

AUSTRALIAN COMPETITION &
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CANBERRA



Department of
**Natural Resources,
Mines and Energy**

Ref CTS 19345/20

23 September 2020

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

Dear Director

I write to make a submission to the interim report produced by the Australian Competition and Consumer Commission (ACCC) Murray-Darling Basin (MDB) water markets inquiry.

The Department of Natural Resources, Mines and Energy (the department) continues to support the inquiry and is committed to ongoing engagement with the ACCC to ensure optimal settings for Queensland's water market. The report is also welcomed for the increased awareness it will bring for many participants to a range of water market issues.

The department's approach towards the Queensland water market is to seek regulatory efficiency while also understanding that the market is not a single homogeneous entity. This has resulted in water market design solutions that are tailored to different water user needs across diverse catchments while also aiming to meet specified environmental objectives.

The department looks forward to future discussions with the ACCC, relevant Commonwealth agencies and other jurisdictions on the interim findings (and subsequent recommendations) to share perspectives and consider ways to improve the MDB water market. Information on the Queensland Government's efforts to ensure the success of Queensland's water market is attached.

Yours faithfully,

James Purtil
Director-General

Att

Summary of ACCC Interim Findings—

- Conduct of market intermediaries

No specific misconduct has been identified with the report highlighting only allegations and concerns; however, 'notices' issued to brokers are being considered by the ACCC before finalising a position on this. Nonetheless, the ACCC findings are that increased regulatory oversight should be considered, with options including:

 - prohibiting harmful conduct such as potential market manipulation;
 - requiring the use of trust accounts; and
 - introducing conflict disclosure obligations to ensure that customers' needs are prioritised.
- Market governance

An option to enable clearer and more independent decision-making is to consolidate or harmonise fragmented roles and reduce regulatory gaps by creating and assigning new roles or functions e.g. establishing an independent, market-focused regulator via the creation of an entirely new body, or giving an existing regulator new functions.
- Market architecture

Improvements to market design may include:

 - alternative carryover policies;
 - better management of transmission losses;
 - consistency for water accounting and metering;
 - the creation of markets for storage and delivery capacity; and
 - more consistent interstate trade arrangements.
- Trade processes and data

Options to improve quality, timeliness and transparency of market data include:

 - adopting a range of digital technology solutions to enhance interoperability for transmitting data;
 - interfaces between approval authorities and registers; and
 - automate the collection, cleaning and publishing of information, such as:
 - increased harmonisation by working towards consistent terminology;
 - improved data validation and quality assurance processes;
 - online forms and capture of the trade type, including \$0 trades;
 - establish legislative mandate to keep a register to record all entitlement trades and all allocation trades;
 - a single information portal for publishing Basin-wide water availability and trade information or a single common Basin-wide register;
 - a spot market similar to the National Electricity Market;
 - a single exchange platform for posting and matching trade offers; and
 - an ASX-like approach of a single clearinghouse for administering trade (but connecting different Basin State registers underneath).

ACCC Inquiry into water markets in the Murray–Darling Basin

Interim Findings

Queensland

Department of Natural Resources, Mines and Energy

Submission

September 2020

Queensland's commitment to ensuring the effectiveness of its water market is demonstrated by the establishment of the Water Markets Branch within the Department of Natural Resources, Mines and Energy (DNRME) in 2018. This branch has oversight of the Rural Water Management Program (RWMP).

The RWMP aims to deliver transformational change in the way Queensland's rural water resources are managed, measured and reported through:

- strengthened water measurement;
- transparent water information;
- enhanced regulatory approaches; and
- robust compliance.

Many of the ACCC's interim findings and options for improvements are already being actively considered as part of the RWMP. Any subsequent recommendations from the inquiry that have implications for Queensland will assist in informing the future direction of this program.

The program will transform business policies and processes, provide better access to high quality water information, and improve systems to give confidence that the State's water resources are being managed fairly and responsibly.

In the later stages of the program, the State will investigate technology and digital solutions to enhance systems to ensure customers and the community have better access to accurate and near real-time water information. These initiatives are expected to contribute to more efficient use of the water resources, support water markets, improve the effectiveness of compliance activities and increase public confidence in how water resources are regulated.

Queensland is also improving how water take is measured by developing a new non-urban water measurement policy. Policy proposals were released late last year for public consultation in relation to metering, delivering strengthened measurement assurance and meter accuracy, clarity on where a meter is required and providing greater consistency in approaches across supplemented and unsupplemented metering areas.

Since the launch of the RWMP, it became apparent that many of the projects and initiatives already being undertaken as part of the program would also contribute to the holistic, end-to-end transformation of how sustainable water management is delivered in this State. Consequently, the RWMP is evolving into the Building Queensland's Rural Water Future program (Rural Water Futures) as an overarching program that better captures the scope of this work and to signal the State's intent as regulator and manager of Queensland's water resources.

Within this evolved program, trading and market facilitation is explicitly defined as a key domain of activity within the end-to-end water management value chain. It has been acknowledged that modernising this function may need to explore ways to:

- translate trade rules in draft water plans into digital processes and workflows so they can be automated and efficiently implemented before plans are finalised.
- determine how water trading rules in current water plans can be automated in high priority areas.
- capture and provide more accurate and timely information that supports water market accessible online functionality e.g. water users trading online and automated notifications to alert users to water trading opportunities.
- digitally record water transaction information in a format that ensures secure data, so that it can be accessible in a manner to support an active water market.

- enable customers to use digital services and online market tools to participate in online unallocated water releases.

These ideas reflect the ACCC's interim findings, particularly with regard to the need to improve the trade process and market transparency.

Queensland Water Markets Optimisation Strategy

As part of Rural Water Futures, the department is working with the irrigation, resource and local government sectors to increase the utilisation of supplemented and un-supplemented water where appropriate and where this will enable the greatest economic benefit. The project was initiated because an assessment found that there are significant quantities of water that have remained unused in some Queensland dams, weirs, barrages and metered water management areas even in dry times over the last 10 years.

During 2019, the department consulted with industry stakeholders as part of the Underutilised Water Partnership Project. The following recommendations were then developed with stakeholders to support better water utilisation via water markets:

- water trade stimulation by supporting user business planning and risk management, such as through growing centralised online information repositories of, or portals to, temporary trade information;
- minimise search costs by facilitating market matching e.g. supporting the development of bulletin boards to improve price transparency and help buyers and sellers to find each other;
- reduce transaction costs by automating processes, and streamlining and reducing red tape; and
- facilitate increased trade through updated water plans, water management protocols and operations manuals.

In response to recommendations from the Underutilised Water Partnership Project, the Water Markets and Trading Optimisation Strategy is planned for release in 2020. The Strategy will contain initiatives to optimise water markets and trading including, improved information provision, initiatives designed to prompt users to offer surplus water to other users through temporary trading, as well as initiatives designed to provide the best available information to support better planning and investment for users wishing to expand their business or opportunities for new water-reliant businesses.

Implementation of initiatives to improve access to market information has begun with the development of the Water Entitlement Viewer and the Water Investor Hotline. The latter helps businesses and investors access vital information on water by providing plain English advice and assistance on the opportunities available.

In addition, in 2018 amendments were made to the *Water Act 2000* to facilitate publishing of temporary trade sale price information as well as to allow temporary access to unallocated water held as strategic water infrastructure reserves.

DNRME has also set-up a centralised unallocated water delivery team to improve the delivery model for releasing unallocated water to the market and thus be more responsive to economic development opportunities. This model provides opportunities for complex elements of unallocated water release processes such as product development, setting of reserve sale prices and legal advice to be standardised and streamlined.