

ACCC MDB Water Inquiry - Stakeholder feedback form

The ACCC is seeking feedback in response to the issues raised in its [interim report](#), and encourages stakeholders to provide a submission. This form aims to assist more stakeholders to provide feedback. It summarises the ACCC's preliminary conclusions and options for reform, which are available in full on pages 34 to 37 of the interim report.

You can provide a submission or respond using this form, to waterinquiry@acc.gov.au. Submissions are requested by 30 October 2020.

The Inquiry is a public process and written submissions will generally be made available on the ACCC website. However if you do not want your personal information (e.g. name and contact details) to be disclosed, please let us know and we can take steps to redact your personal information before placing your submission on the website.

The ACCC can accept a claim of confidentiality from a party if the disclosure of information would damage their competitive position. If you wish to claim confidentiality over all or part of your submission, please identify the relevant parts of your submission and explain why disclosure would damage your competitive position.

About you

Name	██████████
Occupation	██
Town/region	████████████████████
Would you like the ACCC to block out your personal information (e.g. name and contact information) so that it does not appear on the ACCC's website?	Yes / No

Conduct of market participants

The ACCC considers there is insufficient regulatory oversight, and enforcement and compliance activity, in relation to some practices of some market participants

The ACCC's preliminary view is that market integrity regulation needs to be improved and that regulation should be introduced in the case of water brokers. Additional regulation could be introduced to cover other market participants such as investors and IIOs.

The ACCC has identified three options for improving market regulation:

- a) Introduce a government-initiated licensing scheme for intermediaries
- b) Apply the financial regulation framework to all water products, which would be relevant to the activities to a range of market participants
- c) Establish an independent market-focused government regulator, which would enable the regulation of market participants such as intermediaries, investors and IIOs.

Feedback on options to improve market regulation

Agree with progressing the three options proposed.

Improving trade processes and market transparency

The ACCC considers practical changes to trade processing are needed to improve the quality and timeliness of core market data

The ACCC has identified several practical improvements that, in its preliminary view, should be made as soon as practicable. These improvements relate to the validation and quality checking of trade data, including how zero dollar trades should be approved; capturing additional information in trade forms such as the reason for trade, struck date and intermediaries' details; and increasing harmonisation across Basin States' registers.

Feedback on options to improve quality and timeliness of core market data

Agree with proposed improvements.

The ACCC considers practical changes need to be underpinned by clear and comprehensive mandates to provide efficient trade services and high quality information to market participants

The ACCC has also identified a suite of further changes required to achieve a consistent and comprehensive trade processing and market reporting framework:

- a) Legislative changes to require Basin States to keep registers of entitlement and allocation trades and for Basin State water registers to provide information services with clear publication requirements.
- b) IIOs should be required to establish and maintain registers for temporary and permanent trades, within, out and into their networks.
- c) Update Water Regulations 2008 (Cth) to more clearly specify data reporting requirements for trades of irrigation rights.
- d) Allow for contracts to be registered with or otherwise recorded in water registers such that all allocation trades arising under one contract can be identified together.
- e) Introduce standardised single party identifiers across the Basin, such as using ABNs.
- f) Standards and processes for processing trade applications and recording and disseminating trade data should be mandated and consistent across jurisdictions and apply to all IIOs and Basin State approval authorities. Standardised record-keeping and continuous disclosure rules should also be placed on intermediaries.
- g) Basin States should work towards harmonising allocation trade application fees in the Southern Connected Basin, while recognising the NWI principles for cost recovery.
- h) Basin Plan water trading rules should be revised to require prices to be reported for all tradeable water rights, including irrigation rights and water delivery rights.

Feedback on options to provide efficient trade services and data collection

Agree with proposed improvements.

The ACCC considers digital technologies offer the opportunity to streamline trade services, at the same time as improving information quality and availability

The ACCC has identified options for using technological change to make more substantial improvements to improve the integrity of Basin water markets. The ACCC's preliminary view is that while governance remains distributed between Basin States and other actors, options which deliver *harmonisation* and *co-ordination* are more suitable than options which deliver *centralisation*. This approach could be achieved by combining the following options:

- a) a digital protocol that enhances interoperability between Basin State approval authorities and registers, IIOs and exchanges, and automates the collection, cleaning and publishing of water market information
- b) a water market information platform which brings together (but does not replace) diverse information sources.

Other options for using technological change include:

- a) a spot market and real-time automated matching of buyer and seller offers, similar to the National Electricity Market
- b) a single exchange platform for posting and matching trade offers by creating a single mandatory online platform for matching buyers and sellers
- c) an ASX-like approach of a single clearinghouse to administer trade but connecting via interoperability protocols to trading platforms and different Basin State registers
- d) Distributed Ledger Technology, such as Blockchain, which administers trade through smart contracts and also records all registry information
- e) a single common register in which all water accounting for both trade and delivery (use) would be accounted for in the same, single system.

Feedback on digital technology options

Agree with proposed options a) and b).

Concern regarding the costs to implement the other options a) through to d) and who will be responsible to host and maintain.

Improving market architecture

The ACCC considers the design of the southern connected Basin market architecture has not kept pace with increasing trade activity, and the ACCC is seeking to identify options for reform

The ACCC considers that market architecture that better integrates trade, operational requirements and the physical characteristics of the system will improve the operation of water markets. This will help achieve a range of benefits, including properly pricing the costs of trade and protecting other water users and the environment.

The ACCC is identifying appropriate market architecture reform options, which might include:

- a) Improvements to policy transparency and consultation processes
- b) Alternative approaches for allocation and carryover policies

- c) Creating formal markets for storage and delivery capacity
- d) Applying transmission loss factors to water deliveries in the southern connected Basin
- e) Removing the exemption for grandfathered tags or removing entitlement tagging altogether
- f) Alternative and more dynamic mechanisms to manage inter-valley trades
- g) Changing all allocation trade to tagged allocation trade
- h) Improving consistency across Basin States' accounting and metering requirements.

Feedback on options to improve market architecture

Agree with proposed improvements. a), c), e), f), h)

b) Believe this will be driven by the marketplace rather than government involvement

d) Transmission loss factors are already managed by state water managers. This is the one unique component of the SMD water system compared to others around the world where transmissions are not calculated as a component of trades. Bringing this in will further complicate future water management and trading activity if a purchase of 1ML will only result in .98ML being delivered taking into account for transmission loss.

In addition where water is traded upstream, will 1ML of purchase become 1.02ML upstream?

Don't agree as it will overcomplicate the system.

g) An unnecessary additional process that will further complicate water trade and where allocation can move

Changes to market governance

The ACCC considers there is a need to reconsider governance frameworks to enable independent and clear decisions on the development of market settings

The ACCC considers improved governance will help resolve many of the issues identified throughout the inquiry and strengthen the system so fewer problems emerge in the future.

The ACCC is considering options to improve market governance that may seek to:

- a) establish clear, independent decision making structures
- b) separate market governance roles from broader water management governance
- c) consolidate or harmonise fragmented roles
- d) reduce regulatory gaps by creating and assigning new roles or functions
- e) address conflicting roles.

Feedback on options to improve market governance

Agree with proposed improvements.

Other comments

Please provide any other feedback you consider relevant to the ACCC's inquiry.

Feedback
