



INTRODUCTION

Murrumbidgee Irrigation Ltd (MI) is an unlisted public company providing water supply, drainage and environmental services to approximately 3200 landholdings or 1800 customer/shareholders in the MIA. The Company employs 170 staff and manages \$500 million of infrastructure assets servicing over \$2.5 billion in water entitlements.

The Murrumbidgee Irrigation Area (MIA) is one of the most diverse and productive regions in Australia contributing over \$5 billion annually to the national economy. The MIA was first established in 1912 following the commissioning of Burrinjuck Dam. Further expansion occurred in the 1970's with the completion of the Snowy Mountains Scheme and construction of Blowering Dam. The region has played a significant role in fostering cultural diversity with over 50 different nationalities now resident in the region. The region also played a significant role during and after WW1 and WW2 in terms of national security and repatriation.

In making this submission to the ACCC, MI continues to recognise its regional and national responsibilities to assist in meeting water reform objectives for water supply services, while maintaining regional production and welfare of shareholders and other stakeholders.

OVERVIEW

- It is essential that there be consistent application of the trading rules across the Basin. This principle is central to Federal involvement in water reform and more generally to the application of Federal laws to Australian citizens. The ACCC clearly acknowledges that application of the trade rules will be fundamentally inconsistent, yet seems unprepared to provide advice to the MDBA on how to remedy the situation. **The current ACCC advice is completely unacceptable to MI.**
- By and large MI has no problems with the other advice provided by the ACCC in relation to water trading rules, however, we believe that extreme care needs to be taken in a number of areas. These are outlined below in the section entitled "DETAILED COMMENTS: based on the contents of the ACCC Water Trading Rules Draft Advice".
- Six weeks over the Christmas holiday period is insufficient time for stakeholders to prepare and submit comments on a 283 page report. In this light, MI would like the opportunity to revise its view on any issues that may have escaped our attention at present.

GENERAL

MI is concerned at the significant increase in costs related to Federal government water reform. The ACCC Water Trading Rules draft advice is just 1 of many reports stakeholders have been expected to comment on over the 2009/10 Christmas holiday break, a period when most Australian's take annual leave. Adding to our concerns, it appears that the ACCC has paid insufficient regard to issues raised by stakeholders in the numerous other submissions requested in recent years. By way of example, the dismissal by the ACCC of the need to correct a clearly uneven playing field due to Victoria's delayed compliance with water planning in the basin plan, makes it difficult to develop confidence in the process. .

DETAILED COMMENTS: based on the contents of the ACCC Water Trading Rules Draft Advice

As noted above, because of the short notice afforded by the ACCC on this Draft Advice, MI reserve's the opportunity to revise its view on any issues that may have escaped our attention on first review.

Section 2: Context and scope of ACCC's advice

- Consistency of trading rules throughout the MDB - it is essential that there be consistent application of the trading rules across the Basin. This principle is central to Federal involvement in water reform and more generally to the application of Federal laws to Australian citizens. The ACCC clearly acknowledges that application of the trade rules will be fundamentally inconsistent because interim water resource plans prevail. At the same time the ACCC 'considers it unnecessary to obtain further commitment from Victoria to comply with the trading rules since they will apply to all Basin state agencies'. This is a major flaw in the proposed introduction of the trade rules. Despite emphasising the need for a level playing field and the importance of fair trade in other areas, the ACCC seems unprepared to provide advice to the MDBA on how to remedy the situation. The current ACCC advice is completely unacceptable to MI.

Section 3: Water Access Rights

- Ownership restrictions - The ACCC 'does not consider that a water trading rule preventing ownership restrictions would prevent IIO's from requesting that non-landholders transfer their water right to water under an irrigation right off the licence'. However, non-landholders may not comply with the request. The recommended solution to this problem does not appear to be satisfactory.
- Unbundled water rights - The ACCC recognises that "there can be substantial administrative, transaction and legal costs associated with moving to unbundled water rights'. On this basis the ACCC should understand why MI and other IIO's had not completely moved to a system of unbundled rights by 1 January. This is just a small example of the significant increase in in costs of complying with Commonwealth water reform. Such costs should be borne by the Commonwealth.
- Stock & Domestic Rights - The conditions that the ACCC identify as being necessary before Stock and Domestic licenses can be traded need expansion. Typically S&D entitlements are not metered and are to be used only for specific purposes linked to a landholding more akin to urban water. These issues would need to be addressed before an effective trading regime for these entitlements could be introduced.
- Over-allocation and overuse - The ACCC state that allowing trade in areas where over-allocation exists is not appropriate as "overall usage would still be limited to any SDL put in place". This sounds reasonable if the only objective is to confine trade within environmentally responsible diversion limits. However, we believe that governance of trade should ensure fair and equitable trade between entitlement holders. If we take the current Cap as an example, where the activation of previously underutilised entitlement through trade has occurred at the expense of water users. Also, all allocation to unused entitlement can be traded inter-valley or interstate and the costs of compliance with SDLs socialised to all water users. These are not features of a fair and equitable (or indeed economically optimal) trading system.
- Conversions – Conversions have occurred up until very recently in the Murrumbidgee Valley. Our position here is that conversions should not be allowed unless there is certainty that they would not have 3rd party impacts. We do not believe that this can be demonstrated.

Section 4: The 4 per cent limit

- The 4% limit rule was brought into existence through a prior agreement between the states in order to protect against the wholesale stripping of water from designated irrigation areas. If this rule were implemented in the same way by each state then there is merit in pursuing it, subject to regular review. However this rule has been applied differently in Victoria compared to other states. In addition with the advent of transformation in NSW, the 4% rule became effectively defunct. As such our response is that it should be implemented equally between the states with regular review or scrapped entirely.

Section 6: Trade in regulated systems

- 6-C – Water resource plans need also be mindful of ‘unreasonable losses’. Unrestricted trading despite high losses to achieve downstream trading is not supported. This approach in effect results in a ‘trade-off’ between free and open trade and system efficiency.
- 6-D – market information. MI is happy to provide market information however we do not wish to duplicate efforts and there must be some recognition that IIO’s are providing substantial parcels of information to government agencies and being asked to absorb all costs. This is unreasonable.

Section 7: Water Delivery Rights

- The ACCC finds that ‘Trade in water delivery rights would have significant benefits’ and that ‘IIO’s should not be allowed to unreasonably prevent, deter or delay the trade of water delivery rights within their irrigation network’. MI is less convinced with regard to the benefits of trade of water delivery rights within our system. After considerable investigation and internal policy debate we have reached the conclusion that delivery rights are principally land-based rights and as such they are individually unique in time and space. These rights are linked to the capacity of the system which in turn may relate to the area serviced. Prior to embarking on any trading system it is essential that we fully understand the nature of the right. Furthermore, if some trade is deemed possible it is essential that regions have adequate time to build governance and administrative systems to support and protect the “property right”. MI remains unconvinced that delivery rights can be fully tradable and whether any benefits would accrue if they were.

Section 9: Reporting and availability of information

- 9-E – MI currently provides extensive data to BoM (including 28 data sets ranging in frequency from daily, weekly, monthly and annually). Also, the ACCC recommends that market participants (presumably including buyers, sellers, and agents) advise the agreed price for all water entitlement and allocation trade to approval authorities and registers (9-D). In this light, care needs to be taken to avoid duplication. In MI’s view there should be a comprehensive review of data collection and recording in rural water supply with a view to improving efficiency, avoiding duplication, and avoiding unnecessary costs on data suppliers.

[End of submission]