

2nd Submission to the ACCC Draft Advice

29th February 2016

I am making this second submission to the ACCC Draft Advice Recommendation 8-A in light of an article which appeared in the Weekly Times on February 17th 2016. This page 9 article by Chris McLennan is titled 'Growers to repay enviro water.'

I will transcribe the article as written in the Weekly Times as follows;

"Victorian irrigators will need to repay 177 gigalitres of water to the Murray River before they can start saving for the next season.

Authorities borrowed the environmental water from the "Barmah Forest Account" to kickstart allocations this season.

After Murray allocations reached 100 per cent this week, it triggered the need to repay the water, basically the equivalent of a half full Lake Eildon.

State resource manager Mark Bailey said it was a common practice to 'borrow' environmental water for the start of each irrigation season.

Dr Bailey said reserves for the 2016-17 season will start when all the borrowed water in the Murray system is repaid.

Murray Daring Basin storages are now 3080 gigalitres or about 37 per cent capacity.

Dr Bailey said storages were now at their lowest levels for five years.

'The volume of water flowing into the Murray system so far this season would be greater in 91 years out of 100.'

Carried-over allocation in the Murray and Goulburn system will be deliverable from the start of the season under all weather conditions.

The prospects for the Broken, Campaspe, Loddon, and Bullarook systems are less certain."

The Barmah Forest Account, I believe, has been set up from carry over water in excess of The Living Murray LRWS holdings. This water should have spilt (forfeited) as the capacity of storage within LRWS The Living Murray Account was exceeded by 177 gigaltres.

I have read the Independent Review of the Water Act and box 6.3 explains The Living Murray Program and the set up for iconic sites along the Murray, including the Barmah-Millewa Forrest, nowhere does it mention non tradable accounts lending water to irrigators for repayment at a later date. It does mention setting up separate accounts for water contained in a water share for the iconic sites, either HRWS or LRWS.

The situation above has lead to extremely low opening allocations for the Murray, and has distorted water markets, the price of temporary water rose \$25/ML on this allocation announcement as irrigators have frantically underestimated what they thought the opening allocation would be.

The repayment of this water is unlawful as water can only be traded as water attached to water shares. The borrowing of 177 gigalitres of water by the authorities to kickstart the allocations at the 2015-16 season opening was unlawful. The price for temporary water at the start of the 2015-16 season was \$190/ML (the price I paid for water then). If it does not rain sufficiently to fill our reserves, water will be paid back in the 2016-17 season at \$300/ML. This system of water accounting is not permitted under the Water Act.

Recommendation 8-A in the ACCC Draft seems extremely weak worded to deter this unlawful activity. The actions above could easily be attributed to a \$53million deal not in accordance with Water Act.

I believe this 177GL of water should not be repaid and action should be taken immediately to remedy this situation and give credence to the water trading market.

Yours sincerely,

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