



Murray-Darling Basin water markets inquiry public forum – Deniliquin

12 November 2019

This document is not a verbatim record of the forum but a summary of the issues raised by forum attendees.

The views and opinions expressed are those of the attendees and do not reflect the ACCC's views or position on the issues summarised.

Tuesday 12 November 2019, 10.00 am to 12.45 pm
RSL Club, 72 End Street, Deniliquin, NSW

Attendees

Australian Competition and Consumer Commission

Mick Keogh, Deputy Chair

Gabrielle Ford, Executive General Manager

Bruce Mikkelsen, Executive Director

Other ACCC staff.

Interested parties

Approximately 140 interested parties attended the forum

Opening of forum

Deputy Chair Mick Keogh opened the forum by welcoming attendees and outlining the focus of the inquiry. He apologised for the timing of the forum acknowledging that it was occurring during harvest time.

Deputy Chair Keogh outlined that the ACCC's Murray-Darling Basin water markets inquiry has two key information gathering components: firstly, the public forums, and secondly, the obtaining of information and documents from market participants through the ACCC's compulsory information gathering powers.

Deputy Chair Keogh informed attendees that the ACCC will take notes of the matters discussed and publish a summary on our website, but that this summary would not identify or attribute comments to individuals.

Summary of issues

Attendees discussed the following issues during the forum:

Issue 1 – Trends in water markets and prices

Stakeholders raised concerns about water prices being too high and about experiencing lower water reliability than in the past. Stakeholders expressed various opinions on why water prices were so high and why water reliability has reduced, including:

- Ongoing drought affecting demand and supply of water
- Increased demand for water allocations and entitlements being driven partially by governments acquiring environmental water, removing water from the consumptive pool
- Expansion in permanent plantings downstream, contributing to stronger and more inelastic demand, and increasing price insensitivity
- A change in market participants from farmers to more corporate participants
- Removal of inter-valley transfer barriers has increased external trading in the valley and the price of water.

Issue 2 – Water market transparency

Stakeholders broadly considered that there is insufficient transparency in the market around institutional settings, government decisions and market information. In particular,

- There was a discussion about the lack of transparency around government decisions, making outcomes hard to predict. An example raised was receiving 0% allocations for general or low security entitlements for two years, despite reasonable volumes in dams. The timeliness of the publications of these decisions was also raised. It was suggested that these decisions should be live, rather than announced every two weeks
- Stakeholders were unclear what the specific aim of environmental water was; what a healthy river system would look like; how much water this would take; the flow-on costs to third parties (in particular general and low security entitlements); the distinction between environmental water and operational water
- There was widespread confusion, in terms of market information, where water originated from, where it was going to and who was paying for transmission losses
- Stakeholders commented that state water registers are too slow for real time trading opportunities, particularly in comparison to irrigation exchanges, which are instantaneous
- However, one stakeholder stated that the information was available, if you knew where to find it
- A stakeholder noted that an express objective of the *Water Act 2007* (Cth) is to make sure water information is disseminated. Multiple stakeholders called for adherence to the National Water Initiative's position regarding transparency and all trades be recorded in public and on a reliable register to increase public confidence.

Issue 3 – Water market regulation

There were widespread views among stakeholders that existing regulation of the market is not effective or appropriate. In particular:

- The water market is not adequately regulated
- Some stakeholders noted that regulatory changes had made it difficult to navigate the market, whereas others argued that the rules needed to be updated
- Some stakeholders expressed views that carryover and higher dam levels, that were required after the Millennium drought, have caused decreases in general or low security allocations
- Concerns about the high price of smart meters, particularly when other jurisdictions do not require this and do not monitor water extraction adequately
- Concerns that conveyance losses are socialised and not expressly costed into trades, which reduces general security allocations
- A perception of two sets of rules for the Commonwealth Environmental Water Holder and other bodies
- Dual licenses between valleys allow for manipulation of the markets and arbitrage
- Differences in carryover rules between NSW and VIC, and between different regions in NSW
- Stakeholders also raised specific policy and regulatory suggestions including restrictions on new permanent plantings and limits on carryover.

Issue 4 – Water market participant behaviour

Stakeholders raised concern over a number of alleged market participant behaviours, including:

- The use of environmental water during the drought
- External investors who are not active users of the water, owning water rights and pushing up prices
- Alleged manipulation of the market by investors to drive up prices
- Foreign ownership of water rights driving up prices
- Alleged water broker misconduct, including use of personal or family water licenses to trade
- Alleged distortion of the market by bigger traders and corporate participants
- Carryover being used by investors to push up prices by withholding water from the market
- Alleged use of carryover by investors is creating third party impacts by taking space in dams that would have been used for general or low security allocations.

Issue 5 – Water market competition and objectives

Many stakeholders considered that water markets were having unwanted effects on local towns and environmental outcomes. In particular:

- That the water market is not sustainable for the long term

- That water is not a portable commodity and there are issues around the deliverability of water. In particular, the shift of water to the south of the Basin was seen by stakeholders as uneconomical and inefficient as conveyance losses were not being reflected in the market. One stakeholder suggested a possible solution could be a secondary market in flow share
- General security entitlement owners have had their rights eroded unfairly due to the Commonwealth Environmental Water Holder allegedly releasing water inappropriately, such as repeated flooding of the area around the Barmah Choke to accommodate delivery demand, resulting in suboptimal environmental outcomes and large transmission losses that reduce the consumptive pool
- The NSW Murray has to make up the difference in the amount of water available to South Australia if the water doesn't come from the Darling system
- Australia currently uses the lowest water consumption with highest yields in the world but it is uneconomical to grow rice due to the high price of water.