



Mr Graeme Samuel
Chairman
ACCC
GPO Box 3131
CANBERRA ACT 2601

Dear Mr Samuel,

Thank you for the opportunity to respond to the ACCC's Issues Paper on water trading rules.

NSW has led the way with water reform that has created a stronger and more open water market. We support a fair and equitable water trading system across the Basin and believe that the water trading rules should ensure a competitively neutral interstate water market by addressing issues such as the inconsistent application of the 4% trade threshold between jurisdictions. We have raised these issues at various interstate forums including the COAG Water Sub Group and in our submissions to the ACCC on the water market rules.

The NSW Government supports protecting the health of the Murray Darling Basin and continues to do so. There is, however, an urgent need to balance environmental water purchases equitably between all Murray Darling Basin States. NSW has been bearing the burden of water purchase for the environment with 97% of the Commonwealth water buyback for the environment coming from NSW. The most recent Commonwealth purchase amounted to about 240 billion litres in water entitlements from the Twynam Agricultural Group. Due to this inequity between jurisdictions, the NSW Government has placed an embargo on future environmental water permanent trades until an equitable balance in the purchase program is restored. This requires resolution of the continuing inconsistencies in interstate trade and the relative levels of cost recovery of water management in other states, as agreed under the National Water Initiative.

With regard to your issues paper on water trading, the National Water Initiative and Commonwealth *Water Act 2007* require the water trading rules to facilitate the operation of efficient water markets and opportunities for trading where water resources are physically shared or hydrologic connections and water supply considerations will permit water trading. This is particularly important when considering rules relating to trading within unregulated river systems and between regulated, unregulated and ground water systems. Of importance is that the products in these systems are inherently different in that they result from different water supply sources. Regulated water is supplied within systems with major infrastructure and is therefore typically allocated to a licence well before it is required for delivery. Unregulated water is effectively assigned to a licence in real-time.



Therefore, trading of water between unregulated and regulated systems is not currently allowed in NSW due to these “water supply considerations” being constraints. Any such trading would need to carefully consider any potential third party and environmental impacts and the inherent differences in the products.

Trading between groundwater and surface water sources requires a high level of connectivity and where this is the case it could be explored, also with careful consideration of any potential third party and environmental impacts.

Further comments on specific issues raised in the paper are enclosed in Attachment A.

I trust this information will be of value for you in further development of the water trading rules.

Yours sincerely,

David Harriss
Commissioner
NSW Office of Water