waterpool, MDBA Flow Data,	9/15/2020 12:06 PM
5	waterpool co-op based in kyabram vic	9/13/2020 10:36 AM
6	Ruralco	9/7/2020 9:41 PM

Q18 The ACCC is considering the need for a single water market information portal. What information do you want included?

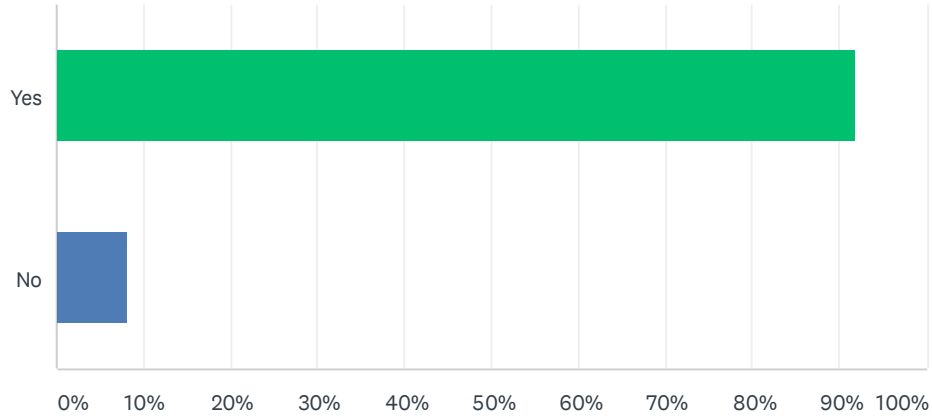
Answered: 48 Skipped: 9



ANSWER CHOICES	RESPONSES	
Current and past water allocation information	89.58%	43
Water sharing rules, including allocation rules, carryover limits etc.	85.42%	41
Trading rules	83.33%	40
Historical trading information, with sufficient detail to understand what products are being traded and for what price	89.58%	43
Current bids and offers, to understand market depth and current pricing	93.75%	45
Total Respondents: 48		

Q19 Do you think that a water market information portal would be useful?

Answered: 49 Skipped: 8

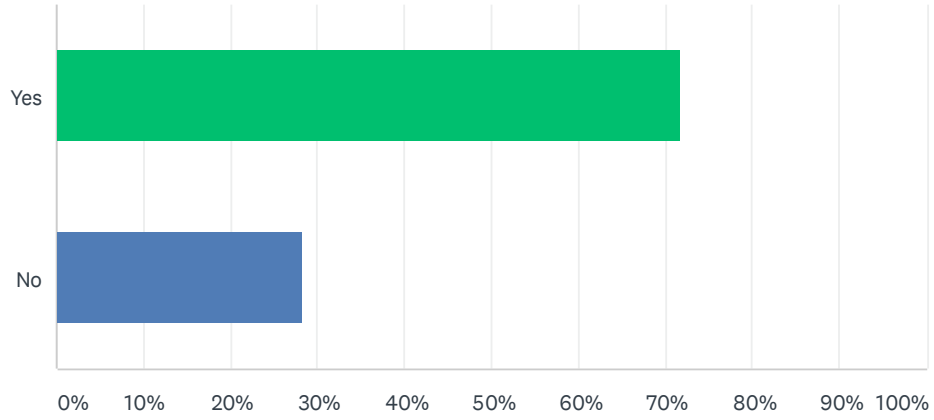


ANSWER CHOICES	RESPONSES	
Yes	91.84%	45
No	8.16%	4
TOTAL		49

#	IF YES, WHAT ADDITIONAL INFORMATION DO YOU THINK SHOULD BE INCLUDED IN THIS PORTAL?	DATE
1	BOM rainfall outlook for the next 12 months	9/24/2020 9:30 AM
2	As above	9/23/2020 8:27 PM
3	Forecasts	9/23/2020 7:04 PM
4	Real time information.	9/23/2020 9:32 AM
5	Any information is useful But leave temp trade as is It’s working well	9/23/2020 9:18 AM
6	Who’s selling the water	9/23/2020 9:04 AM
7	Transparent and real time trade data	9/23/2020 8:42 AM
8	Needs to be up to date, at least daily	9/17/2020 12:36 PM
9	Spot price	9/16/2020 12:14 PM
10	This has been tried before at great expense to tax payers. The State and Fed governments need to get their registers working properly and provide the information freely from that. The Victorian Water Register is a good example of a platform that delivers accurate information in a timely manner. It is very difficult for the government to build a systems that delivers all to everyone and i think they should focus on the raw information	9/15/2020 12:06 PM
11	Who is selling and who is buying regardless of who it is. There needs to be total transparency	9/7/2020 2:01 PM
12	Evidence that the portal and water accounts are RECONCILED to actual licences and entitlements	9/7/2020 9:04 AM
13	As much information as possible, certainly all the points above are important. Historical pricing should also be included	9/7/2020 6:19 AM
14	Where unused water is being stored	9/6/2020 1:39 PM
15	Weather forecast Commission costs to trade	9/6/2020 7:32 AM
16	Do General Security Water Entitlements bought/transferred from irrigators, then added to the Environmental Water Portfolio, become "High Security Environmental" water?	9/5/2020 3:04 PM

Q20 Do think that rules and settings for carry over need to be improved?

Answered: 46 Skipped: 11

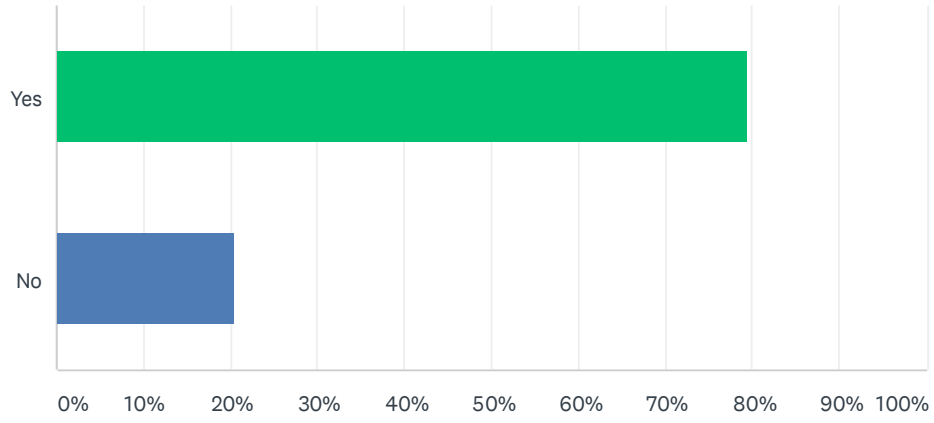


ANSWER CHOICES	RESPONSES	
Yes	71.74%	33
No	28.26%	13
TOTAL		46

#	IF YES, PLEASE EXPLAIN?	DATE
1	Decrease the amount of carry over water	9/25/2020 8:10 AM
2	do not know	9/24/2020 1:04 PM
3	No parking of High Security or conveyance water on general security licences.	9/24/2020 9:30 AM
4	Clearer	9/23/2020 7:04 PM
5	Water should not be allowed to be parked.	9/23/2020 5:43 PM
6	carryover needs to be above 50 %	9/23/2020 5:03 PM
7	Carryover should be no more than 30 percent	9/23/2020 4:27 PM
8	Only irrigators able to carry over water. Not traders or government departments	9/23/2020 11:36 AM
9	It no longer delivers on its original intent.	9/23/2020 9:32 AM
10	As it effects our following allocation	9/23/2020 9:04 AM
11	Maybe it could be less	9/23/2020 8:43 AM
12	How & why is carryover higher than previous years allocation	9/17/2020 12:36 PM
13	Carry Over rules are set against the entitlement.	9/15/2020 12:06 PM
14	carry-over should be subject to spill,and have no impact on allocations and entitlement holders	9/13/2020 10:36 AM
15	Less carry over	9/7/2020 11:03 PM
16	Carryover needs to be varied to suit the season but also overall it needs to be reduced substantially	9/7/2020 2:01 PM
17	Carry over is very helpful for those in lower reliablility water regions so a sacrifice of carry over would need to result in an increase in reliablility	9/7/2020 6:19 AM
18	Carryover is no longer delivering on its original and intended purpose.	9/6/2020 1:39 PM
19	Better understanding of triggers	9/6/2020 8:06 AM
20	Should only be a one trade rule	9/6/2020 7:32 AM
21	C/O is afunction of GS. yet HS products can effectivley be carried errodeing GS yeild	9/6/2020 6:53 AM
22	Carryover gives a false dam level indication	9/5/2020 6:59 PM
23	not sure	9/5/2020 3:04 PM
24	wipe out when dams spill	9/5/2020 11:31 AM
25	Environmental water needs to be subject to the same rules.	9/5/2020 10:48 AM
26	should be only available for farmers not investors	9/5/2020 10:41 AM
27	should be allowed to carryover 100% for 5 years, losing 20% if not used, then acts like a Bank balance, and would keep more water in Dams, more even allocations in time of droughts	9/5/2020 9:48 AM

Q21 Do you think that river conveyance losses have a significant impact on water markets?

Answered: 49 Skipped: 8



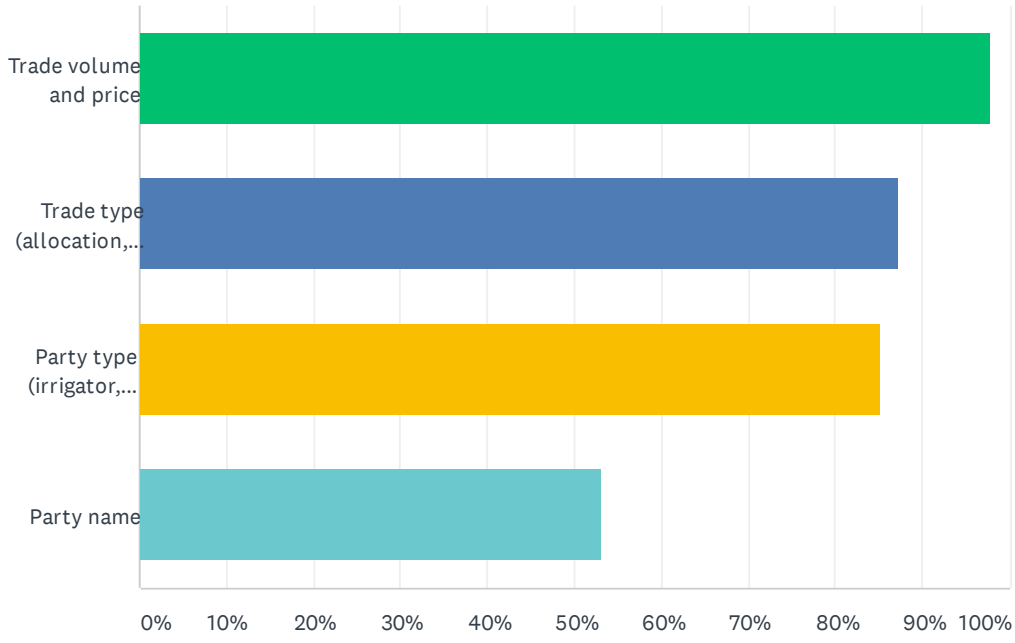
ANSWER CHOICES	RESPONSES	
Yes	79.59%	39
No	20.41%	10
TOTAL		49

#	IF YES, HOW?	DATE
1	Nsw irrigators shouldn't have to pay for the conveyance of water to south Australia	9/25/2020 8:10 AM
2	Again, I do not know the implications of the question	9/24/2020 1:04 PM
3	Increased requirement for system operational water decreases access to GS allocation.	9/24/2020 9:30 AM
4	Reduction in allocation Inc in temp water price	9/23/2020 8:27 PM
5	Farmers should not have conveyance against them when the environment doesnt	9/23/2020 4:27 PM
6	Because big loses reduce allocation from GS water allocation therefore increases the temp price	9/23/2020 11:36 AM
7	Those "losses" are inappropriately "netted off" GS licences in the original gazetted irrigation areas. The logarithms, algorithms and modeling need to be updated to reflect the influence of greater downstream commitments.	9/23/2020 9:32 AM
8	The river losses don't seem to have followed the water when it was sold out of mil Which I believe is now negatively affecting general security allocation	9/23/2020 9:18 AM
9	Reduces water available for general security holders	9/23/2020 9:04 AM
10	Up stream should not cover losses for downstream	9/23/2020 8:43 AM
11	Conveyance and losses should always be referred to on the same level. To move water down stream will always require more water. I support adding loss factors to downstream trade.	9/23/2020 8:42 AM
12	Water moving downstream was never calculated in the original plan of each valley's	9/17/2020 12:36 PM
13	One meg at the dam wall does not equal 1 meg at lake Alexandria	9/15/2020 1:36 PM
14	higher losses impact on allocations negatively	9/13/2020 10:36 AM
15	Not taken into account for water going into S.A.	9/7/2020 9:41 PM
16	Generally they are unacounted for	9/7/2020 2:01 PM
17	The more water that is wasted by breaching river constraints when moving water in peak demand times, the less water available for other water users and thus a decrease in supply which equals increase in price	9/7/2020 6:19 AM
18	The modelling is hopelessly our of date and it leads to a shorting of the market	9/6/2020 1:39 PM
19	allowed too much development downstream and waste too much water getting it too down there As the losses increase above base levels the downstream users should supply the losses	9/6/2020 8:06 AM
20	Results in a shortage of water water entitlement holders which therefore reduces yield on above choke water	9/6/2020 7:32 AM
21	GS wears all losses through river management and Climate Change effecting reliablity-availabilty. supply and demand therefore increases temp prices more proportionally for GS croppers who more oftenthan not annual croppers	9/6/2020 6:53 AM
22	trade to downstream incurs greater losses	9/5/2020 8:56 PM
23	miss management of river flows & environmental flows	9/5/2020 6:59 PM
24	If water is traded down stream one megalitre at Albury should not equal one megalitre at Adelaide	9/5/2020 3:44 PM
25	no sure - Evaporation of full rivers and lakes during dry times is wasteful and non productive.	9/5/2020 3:04 PM
26	taking water of irrigators	9/5/2020 12:50 PM
27	raises price considerately	9/5/2020 11:31 AM
28	The water is unavailable, therefore creating a false shortage of useable water.	9/5/2020 10:48 AM
29	why should the general allocation users be penalized for losses when water is shifted from one area to another.The person who shifts the water should also occur the loss	9/5/2020 10:41 AM

30	to much water wasted in south australia man made lakes and let go out to sea	9/5/2020 9:31 AM

Q22 Do you support the following trade information being recorded in real-time and made publicly available?

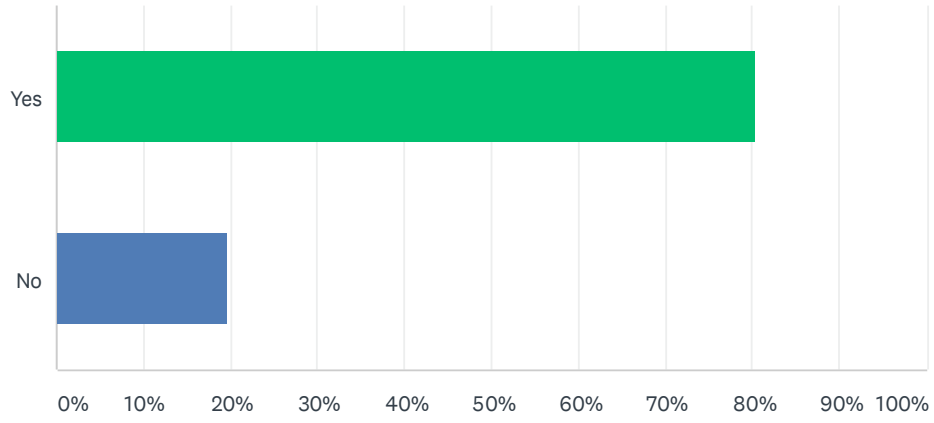
Answered: 47 Skipped: 10



ANSWER CHOICES	RESPONSES	
Trade volume and price	97.87%	46
Trade type (allocation, entitlement, lease, forward)	87.23%	41
Party type (irrigator, investor, broker, environmental water holders	85.11%	40
Party name	53.19%	25
Total Respondents: 47		

Q23 Do you think there should be separate public register for water ownership?

Answered: 46 Skipped: 11



ANSWER CHOICES	RESPONSES	
Yes	80.43%	37
No	19.57%	9
Total Respondents: 46		

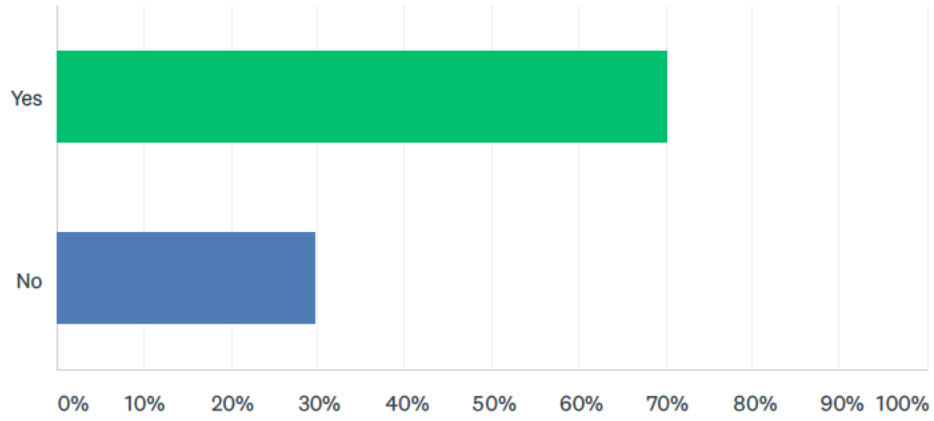
Q24 Please list information you would like to be recorded in real time and publicly available on water trades?

Answered: 24 Skipped: 33

#	RESPONSES	DATE
1	The amount of water running out to Sea The water taken from flood plane harvesting The amount of water flowing over the banks at the choke	9/24/2020 1:13 PM
2	Class of water being traded and to what class of licence. For example HS to GS, conveyance to GS. The issue needs to be quantified. Environmental water trades- both sale and purchase and licence types. Interstate trades and the class of licence it came from and to.	9/24/2020 9:33 AM
3	Who is trading, price, amount, valley from & too.	9/23/2020 5:46 PM
4	Seller/buyer/price	9/23/2020 11:39 AM
5	Same as all other public registers.	9/23/2020 9:34 AM
6	Don't see how it is anyone else's business to know	9/23/2020 9:20 AM
7	Name, ML, from, to and $	9/23/2020 8:47 AM
8	As above	9/23/2020 8:45 AM
9	Price, volume, type and movement to/from different areas to get an idea of conveyance	9/17/2020 12:41 PM
10	Price and volume of recent trades also where the water went/came from. volume and ask price for buy and sell	9/16/2020 12:16 PM
11	Volume, price, type of transaction and date it was agreed	9/15/2020 12:18 PM
12	price, volume ,valley,tagged to individual trades	9/13/2020 10:41 AM
13	Everthing and everyone.	9/7/2020 2:03 PM
14	Amount. Price. Type of owner (irrigator or not).	9/7/2020 12:36 PM
15	Each valley and water volume moving in and out.	9/7/2020 9:07 AM
16	All information as listed above except for personal details, privacy must be respected	9/7/2020 6:20 AM
17	Volume ,price ,location type of water and where transfersd too	9/6/2020 8:09 AM
18	valley trade is open/shut price and volume origin. eg Vic HR. nsw GS or HS . should be coded so it cant be carried over. traded allocation should be consisitent with its WSP/ Entitlement type. tagged licence which circumvent general trade limitations should be removed from WSP	9/6/2020 6:59 AM
19	silly to list same ownership trades unless intervalley or inter region	9/5/2020 9:01 PM
20	Water traded for primary production Water traded for investment purposes	9/5/2020 3:10 PM
21	sellers and buyers	9/5/2020 11:34 AM
22	zone/volume /price	9/5/2020 10:55 AM
23	Company owners.	9/5/2020 10:49 AM
24	Who owns the water	9/5/2020 9:54 AM

Q25 Do you support additional disclosure requirements for those who own more than a certain amount of entitlements?

Answered: 47 Skipped: 10

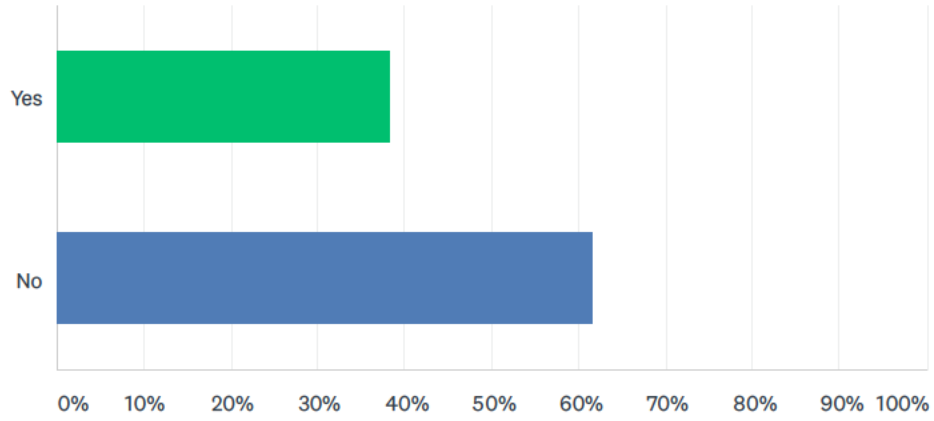


ANSWER CHOICES	RESPONSES	
Yes	70.21%	33
No	29.79%	14
TOTAL		47

#	IF YES, WHAT VOLUME OF ML SHOULD BE THE TRIGGER AMOUNT FOR THESE DISCLOSURE REQUIREMENTS?	DATE
1	10000ml	9/25/2020 8:11 AM
2	3000	9/24/2020 1:13 PM
3	1500 mg	9/23/2020 8:29 PM
4	5000	9/23/2020 7:06 PM
5	Any amount, there should be no discrimination.	9/23/2020 5:46 PM
6	10000	9/23/2020 5:06 PM
7	500 megs	9/23/2020 4:28 PM
8	2000 entitlements	9/23/2020 11:39 AM
9	More than 1% of any Valley's total WE.	9/23/2020 9:34 AM
10	5000	9/23/2020 9:07 AM
11	If companies want to avoid this they can with multiple licences	9/17/2020 12:41 PM
12	I am not sure to what end or out come this will deliver. Should there also be a certain amount of disclosure for those that use a certain amount of water?	9/15/2020 12:18 PM
13	10000	9/7/2020 11:04 PM
14	5000	9/7/2020 9:45 PM
15	1000 megs of General secutity 500 megs of high security	9/7/2020 2:03 PM
16	2000	9/7/2020 12:36 PM
17	Difficult to put a figure on this as multiple entities can be related under the one corporation.	9/7/2020 9:07 AM
18	1000ML	9/7/2020 6:20 AM
19	10,000ML	9/6/2020 4:13 PM
20	Anything more than 2% holdings in any valley	9/6/2020 1:40 PM
21	bit like foreign investment or ASX disclosure. a certain volume owned. not sure what that volume should be 20 000ML?	9/6/2020 6:59 AM
22	2500 for HS 5000 FOR GS	9/5/2020 9:01 PM
23	5000 megs	9/5/2020 7:02 PM
24	not sure .. Would be helpful to know who is manipulating/ able to manipulate market trends	9/5/2020 3:10 PM
25	government water holders	9/5/2020 12:52 PM
26	30,000mg	9/5/2020 11:38 AM
27	10000 mgl	9/5/2020 11:34 AM
28	1000 ml	9/5/2020 10:55 AM
29	5000	9/5/2020 10:49 AM
30	4000ml	9/5/2020 10:42 AM
31	100 ML	9/5/2020 9:54 AM

Q26 Do you think buyers and sellers should be able to participate in 'off-market' trades? i.e private sales or non-visible trades

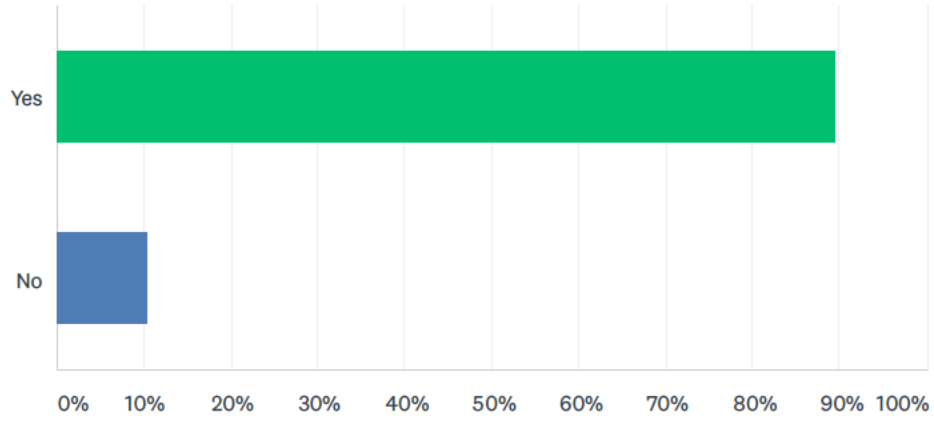
Answered: 47 Skipped: 10



ANSWER CHOICES	RESPONSES	
Yes	38.30%	18
No	61.70%	29
TOTAL		47

Q27 Should trade information, processes, forms and fees be standardised and presented consistently across all the Murray Darling Basin States?

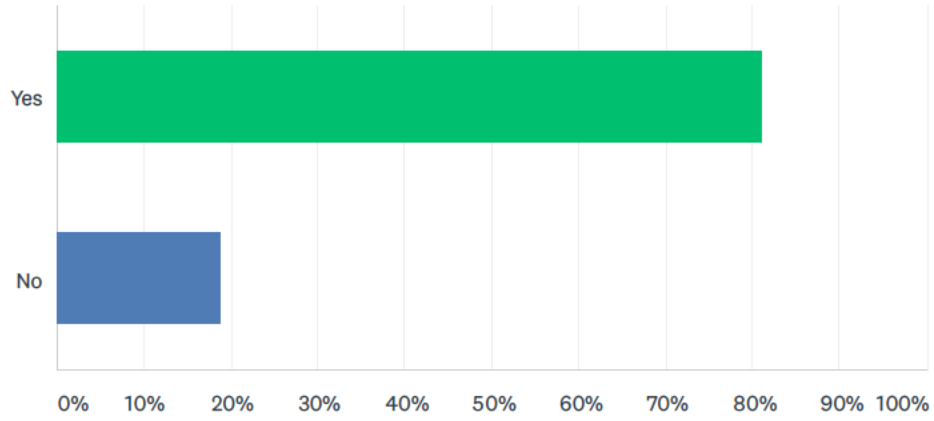
Answered: 48 Skipped: 9



ANSWER CHOICES	RESPONSES	
Yes	89.58%	43
No	10.42%	5
TOTAL		48

Q28 Should there be one set of trading rules for the whole Murray Darling Basin (with the exception of the State water allocation and sharing rules)?

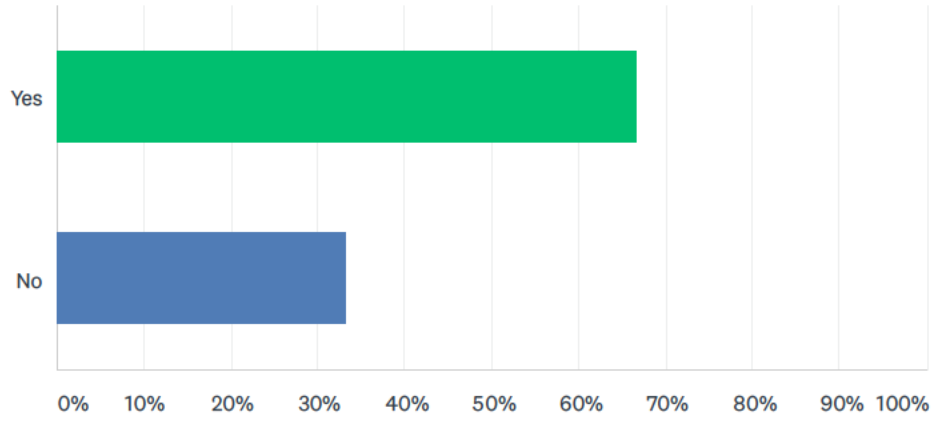
Answered: 48 Skipped: 9



ANSWER CHOICES	RESPONSES	
Yes	81.25%	39
No	18.75%	9
TOTAL		48

Q29 Do trade fees and charges influence your water market trading decisions?

Answered: 48 Skipped: 9

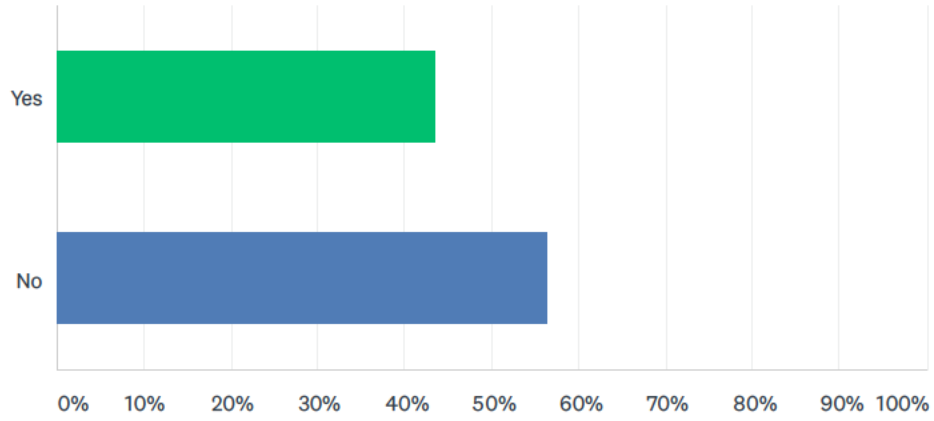


ANSWER CHOICES	RESPONSES	
Yes	66.67%	32
No	33.33%	16
TOTAL		48

#	IF YES, PLEASE EXPLAIN	DATE
1	I try to buy water off traders who don't have high fees	9/25/2020 8:12 AM
2	Which broker we can get the best rates from.	9/24/2020 9:35 AM
3	Impacts on overall cost per Mg	9/23/2020 8:32 PM
4	fees too high wont trade	9/23/2020 5:07 PM
5	Commission, fees and charges are all considered before purchasing	9/23/2020 11:41 AM
6	Price always affects business decisions!	9/23/2020 9:36 AM
7	It's all about $	9/23/2020 8:47 AM
8	Some brokers/exchanges are cheaper than others	9/17/2020 12:43 PM
9	It may determine which broker we use	9/16/2020 12:17 PM
10	SA too dear	9/16/2020 9:54 AM
11	Comms and interstate costs are what we try to avoid	9/15/2020 1:37 PM
12	The NSW non water user fee has an impact on market price, as does the high application fee in South Australia	9/15/2020 12:18 PM
13	With bore water there is set fee which makes small trades uneconomic ,also interstste trades	9/6/2020 8:11 AM
14	brokerage fees vary. so i shop around/negotiate. but thats the market working and bottom line price.but that needs factoring ito trades so no hidden costs.	9/6/2020 7:03 AM
15	it effects the bottom line	9/5/2020 7:06 PM
16	limit trivial /trading /to infuence price	9/5/2020 10:58 AM
17	Fees are costs, so included in budgeting.	9/5/2020 10:50 AM
18	additional cost on transfer of water	9/5/2020 10:43 AM
19	Find out hidden costs	9/5/2020 9:57 AM

Q30 Do trade processing times influence your water market trading decisions?

Answered: 46 Skipped: 11

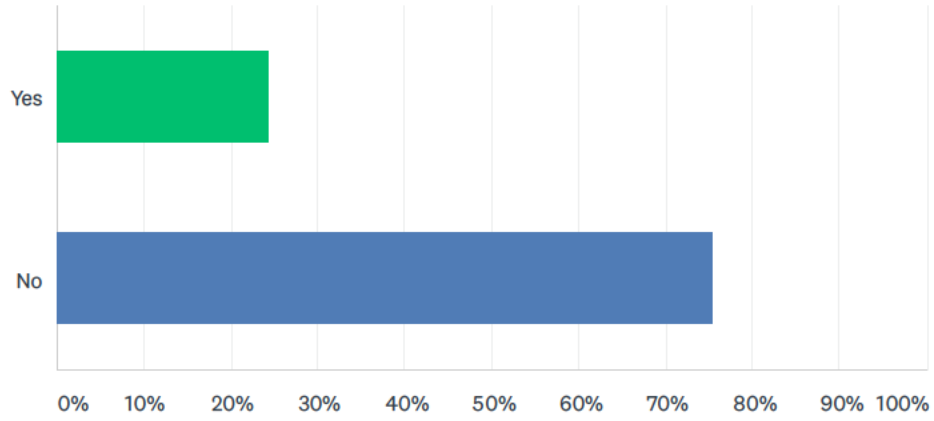


ANSWER CHOICES	RESPONSES	
Yes	43.48%	20
No	56.52%	26
TOTAL		46

#	IF YES, PLEASE EXPLAIN	DATE
1	when you want water, you want water	9/24/2020 1:15 PM
2	End of season date so sell before lose ML if have full carryover covered.	9/24/2020 9:35 AM
3	Access to the water to use it for productive use. Sometimes you need it in your account ASAP	9/23/2020 8:32 PM
4	When I need water I need it now	9/23/2020 4:29 PM
5	Time is of the essence	9/23/2020 11:41 AM
6	The process is extraordinarily clumsy and time consuming, particularly for irrigators in IC footprints as they DON'T posses a WAL.	9/23/2020 9:36 AM
7	Only sometimes if I've wanting to use it fast Or I'm wanting to on sell it	9/23/2020 9:23 AM
8	Weekends	9/7/2020 9:10 AM
9	We have planning and planting windows which means we need to know how much water is available in specific seasonal time frames	9/6/2020 1:42 PM
10	Quite often need water now	9/6/2020 8:11 AM
11	Im not a trader for arbitrage. i trade to use. but that could change. sytems and pocicies should have equal access and pro-rata solutions	9/6/2020 7:03 AM
12	MIL the only next day transfer	9/5/2020 9:02 PM
13	sometimes water is needed to finish a crop.delays are unacceptable	9/5/2020 10:43 AM

Q31 Have you ever traded water via the Inter-Valley Trade accounts of the Barmah Choke trade restriction?

Answered: 49 Skipped: 8

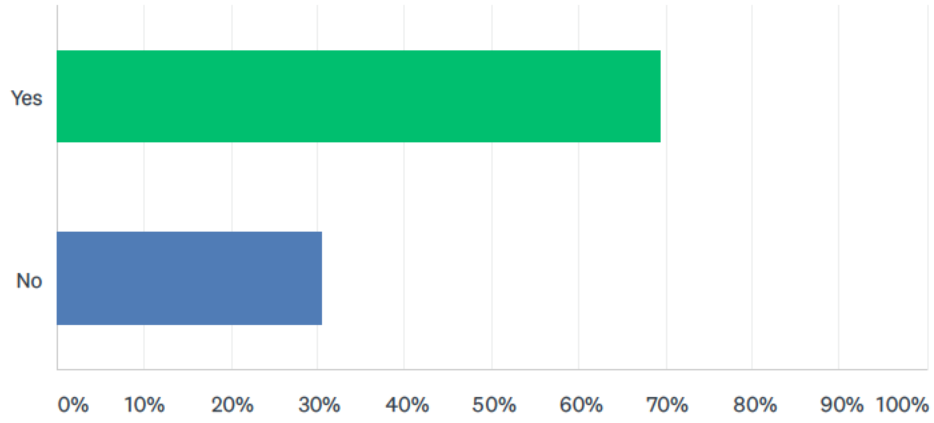


ANSWER CHOICES	RESPONSES	
Yes	24.49%	12
No	75.51%	37
TOTAL		49

#	IF YES, DO YOU FEEL YOU HAD TO USE A BROKER TO COMPLETE THIS TRADE? PLEASE EXPLAIN	DATE
1	Do not know if i have	9/24/2020 1:20 PM
2	No	9/23/2020 9:25 AM
3	Always use broker	9/16/2020 9:55 AM
4	Yes, I'm not always in the office to process	9/15/2020 1:38 PM
5	For Goulburn to Murray Trade (or vice versa) the Broker portal works more efficiently than the Victorian My Portal system. This is due to the fact that Brokers don't have to pay their application fees at the time of each transaction but in a single accrued monthly payment, where as irrigators have to pay at the time of lodgement. Generally the Victorian payment system or the portal its self crashes a an opening opportunity due to demand.	9/15/2020 12:26 PM
6	yes far to complicated to manage this ourselves	9/8/2020 1:05 PM
7	Yes ,as wasn't up to speed with all the rules	9/6/2020 8:17 AM
8	not transparent about where the trade is parked	9/6/2020 7:06 AM
9	Yes system is not friendly to small user's	9/5/2020 3:59 PM
10	no state authority / ok ie vic gmw to nsw mil	9/5/2020 11:08 AM

Q32 Do you think that the current exemption for grandfathered tags (which allows licence holders to circumvent the operation of IVT limits) should be removed?

Answered: 36 Skipped: 21



ANSWER CHOICES	RESPONSES	
Yes	69.44%	25
No	30.56%	11
TOTAL		36

#	IF YES, PLEASE EXPLAIN WHY?	DATE
1	do not understand	9/24/2020 1:20 PM
2	They are being abused and used to move more purchased water between systems rather than just allocation as per historical levels.	9/24/2020 9:41 AM
3	Unfair advantage	9/23/2020 11:42 AM
4	Out of date and counter intuitive.	9/23/2020 9:42 AM
5	IVT limits are for everyone	9/23/2020 8:49 AM
6	?	9/23/2020 8:49 AM
7	Maybe no. Need to know how much and are the legit or just trading	9/17/2020 12:53 PM
8	Needs to be a level playing field for all water license holders	9/16/2020 12:18 PM
9	It provides an unfair advantage to those holders and provides volume loophols	9/15/2020 1:38 PM
10	The structure around tagged trading was always a floored idea. Why have trading rule limits (and operational limits) and then create a structure where some can get around those limits. In the case of historic Goulburn to Murray exchange rate trade there is an argument of historic use but in the case of those which have more recently been put into place i don't believe they should remain. A tag should be about drawing the allocation from an entitlement exposure, not from a Zero WAL or ABA and the holder trading on to the account. There are some Murrumbidgee to Murray tags for example that have the capacity to draw up to half as much again (over 50GL) as the current our trade limit based on usage at the pump sites that the Murrumbidgee WAL is attached to. The practice enables those with the historic tagged connection a significant advantage over other irrigators in the market, where at the moment they can draw on water that is $150-$170/ML cheaper than their neighbour.	9/15/2020 12:26 PM
11	ivt trade limits should apply to all licence holders	9/13/2020 10:49 AM
12	I don,t understand the question	9/7/2020 2:05 PM
13	Level the playing field.. This area is manipulated by the BIG players	9/7/2020 9:12 AM
14	Because this is an outdated exemption and no longer applies to the current time	9/7/2020 6:23 AM
15	its a loophole of unfair advantage which circumvents the WSP and markets	9/6/2020 7:06 AM
16	access to trade not equal	9/5/2020 9:06 PM
17	In some cases it is just a way to print money above below choke	9/5/2020 3:59 PM
18	not sure	9/5/2020 3:40 PM
19	water should not be alowed to trade down stream without a loss factor	9/5/2020 11:08 AM
20	Transparency	9/5/2020 10:55 AM
21	Be fair to all water users	9/5/2020 10:03 AM

Q33 Please add any additional comments you would like us to consider

Answered: 17 Skipped: 40

#	RESPONSES	DATE
1	Try and answer your self in 10 minuets or less false advertising by ricegrowers . as I said alot of these questions i did not understand.	9/24/2020 1:20 PM
2	Vic seem to be the only state to be able to take advantage of any opening in Choke trade due to the 'live platform' they use and NSW only reconciles daily. Water should only be able to trade to above choke and not to below choke.	9/24/2020 9:41 AM
3	In the interests of fairness, and as tge ACCC has highlighted, the behaviour of IIOs needs to be scrutinused. They have a distinct advantage in the market over all their customers/members/shareholders because they operate large bulk WALs , have all the data on production (and thus water requirements)in their footprints and own and trade water portfolios themselves.	9/23/2020 9:42 AM
4	Be very careful what rules you play with in this area As it's working well and has evolved well in the 20 years I've been involved	9/23/2020 9:25 AM
5	Anything I did not answer I was unsure of. River conveyance losses to S.A need to come out of their own water pool.	9/23/2020 9:11 AM
6	Some sort of"independent" market agency that offers up to date market insights ie how much water is needed In valleys, commodities or how much is leftover. I'd probably pay for that service	9/17/2020 12:53 PM
7	I haven't answered question 23 as there already are separate public registers for water registration. These can be publicly searched. SA - https://www.waterconnect.sa.gov.au/Pages/Home.aspx NSW - https://waterregister.waternsw.com.au/water-register-frame Victorian - https://waterregister.vic.gov.au/ Thank you for running the survey	9/15/2020 12:26 PM
8	With Q. 27 Standardising fees across the MDBA.. We have already incurred huge expense and had 'azillions' spent on efficiency. The Northern area that has none of this so far... we don't want areas subsidising others. AS is now with the unfairness of water allocations.	9/7/2020 9:12 AM
9	Water should retain its identity so we don't have discrepancies ie general security above the chock ending up below the chock due to dubious accounting	9/6/2020 8:17 AM
10	better explanation of access to flow share in periods of restriction	9/5/2020 9:06 PM
11	When land and water was separated there should have been a conveyance component when water is purchased and transferred down the river the conveyance losses should have been allowed for	9/5/2020 3:59 PM
12	The whole Water Trading Industry has become too political and too complicated. Small farm businesses are expected to compete and operate in a sphere which is dominated by large investment companies, multinational agribusiness companies, and political influences. The Hume and Dartmouth Water Storages were originally built for primary production purposes. Irrigation farming districts were developed at great effort and expense to make use of these storages to produce food and fibre and add to the nations wealth as well as provide livings and employment. The current water 'climate' is difficult, disillusioning and frankly, very depressing.	9/5/2020 3:40 PM
13	open barrages, lock zero, sack MDBA, environment on farm is stuffed	9/5/2020 12:58 PM
14	transmission losses must be deducted from all down stream tranfer trades ie they must be increased the further down the river the traded waters delivery is required	9/5/2020 11:08 AM
15	The water market needs to be transparent. Conflicts of interest need to be declared.	9/5/2020 10:55 AM
16	water register /ownership in nsw must be set up in NSW with full transparency. Helen Daltons bill must be supported.	9/5/2020 10:45 AM
17	Water should be owned and shared fairly between Govs., Towns, Farmers. Water should not be a commodity for sale, and not be owned by anyone other than the above.	9/5/2020 10:03 AM