

Aware Water Group Pty Ltd
Level 31 / 367 Collins Street
Melbourne VIC 3000

28 August 2020

Director
Murray-Darling Basin Inquiry
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

By E-mail: waterinquiry@accc.gov.au

Dear Director

RE: Submission to ACCC Water Markets Inquiry

Introduction

Aware Water Group Pty Limited ('**Aware Water**') welcomes the opportunity to make this submission in response to the ACCC's Interim Report released on the 30 July 2020.

Aware Water supports the ACCC's findings in the Interim report that water markets are complex and that the current governance arrangements are in need of reform to realise the potential benefits of water trade.

The Aware Water submission will cover three areas:

- Water Market Regulation
- Water Market Transparency
- Water Market Architecture

Water Market Regulation

Over the last 20 years, regulation of water market brokers and intermediaries has been via a voluntary code of conduct and self-regulation by a representative body.

Given the growth in value and complexity of the MDB water market, the potential for misalignment of client and broker interests and obligations has increased. The management of these conflicts and obligations are emerging as a key area for reform to ensure an environment of trust is maintained in the water market for all water market participants. For the full benefits of water trade to be realised, the water market needs to have a high level of integrity and operate in a fair and efficient manner.

Aware Water supports the implementation of an independent government initiated licencing scheme for water brokers and intermediaries. Such a scheme would improve the function of the market by better defining the obligations of intermediaries and eliminating or minimising (through disclosure requirements) any conflicts of interest.

Given water trading occurs across and within state boundaries, a Commonwealth statutory authority such as the MDBA or Inspector General of the Murray Darling Basin have the potential to have their roles broadened to encompass the licencing, monitoring and enforcement role for water brokers and intermediaries.

Water Market Transparency

The Murray Darling Basin water market relies on accurate and accessible information to enable market participants to obtain price transparency and to make well informed decisions.

Aware Water is supportive of reforms that increase market transparency and efficiency including reforms intended to:

1. Reduce overlap and harmonise water trading frameworks across different states and water authorities to simplify and lower costs of water trading;
2. Standardise market participant identifiers such as an ABN;
3. Substantiate \$0 trades, and where possible, review mis reported trades;
4. Increase transparency and communication of water allocation and river operation decisions; and
5. Adopt technology that reduces transactions costs and increases water market efficiencies.

The above reforms have the potential to reduce market inefficiencies, reduce water trade transactions costs and improve the timeliness and accuracy of water market data.

In principle, Aware Water is supportive of reforms that facilitate the fair and efficient operation of the water market, increase transparency and provide access to timely, accurate and comprehensive water market price and volume data.

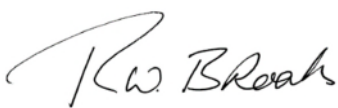
Water Market Architecture

The ACCC interim report has outlined preliminary options regarding potential changes to the water market architecture, which the ACCC intends to explore in order to facilitate increased integration of water operations, water trade operations and physical characteristics of the river systems so as to increase economic benefits of trade.

Aware Water considers that the options in the interim report are complex, interrelated and are not explained in sufficient detail so that water market participants can understand the impacts of the proposed reforms on existing water entitlement attributes and value. At this point, based on the interim report, Aware Water does not support changes to the water market architecture.

Water entitlements are an important asset. It is important to maintain certainty in relation to the features and value of a water entitlement to attract investment into Australian agriculture.

Yours Faithfully



Robertson Brooks
Aware Water Group