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1 May 2009

Water Branch  
Australian Competition & Consumer Commission  
GPO Box 520  
Melbourne VIC 3001

Dear Sir/Madam,

**PUBLIC SUBMISSION TO WATER TRADING RULES ISSUES PAPER BY  
SUNWATER LIMITED ON 1 MAY 2009**

SunWater would like to thank the Australian Competition & Consumer Commission for the opportunity to make this submission.

**Background to this Submission**

In preparing this submission, SunWater has referred to information contained in the ACCC document entitled "Water Trading Rules- Issues Paper (March 2009)".

This submission is made on the grounds that SunWater is a Water Service Provider and (Interim) Resource Operations Licence holder for 23 water supply schemes in Queensland. Six of these water supply schemes are located in the northern part of the Murray Darling Basin. These are:-

- St George Water Supply Scheme
- Upper Condamine Water Supply Scheme
- Macintyre Brook Water Supply Scheme
- Chinchilla Weir Water Supply Scheme
- Maranoa River Water Supply Scheme
- Cunnamulla Water Supply Scheme

These are all regulated ('supplemented') schemes and SunWater's comments are largely made in this context.

## **Background to Water Resource Planning in Queensland**

SunWater observe that the existing Queensland statutory planning regime appears to explicitly deal with many of the matters raised in the Water Trading Rules Issues Paper. Under the Queensland Water Act 2000<sup>1</sup>, a two stage water planning process is used to achieve sustainable water allocation and management in each plan area, namely an underlying Water Resource Plan (WRP) and subsequent Resource Operational Plan (ROP):

- WRP defines the desired outcomes and outlines strategies used to achieve these outcomes. The WRP also specifies water allocation security objectives and environmental flow objectives that represent criteria against which proposed operational and trading arrangements must be assessed.
- ROP is the 'rule book' to achieve the objectives and implement the strategies of the WRP by means of detailed rules (including, for example, water sharing rules and water trading rules) and other operational requirements

One of the key features of the first ROP was to convert water licences and interim water allocations into (permanent) water access entitlements (which in Queensland are termed 'water allocations'). These water entitlements are then separable from land and are tradeable in accordance with the provision set out in the relevant ROP.

SunWater suggest that the ACCC refer to the Border Rivers, Condamine-Balonne, Moonie and Warrego/Paroo/Bulloo/Nebine Resource Operations Plans for details of how a wide range of the water trading issues raised in the Issues Paper have been addressed in the Queensland part of the Murray-Darling Basin catchments. The comments below are offered in the context of understanding these existing planning provisions.

Brief reference is made below (with reference to the relevant ACCC question number) to some of the key features of the Queensland water trading regime which is governed by trading rules stipulated in the corresponding ROP

### **Trading Zones (6-C)**

The ROP normally defines "operational zones" in a water supply scheme which generally corresponding to "trading zones". These zones are as broad as possible (to facilitate trade) and only as narrow as necessary (to ensure achievement of environmental flow objectives and water allocation security objectives).

Trading limits for each zone are usually specified in terms of maximum and, if applicable, minimum limits e.g. Table 10 in the Border Rivers ROP governs permanent trade limits, and Table 11 covers seasonal (temporary) trading.

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<sup>1</sup> Since the late 1990's Queensland has implemented water resource planning on a river basin scale. For an update on the current progress of water plan coverage in the state please refer to the website of the Queensland Department of Environment and Resource Management.

## **Carryover (6-D)**

Carryover rules are specified in the ROP on a scheme-by-scheme basis e.g. Section 3, Attachment 4.1F of the Fitzroy Basin ROP details rules for the Dawson Valley scheme.

Carryover is usually subject to a volumetric limit and usage as well as a time limit (i.e. carryover expires after a period of  $x$  months, or upon spilling of the storage). This is to limit the impact of carryover on the water availability of water entitlement holders who choose to use rather than carryover their water within a particular season. It is important that the carryover volume also incorporate a deduction to cover the extended period of storage losses.

However, even with these limitations in place, there still remains the potential for carryover to adversely affect certain user groups within the scheme i.e. users who do not carry over water may be adversely affected by those who do carry over water.

Continuous sharing<sup>2</sup> (which is an alternative system of water sharing to the traditional announced allocation system) has been implemented in two of SunWater's water supply schemes to date (namely the St George and Macintyre Brook schemes) to, amongst other things, remove this impact.

One of the principles of CS is that the impacts of an individual entitlement holder's water usage or trading decisions on other entitlement holders' current or future water availability should be minimised.

The water accounting, trading and other rules governing the conduct of continuous sharing are detailed with the relevant ROPs (such as the Border Rivers ROP for the MacIntyre Brook Water Supply Scheme).

## **Conveyancing Losses (6-E)**

SunWater believes that it is necessary to have some means to adjust for conveyancing (river transmission) losses when trading to minimise impacts on third parties (i.e. other water entitlement holders or environmental flow outcomes).

Note that losses required to deliver water in a channel system (rather than in a watercourse) are termed 'delivery losses' in Queensland schemes. These are usually explicitly covered by water entitlements held by SunWater for the purpose of providing for channel delivery losses.

An example of how conveyancing losses are treated within a ROP for a continuous sharing system can be found in the reference to "storage factors" (related to transmission losses) in Table 4, Section 96 of the Border Rivers ROP. For an example of how conveyancing losses are factored into water sharing rules under an announced allocation system, refer to Table 10 in Section 83 of the Barron ROP.

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<sup>2</sup> The term "continuous sharing" was coined to describe the combination of aspects of the "continuous accounting" system with aspects of individual "capacity sharing".

### **Tagging Arrangements (6-G)**

SunWater favours the use of tagging of water entitlements to the originating water supply scheme. An example of how this has been implemented in Queensland can be seen in the reference to "nominal location" in the Border Rivers ROP (definition in ROP Attachment 12) which provides an important basis upon which inter-scheme and inter-state trades can be facilitated and tracked.

Note that the reference to nominal location on a water entitlement is in addition to its location term. Nominal location is not changed as a result of a transfer or trade and remains a link to the originating water supply scheme. Location, on the other hand, reflects the current position or zone at which water may be taken from a watercourse whether or not that position is within the original water supply scheme.

### **Inter-state Trade (6-F, 6-H)**

Queensland's Border Rivers ROP contemplates and facilitates the interstate transfer of water entitlements as well as interstate temporary transfer of water.

However, the ROP includes provisions that require agreements first being in place between the relevant managing authorities. This is important to ensure appropriate operational, water accounting and reporting protocols and procedures are in place to facilitate interstate and/or inter scheme trading.

For example, Section 252 of the Border Rivers ROP requires that relevant management authorities must agree on the terms of trade between the Border Rivers scheme and a scheme (or equivalent) in New South Wales.

SunWater also note that inter-state trading would also benefit from improved interoperability between state water registers and/or water accounting and information systems (refer also to 10-A and 10-B comments below).

### **Conversions Between Priority Classes (7-A)**

SunWater believes that, for announced allocation schemes, these types of conversions should be allowed provided that the objectives of the basin WRP can be achieved. Section 89 of the Barron ROP illustrates how conversion factors have been specified in the Mareeba Dimbulah scheme.

Note however that the need for explicit conversion factors is removed in a water supply scheme that has moved to a continuous sharing system of water sharing and accounting (such as is the case in the Macintyre Brook and St George schemes in Queensland MDB). This is because the relative size of the water accounts initially established under continuous sharing take account of the water entitlement's nominal volume as well as its priority group (i.e. a high priority water entitlement will have a greater share of storage capacity and scheme inflows per megalitre of nominal volume than a medium priority water entitlement).

Once established, each holder of a water entitlement in a continuous sharing scheme can essentially use water entitlement transfers and/or water trades to achieve their

desired share and proportions of storage capacity, scheme inflows and water account balances.

### **Allocation Announcements (11-M)**

Under the provisions of Queensland's ROPs, SunWater is tasked with determining the "announced allocations" for each priority group in each water supply scheme. This involves applying the water sharing rules in the relevant ROP to calculate the available percentage of the nominal water entitlement volume which may be taken by each water entitlement holder.

SunWater note the commentary in the Issues Paper querying who might be best placed in determining and publishing announced allocations particularly in a water market environment. SunWater is currently exploring this issue with the Department of Environment and Resource Management as it is concerned that, even where the announced allocation rules are prescribed in detail, there may be a perception that SunWater can somehow influence the timing and/or percentage value of announcements particularly where SunWater is a potential participant in the water market.

### **Reporting of Water Information (11-G and 11-I)**

As referred to in Section 11.3 of the ACCC paper, the Bureau of Meteorology (BOM) has a role under the Water Act 2007 to collect information on temporary and permanent trades.

SunWater contends that the existing water monitoring provisions within Queensland's ROPs should, in the first instance, be replaced with simple references to state data monitoring and collection standards and, ultimately, national standards. This would not only ensure consistency and standardisation of the water data being provided to regulators and others, but also reduce costs associated with data collection, assessment, reporting and transmission.

### **Mutually Accessible Water Registers (10-A,10-B)**

This matter has been the subject of recent discussions between the Queensland Department of Environment and Resource Management, the Commonwealth Department of Environment, Water, Heritage and the Arts and SunWater.

Although discussions are ongoing, it appears that locating a state's water information and water accounts within a single state water accounting system, as well as establishing improved interoperability between state systems, would be an important step towards improving access by water users or other water market participants to water market data or related reports.

Examples of data that SunWater considers that improved access is a priority includes the volumes and values of recent temporary trades, as well as volumes of water currently available for trade in each scheme.

In conclusion, SunWater hopes that our comments as outlined above, are of interest to the commission. Please do not hesitate to contact me by telephone on (07) 3120 0105 if any further information is required to clarify any aspect of this submission or to arrange a meeting to explore these issues in more depth.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Tom Vanderbyl". The signature is fluid and cursive, with a large initial "T" and "V".

**Tom Vanderbyl**  
**Manager Corporate Strategy**  
**SUNWATER LIMITED**

