Murrumbidgee Irrigation

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**Via email:** waterinquiry@accc.gov.au

**RE: Murrumbidgee Irrigation Ltd Submission in response to the Interim Report of the ACCC Inquiry into Water Markets in the Murray-Darling Basin**

Murrumbidgee Irrigation Ltd (MI) is one of the largest private irrigation companies in Australia servicing over 3,000 landholdings owned by over 2,500 customers, the majority of whom are shareholders in the Company. Our core business is water distribution. We provide irrigation water and drainage services to the Murrumbidgee Irrigation Area (378,911 Ha). MI is an active member of the National Irrigators' Council (NIC) and supports NIC's comprehensive submission to the ACCC's issues paper, particularly with respect to implications for Irrigation Infrastructure Operators (IIO's). We note that MI, unlike many IIO's, does not operate a water trading platform.

In our initial submission to the Inquiry we provided comment on Regulation and Institutional Settings as well as Market Transparency and Information. We note that several of our recommendations are reflected in the ACCC's issues paper, in particular, those that relate to inter valley trade (IVT) rules, delivery capacity, tagged trade and a centralised exchange supported by a national water register.

MI has been actively seeking a review of unnecessarily restrictive rules that create an impediment to trade between connected systems. We agree that "the system was built for water management, but not for efficient water trading". Rules like the 100GL Murray-Murrumbidgee IVT limit, the Barmah Choke trade restrictions, and pre-2010 Tagged Trade exemptions were all drafted in a pre-trade environment and prior to any concept of held environmental water or the Murray Darling Basin Plan. We support the ACCC recommendations that:

- Current IVT limits are a blunt instrument that restricts trade and should be reviewed with a view to creating a more dynamic and open trade environment. End of System Targets included in water sharing plans should be part of this review. These targets are routinely exceeded through trade and river losses. Flows in excess of set targets should be reconciled as part of the inter valley trade accounts supporting more open trade rather than providing opportunistic benefits to river operators and downstream water sources.

- Grandfathered provisions from tagged licences issued prior to 2010 should be extinguished. The grandfathered arrangements in the NSW Murray and Murrumbidgee have a demonstrated and disproportionate impact on Murrumbidgee water users and undermine existing trade rules.

- Mechanisms other than trade restrictions need to be developed that enable downstream capacity demand management. We agree that the absence of markets for on-river delivery capacity means that operational and trading decisions are sub-optimal. The unbundling of water and delivery rights inside irrigation districts was implemented over 10 years ago to support trade of water entitlements separate from land and delivery rights. Maintaining a bundled right elsewhere is inequitable, interferes with operational objectivity and distorts trading decisions. A target date should be set for unbundling water and delivery rights outside of irrigation districts.

In our earlier submission we also supported the need for increased market transparency. Currently there is no simple, single point of access for up to date market information. We note the recommendation for IIOs to establish and maintain comparable registers (potentially in partnership with state agencies) and the various suggestions of national registers. We reiterate the concerns of the NIC, that any reform should be dictated by evidence of need, result in less, not more, administrative burden and lower the cost of participation.

MI, like many IIOs, operates as a cost recovery business. We are a private company and our shareholders are the farmers that use the irrigation water in the MIA. IIOs and their customers should not be expected to fund and maintain registers that are more properly the responsibility of a government agency. Similarly, IIOs should not be held accountable for the accuracy and completeness of information that they do not collect, own or control such as third-party leases or encumbrances on water entitlements. Water market participants must be responsible for the cost and provision of this information.

We support the ideal of a national water entitlements register that identifies the characteristics of the entitlements and whether they are held as part of a group scheme or licence, and any encumbrances on the entitlements. MI is not currently a part of the NICWER scheme and so is unable to comment on the value of that platform as a model for a future entitlement or trade register. However, we note our understanding that NICWER is effectively a portal that provides search access to information already held by other IIOs rather than a stand-alone register. Not all IIOs collect or hold the same information. For example, MI does not record encumbrances on water entitlements on behalf of our customers. Extending the Personal Properties Security Register (PPSR) to include the ability to register an encumbrance over water entitlements would be an expedient solution that would enable this information to be registered by the parties and then linked to a national water entitlement register.

We note the recommendations relating to market architecture. In line with the NIC submission, we encourage caution noting the potential for unintended impacts and the complexity and differences between different catchments particularly with respect to continuous accounting, carryover and conveyance loss factors. In particular, river management decisions are likely to be equally if not more important than trade in the understanding of conveyance losses. We strongly support an increased focus on transparency in this area as a first step to ensure equitable application and attribution of these losses before investigating or promoting solutions. In the Murrumbidgee, despite significant investments in computer aided river management, the proportion of available allocation attributed to river losses has increased over the last 10 years with no clear justification and demonstrable impacts on reliability for General Security water users.

Finally, we encourage the ACCC to take the opportunity of this market review to consider the true value of water to regional economies. Unlike electricity, water is a mixed good. Essentially it is a privately owned asset with public good characteristics. The value of water to the economy is not just through agricultural production and the farm gate price but rather the economic and social return in regional communities from sustained employment including in processing and support industries.

Yours sincerely

**Brett Jones**
Managing Director