

Submission  
No 54

## INQUIRY INTO WATER AUGMENTATION

**Organisation:** Waterfind

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## RE: INQUIRY INTO THE AUGMENTATION OF WATER SUPPLY FOR RURAL AND REGIONAL NEW SOUTH WALES

### OVERVIEW

Waterfind is a pioneer in the water market industry whose mission is to increase the wealth of regional Australia. Established in 2003, Waterfind developed the first ISO 9001 quality endorsed water market system, which is now the most geographically widespread in the country, and whose client base holds over 65% of Australian water entitlements. This long history and commitment to advancing water markets places Waterfind in an excellent position to continue to work with all sectors toward better water management.

In compiling our submission, we believe that the key components we can contribute to are:

#### **g) the efficiency and sustainability of environmental water being maintained by different State and Federal Government departments and agencies**

Regardless of management by different State and Federal Government departments and agencies, many irrigators feel that environmental water is simply not managed to the same efficiency standards as water for irrigation. In order to address this the government needs to better communicate how a little water can go a long way, and increase engagement with local regional communities about the success of its environmental release activities. The restoration of river health is dependent upon more than just achieving sufficient environmental flows. In addition to the volumetric return of river water, greater efforts are needed to increase public awareness of the progress on a range of river health indices. For instance, these may relate to vegetation, pest management, and water condition, each of which provide additional indicators of the underlying health of the water resource.

Widespread public sentiment that State and Federal participation in the water market has driven up prices and reduced the volumes available to be traded, is another factor that needs to be addressed. The crux of the matter and what needs to be resolved, is sentiment among other water users that government activity has a disruptive effect on the water market. If government departments operated entirely within the normal water market, rather than via external tender processes, this would build public confidence that they do not disrupt the water market to the extent they are perceived to.

#### **h) the management, appropriateness, efficiency and reporting of:**

##### **i. inter-valley transfers**

In general, Waterfind believes that inter-valley transfers (i.e. between the Murrumbidgee and Murray) are well designed in NSW. However, the up/down Barmah Choke trade balance could be improved. Current operation of the Choke means that there is the potential for costs to be incurred from lodging trades that have been received, charged, and placed in the queue for processing, but which cannot proceed due to the Choke closing. The charging of trades after their lodgement but before their approval is something Waterfind believes could be improved upon. At present, there can be a delay of 48 hours between trade lodgement and confirmation, which means that all participants (particularly intermediaries) can incur significant costs during the approach to the trade balance closing (i.e. \$153.98 per trade).

Although there is real time visibility of the Barmah Choke trade balance, what is really needed is real time visibility or notifications of pending applications similar to what occurs with the Murrumbidgee IVT account. The introduction of a visible queue for pending trade volumes without disclosing sensitive information, would allow for market participants to only lodge trades that are able to go through. Ideally, the Choke account should also have capacity for applications lodged after closure to go into a visible queue for processing when trade is reopened.

## **ii. conveyance and water loss**

In regards to conveyance and water loss, Waterfind believes that these are both well managed in NSW and that the state leads the rest of Australia in this respect.

## **iii. carryover**

The same is true for carryover, which varies catchment-by-catchment and as a rule is very good.

## **iv. the management and reporting of the water market**

Waterfind believes that NSW water market reporting is currently the gold standard in the industry. However, management and reporting of the water market is something that can be continually improved upon. Waterfind is a long term advocate of improving access to quality water market information, and believes that there are 2 simple steps the Government could take to improve the accuracy and consistency of water trade reporting:

### **1) NSW temporary trade deadline dates**

Waterfind would like to take the opportunity to comment on the trade barrier caused by the WaterNSW's season closing dates in the NSW Murray & Murrumbidgee valleys. In these valleys interstate temporary trading closes at the end of April, whereas intrastate trading continues until the end of May. In South Australia and Victoria both intra- and interstate temporary trading continues effectively until the end of the season in 30 June. Waterfind's view is that this places NSW Murray and Murrumbidgee irrigators into unfair position compared to SA & Vic water users.

Waterfind does not see any clear reasoning why in NSW trade should close earlier than other states, and asks the NSW Government to consider aligning the NSW Murray and Murrumbidgee trade closing dates with the rest of the Southern Connected system. Waterfind believes that by removing this current barrier to NSW water users, this would provide all irrigators within the Southern Connected System with equal opportunity to manage their water assets over the same time period.

### **2) WaterNSW trade-out fee**

WaterNSW requires the payment of variable usage charges (VUC) for all allocation assignments involving a buyer licence not linked to a NSW Works Approval. In effect, all interstate trades incur this fee. For instance, during the 2016/17 irrigation season interstate trades out of NSW Murray/ Murrumbidgee incur a fee of \$7.52/ML. As interstate allocation trading is very common, a significant amount of irrigators' funds is spent on this charge. As their intent is just to manage their water assets in the most effective way, the fee seems unreasonable.

As one of the leading Australian water brokers, Waterfind believes it is well positioned to comment on this WaterNSW charge on water allocation traded out of NSW. Waterfind concurs with the findings of Marsden Jacob Associates (MJA)<sup>1</sup>, as they (commissioned by the ACCC) identified that "this charge has led to dual pricing for NSW water allocation in the southern Murray-Darling Basin (MDB), with NSW sellers listing their (NSW) water allocations at a \$5-\$7 discount in Victorian and SA markets". From a pure water market perspective, in Waterfind's opinion it is an undeniable fact that this fee distorts the water market. This opinion is also generally shared by Waterfind's clients actively trading in the Southern Connected system.

1 ACCC, Review of Water Charge Rules Draft Advice, November 2015, p. 68.

This trade barrier could be avoided if WaterNSW would levy variable charges at the time water is allocated, rather than when water is used. This would not have a distorting market effect, and it would level the playing field between NSW, SA & Vic irrigators in terms of interstate water trading as NSW water sellers would be indifferent between selling water to buyers in any state. Levying variable charges at the time water is allocated would also solve another issue in relation to the WaterNSW variable water usage charge. This charge applies not only to interstate trades but also to intrastate temporary trades that involve a buyer whose licence is not linked to a NSW Works Approval. While in certain cases (e.g. the buyer only momentarily parks the water onto his account and moves it onwards to a licence that does have a works approval attached) it is possible to claim this fee back, at present this process is overly cumbersome. This has led to situations where persons rightfully eligible to claim their fees back have not done it due to the process being too difficult. Levying variable charges at the time water is allocated would therefore fix this issue as well.



## **Contact Us**

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