



Submission to the Australian Competition and Consumer
Commission on the Water Trading Rules Draft Advice

By

Victorian Farmers Federation

1 February 2010

Foreword

The Victorian Farmers Federation is Australia's largest state farmer organisation, and the only recognised, consistent voice on issues affecting rural Victoria.

The VFF consists of an elected Board of Directors, a member representative Policy Council to set policy and eight commodity groups representing dairy, grains, livestock, horticulture, chicken meat, pigs, flowers and egg industries.

Farmers are elected by their peers to direct each of the commodity groups and are supported by Melbourne-based staff.

Each VFF member is represented locally by one of the 230 VFF branches across the state and through their commodity representatives at local, district, state and national levels. The VFF also represents farmers' views on hundreds of industry and government forums.

A handwritten signature in black ink that reads "Andrew Broad". The signature is written in a cursive, slightly slanted style.

Andrew Broad

President

I. Introduction

The Victorian Farmers Federation (VFF) welcomes the opportunity to comment on the Australian Competition and Consumer Commission's (ACCC) Water Trading Rules Draft advice.

The VFF notes that this Draft advice follows the ACCC position paper on water trading rules. The VFF also notes that after the ACCC has provided its final advice to the Murray-Darling Basin Authority (MDBA), the MDBA will undertake a separate formal consultation process on the Basin Plan as a whole, including the water trading rules component. Water is such an important resource to the ongoing viability of agriculture and regional communities. The VFF recognises the importance of a wide consultation on trading rules to ensure the development of comprehensive regulations that reflects the significance of this precious resource, and the industries and communities of which it supports.

The VFF has a number of observations on the Draft advice. They relate to areas the VFF believe need further exploration and attention.

II. ACCC Rule advice and recommendations

No.	ACCC Rule advice and recommendations	VFF Position
3-A	The Basin Plan water trading rules should provide that there are no specific restrictions on the ownership of water access rights based on the characteristic of a particular class of entity such as non-landholders (unless use has not been unbundled from water access rights), environmental water-holders and urban water authorities.	VFF note that the 10% non-landholder limit in Victoria has been removed. In principle, VFF does not support Government and/or urban water authorities entering the water market to secure additional water for the environment. Trading and market rules must not allow distortion in the market, including those that may arise from Governments entering the market.
3-B	The ACCC recommends that Basin state governments review the existing arrangements for trade or subdivision of co-held water access rights by members of a co-holding that are not related entities.	VFF maintains that other policy mechanisms than the Water Trading rules need to be developed to enforce compliance.
3-C	The Basin Plan water trading rules should provide that approval of an application to trade a water access right should not be conditional on the purchaser holding, obtaining, trading or terminating: <ul style="list-style-type: none"> • a water delivery right, or • a works approval, or • a water use approval <p>where these rights or approvals are governed through separate instruments or processes.</p>	Agreed
3-D	The Basin Plan water trading rules should provide that approval of an application to trade a water access right should not be conditional on the purchaser being the owner or occupier of land where water access rights are unbundled from land.	Agreed
3-E	The Basin Plan water trading rules should provide that, in the case of tradeable water access rights: <ul style="list-style-type: none"> • there should be no restrictions on trade due to the purpose for which the water has, is currently, or will be used • fees or charges should not be charged by an IIO solely for the reason that a water access right has been traded and will be used outside the IIO's irrigation network • the purpose for which water arising from a trade is used should not be restricted as part of the trade approval process (water use on land should be separately addressed through use approvals). 	Refer to 3-A Agreed Refer to 3-A
3-F	The ACCC recommends that: <ul style="list-style-type: none"> • There should be no exemptions from water 	Agreed having regard to principles in 3-A. VFF also

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	<p>trading rules for, or additional restrictions placed on, environmental water holders.</p> <ul style="list-style-type: none"> • water access entitlements and water allocations held by environmental water holders should be treated no differently to water access entitlements and water allocations held by any other person. 	<p>maintains that Environmental water must pay its share of systems, headworks and distribution charges</p>
3-G	<p>The ACCC recommends that stock and domestic rights (including special purpose water access entitlements and unlicensed statutory stock and domestic rights) could be turned into volumetric water access entitlements that are tradeable where:</p> <ul style="list-style-type: none"> • no new stock and domestic rights (of any kind) will be issued, except where a water source is not fully allocated and it is considered appropriate to allocate additional stock and domestic rights as part of the water resource planning process • adequate safeguards are in place to meet critical human water needs in the event of very low allocation levels. 	<p>Disagree. Except for regulated systems in the north, VFF notes that Stock and Domestic water is not a water share in Victoria, and therefore cannot be traded. Any proposals to amend the current policy need careful consideration and proper consultation with the farming community through a state-wide perspective. In any case, the cost of metering all the point sources of stock and domestic water would be astronomical and impractical. For example accurate metering and recording of stock usage from a farm dam is impossible.</p>
3-H	<p>The ACCC recommends that in fully or overallocated water sources, new stock and/or domestic rights (water access entitlements, riparian rights or otherwise) should not be issued. Where a water source is fully allocated, water for new stock and/or domestic needs should be sourced through the market.</p>	<p>Disagree. The VFF disagree with the ACCC's position that new stock and / or domestic water needs should be sourced through the market. As a fundamental principle VFF oppose any attempt to remove existing property rights, without adequate compensation. The availability of water is intrinsic to property values. This is a high priority issue for the VFF. Good stock and domestic water supplies are critical to enable farmers to manage droughts. For this reason, the VFF is opposed to any change which would limit or discourage farmers from sourcing reasonable stock and domestic supplies.</p> <p>The state Water Act already does not allow the volume of existing licenses to be increased through the process of land subdivision.</p>

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		<p>Additional water required for a subdivision must be sourced via a transfer and/or an application for new licenses.</p> <p>The only circumstances in which the VFF should consider departing from this principle would be closely settled rural residential development, where it is impractical and inappropriate for every landowner to exercise the right to construct a stock and domestic dam on each small property.</p>
3-I	<p>The Basin Plan water trading rules should provide that a water access right trade should not be refused on the basis that the water will be used in an area outside the MDB (and the use of water inside the MDB should not be restricted solely because it was taken from a water resource outside the MDB).</p>	<p>There should be no water being traded out of the Murray-Darling Basin, permanent or temporary. However, trade outside the Murray-Darling Basin is already occurring and likely to continue. For example water is being pumped over the divide (via pipeline to Ballarat) and water is pumped from within the Murray-Darling Basin to Adelaide.</p> <p>If trade outside of the Murray-Darling Basin is to occur, Carryover should not be available for use. Also Refer to 3-A.</p>
3-J	<p>The ACCC recommends that:</p> <ul style="list-style-type: none"> • water trading should only occur within the environmental bounds set through the water planning process • where environmental impacts result from the use of water on land (e.g. salinity), these impacts should be managed through separate use approvals, not restrictions on trade <p>However the ACCC considers that it is unnecessary for the Basin Plan water trading rules to incorporate these positions explicitly.</p>	<p>Agreed. Such issues need to be covered through state water plans.</p>
3-K	<p>The Basin Plan water trading rules should provide that water access right trades should not be conditional on a reduction in the trade volume to address overallocation.</p>	<p>Agreed</p>
3-L	<p>The Basin Plan water trading rules should provide that trade within an overallocated system should not be</p>	<p>Agreed</p>

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	restricted solely on the basis that the system is overallocated.	
3-M	The ACCC recommends against allowing for conversion between priority classes of water access rights. The benefits of allowing conversion may be realised through more efficient water markets and the potential disadvantages may be severe in terms of third party impacts.	Agreed
3-N	The Basin Plan water trading rules should provide that there are no restrictions on trade specific to water carried over, nor should there be any specific exclusion of traded water from having access to carryover (assuming other criteria, such as the possession of a water access entitlement, are met).	Agreed
3-O	The ACCC recommends the use of continuous accounting, capacity sharing and spillable water account with no limits on carryover volumes to increase water holder's access to water across seasons. Where these are not feasible, other methods to extend access to carryover water should be pursued.	Agreed subject to no impact on reliability of other irrigators' water holder entitlements. VFF support a capacity share model where the individual water share owner has a specific share of the capacity of the storage. The individual should be able to carry over up to that maximum capacity share that he is already paying for. Any water stored as carryover in excess of the individual capacity share becomes casual use storage and then will be the first water to spill under the spillable water account model.
3-P	The ACCC recommends that relevant agencies should determine appropriate signals about the likelihood of carryover water being available (and the timing of that availability in the season) and how this should be communicated to water access right holders. This could possibly be linked to the tiered water sharing arrangements in the Basin Plan.	This should follow the seasonal allocation policy within the state.
3-Q	The ACCC recommends that all jurisdictions should take steps to improve the accuracy and extent of metering in the MDB. Jurisdictions should ensure that all water access right holders have an approved meter installed at all off-take points, except where metering is assessed as not being cost-effective (although such assessments should be regularly reviewed with reference to changes in metering costs and expected benefits). The ACCC recommends that meters should comply with relevant national standards or frameworks, such as that being developed though the Water Metering Experts Group.	VFF maintains that metering can be implemented through various state regulations other than trading rules. VFF also notes that certain tradable water rights are not necessarily metered. This is a compliance issue that should be left to the local authority or irrigation infrastructure operators.

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	The 4 per cent limit	
4-A	<p>The Basin Plan water trading rules should provide that:</p> <ul style="list-style-type: none"> • if not already removed, a limit on the volume of trade out of an area (other than a limit for environmental or physical reasons) should only be applied on permanent trades of water access entitlements (of any priority class) out of an irrigation area as defined in the NWI (i.e. the area under control of an individual water service provider (e.g. an irrigation corporation, cooperative or trust, or water authority), rather than a number of particular areas under the control of the one water service provider). • if not already removed, any such limit should be raised according to the following minimum transition path: <ul style="list-style-type: none"> • 1 July 2011—raised to 6 per cent of the total water entitlement of the applicable irrigation area • 1 July 2012—raised to 9 per cent of the total water entitlement of the applicable irrigation area • 1 July 2013—raised to 12 per cent of the total water entitlement of the applicable irrigation area and must be completely removed by 1 July 2014. 	<p>VFF supports the four per cent limit on permanent trade out of an irrigation district as currently applies in Victoria. This has ensured rural adjustment resulting from movements of water occurs at a manageable pace, and also guaranteed that farmers not selling their water and wanting to continue farming are not faced with stranded assets and increased costs.</p> <p>In July 2008, the VFF acknowledged the Commonwealth – Victorian agreement which will retain the 4 per cent cap on water trading until at least 2011. Under the agreement, and subject to a review of progress on the modernisation project, Victoria will begin to phase out the four per cent cap on permanent water trades from irrigation districts from July 2011, with a view to removing the cap entirely by 2014. It is recognised that this agreement will introduce a more strategic approach to obtaining water for the environment. There is no doubt that the Commonwealth-Victorian agreement on the exemptions was originally aimed at aligning the Commonwealth’s environmental water purchase program with the GMID’s modernisation programs. However, the VFF is concerned with hardship and equity issues across irrigation districts and has lobbied the Victorian Government to provide</p>
4-B	<p>The ACCC recommends that, as the rationales for the 4 per cent limit are better addressed through other mechanisms, the 4 per cent limit should be immediately removed by Basin states throughout the MDB.</p>	<p>There is no doubt that the Commonwealth-Victorian agreement on the exemptions was originally aimed at aligning the Commonwealth’s environmental water purchase program with the GMID’s modernisation programs. However, the VFF is concerned with hardship and equity issues across irrigation districts and has lobbied the Victorian Government to provide</p>

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		<p>exemption criteria to the cap in order to address these concerns.</p> <p>One of the most important issues around the new Basin Plan is the Sustainable Diversion Limit (SDL). VFF has been working on this issue and lobbying Governments on related issues to SDL, namely the risk assignment. This is a water priority issue for our members and may involve compensation for any reduction in the current diversion levels. Of most important to note in regards to SDL is that the Australian Government water purchase program may have the effect of reducing the gap between current diversions and the SDL, and help water users with the transition to sustainable water use. Another major component to consider in this argument is that the Australian Government, working with the Basin states and industry, is also investing significant funding to improve the water-use efficiency of irrigation infrastructure in the Basin. A portion of the water savings generated by this work will also be used to reduce any gap between current diversions and the SDLs. NO one can state, with confidence, that selling water now will lessen the impact of a future adjustment in the SDL, either in principle or for any particular irrigation district. Lifting the trading cap will not align Commonwealth water purchases with the yet to be determined reductions in SDLs for individual catchments. The</p>

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		<p>lack of a strategic approach to the government's water purchases is a key reason the VFF have continued to support a trading cap.</p> <p>VFF has formulated a new policy position in regards to allowing 100 percent of Low Reliability water (LRW) to be exempt from the four per cent limit on permanent trade out of an irrigation district in Victoria.</p> <p>All states have agreed to the NWI which says no trade constraints after 2014.</p>
	Water access rights—approval processes	
	Approval Times	
5-A	<p>The ACCC recommends that Basin states provide to the MDBA the following information in relation to their approval authorities' performance against the COAG / NRMMC standards for each month and water year:</p> <ul style="list-style-type: none"> • the number of water allocation and water access entitlement trades processed (both approved and rejected) • the percentage of water allocation and water access entitlement trades processed (both approved and rejected) within the applicable COAG / NRMMC service standards. 	Trading rules should allow for Standard procedures and targets to be applied consistently across the basin.
5-B	The ACCC recommends that approval authorities' performance against the COAG / NRMMC service standards should be published by the MDBA (or another Australian Government agency nominated by the MDBA, such as the NWMS National Portal).	Agreed
5-C	<p>The ACCC recommends that the MDBA should:</p> <ul style="list-style-type: none"> • continuously monitor approval authorities' performance against the COAG / NRMMC service standards • review the appropriateness and effectiveness of the COAG / NRMMC service standards at least every two years to consider whether the service standards can be further tightened and by how much. This review process 	Agreed

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	<p>should include an opportunity for stakeholder comment on the appropriateness and effectiveness of the service standards.</p>	
5-D	<p>The ACCC recommends that if approval authorities are consistently not meeting the COAG / NRMMC service standards as they exist from time to time, or the service standards are not regularly reviewed, the MDBA should reconsider the need for a Basin Plan water trading rule mandating service standards for trade approval times.</p>	Agreed
5-E	<p>The ACCC recommends that a working group comprising representatives from the Australian Government, Basin states and approval authorities would be an appropriate forum to more formally consider the longer term potential for cross-delegating selected trade approval functions or consolidating particular trade approval functions relevant to the MDB into one entity. Relevant considerations—for both cross-delegating approval functions and consolidating approval functions into one entity—include:</p> <ul style="list-style-type: none"> • the types of trade approvals most amenable to such measures • likely benefits to water market participants and approval authorities • the initial and ongoing costs • the extent of any legislative changes that would be required • the future role and effect of the National Water Market System. 	Agreed
5-F	<p>The ACCC recommends that jurisdictions continue to prioritise work towards the National Water Market System and complementary interstate information-sharing arrangements.</p>	Agreed
5-G	<p>The Basin Plan water trading rules should provide that approval authorities are required to accept duly completed applications to trade a water access right submitted by email to an email address established by the approval authority for this purpose. This requirement would not apply to situations where an approval authority offers a web-based form for applications (although approval authorities may wish to offer both facilities), nor would it apply to applications to register a trade where this is conducted as a separate process. Approval authorities may also continue to accept trade approval applications by post and in person.</p>	Agreed

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5-H	The ACCC recommends that approval authorities consider the development of web-based forms for applications to trade water access rights. Approval authorities may also continue to accept trade approval applications by post and in person.	Agreed
5-I	The Basin Plan water trading rules cannot directly regulate the conduct of water market intermediaries. The ACCC notes that industry-specific legislation is a matter for governments (federal and Basin state) to consider. The ACCC recommends that fair trading agencies also continue to monitor complaints against water market intermediaries.	<p>The VFF believe that there is no regulation of water broker activities. The transactions that are facilitated by the brokers often involve substantial sums of money and there is potential for disputes to arise between the broker and the users of their services; whether a buyer or seller of temporary or permanent water entitlement.</p> <p>There is potential for serious disputes to arise and the possibility of unethical or questionable dealings, the VFF strongly supports establishing a suitable framework to ensure dealings between brokers and water users are fair and equitable. It may also be advisable to explore a process for resolving disputes that will inevitably arise.</p> <p>The VFF view a regulatory and/or licensing approach would provide a means to enforce compliance with expected or stipulated broker practices, but will add costs to the broker operations. A Code of Practice while possibly imposing a lesser cost does not have the compliance strength of regulatory approach.</p> <p>VFF supports a national exchange model similar to the stock exchange model. This represents a transparent system where temp and perm trades are listed in the daily paper similar to the stock exchange.</p>

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		<p>e.g water system are listed, high-low prices, average for the year, no of ML traded for the day and daily price, etc. All brokers are then brokers to the national exchange. A proposed framework could include:</p> <ul style="list-style-type: none"> • Funds held in trust until transaction complete • Audit of trust accounts • Time frames for transfers • Standard form contracts • Dispute procedure established • Interest on the trust accounts transferred to an exchange compensation fund similar to the solicitors guaranteed funds.
5-J	<p>The Basin Plan water trading rules should provide that a trade approval authority must not approve a trade unless it has first informed all other parties to the trade of any direct interest that it has (and, if so, the nature of that interest) in the trade (other than in its approval role). An interest would include where a trade approval authority owns or operates a water market intermediary involved in the proposed trade.</p>	Agreed.
5-K	<p>The Basin Plan water trading rules should provide that trade approval authorities must inform the market of any trade of a water access right to which they have been a buyer, seller, lessee or lessor. This disclosure should be made as soon as possible after the trade has been completed and on the approval authority's website.</p>	Agreed.
5-L	<p>The ACCC recommends that approval authorities and Basin state governments develop policies and procedures to identify and appropriately manage potential or perceived conflicts of interest of trade approval authorities.</p>	Agreed
Water access rights—location matters		
6-A	<p>The Basin Plan water trading rules should provide that trade between regulated system trading zones should only be restricted based on physical constraints, environmental constraints, or hydrologic connections and water supply considerations. While the existence of a Basin state border may necessitate different trading zones, it should not (in isolation) limit trade between these two zones.</p>	Agreed. However, Socio-economic impacts should be adequately addressed.
6-B	<p>The ACCC recommends that the MDBA considers requiring water resource plans to:</p>	Agreed. However, Socio-economic impacts should be

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	<ul style="list-style-type: none"> • Define trading zones for regulated systems, on which location-specific trading rules are referenced. • Where trade is restricted between two zones, the rationale behind this restriction should be explicitly stated in the water resource plan and based on physical constraints, environmental constraints, or hydrologic connections and water supply considerations. Trading zones and water trading rules that refer directly to these zones, should be reassessed and if necessary amended in the event that physical or environmental constraints or water supply considerations change. 	adequately addressed.
6-C	<p>The ACCC recommends that the MDBA considers requiring water resource plans to incorporate the following principles for trade in regulated systems:</p> <ul style="list-style-type: none"> • trades within a trading zone should generally not be restricted • downstream trades between hydrologically connected systems should generally be possible • where a downstream trade is impeded by a physical constraint to channel capacity (and delivery shares across that constraint have not been created), it should only be approved as back trade • where an upstream trade is made into a separate hydrological system, it should only be approved as back trade • trades should be possible between the upper reaches of regulated river systems that converge downstream, provided that any supply obligations of the original location's river below the point of confluence, which may be affected by the trade, are assumed by the destination location's river • upstream trades from a location supplied by more than one source to a location supplied by only one of those sources should be possible, but may be subject to special limits and conditions. 	<p>Agreed</p> <p>No restrictions on permanent or temporary trade under a national exchange model. Under an unbundled water entitlement system where water is sep from land as in the Victorian model, the onuses on the buyer as to where the water can be used i.e geographical, system delivery, physical const. The buyer needs to check with his local water authority or system delivery authority</p>
6-D	The ACCC recommends that river operators and/or relevant infrastructure operators should regularly provide information to market participants about the likelihood of	Agreed

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	<p>short-term changes to trading restrictions due to changes in hydrologic connectivity. This information should include relevant values (such as streamflow volumes, trading volumes or storage levels) relative to defined trigger values, estimates of transmission losses, the use of available delivery capacity and back trade opportunities. However, the ACCC is not recommending this be a requirement under the Basin Plan water trading rules.</p>	
6-E	<p>The ACCC recommends that the MDBA coordinates a study to investigate the current and likely future magnitude and variability of river transmission losses in the MDB and, if these losses are found to be significant, options to account for these losses should be explored.</p>	<p>Agreed.</p>
6-F	<p>The Basin Plan water trading rules should provide that exchange rates should not be used to manage the trade of water access entitlements between trading zones in regulated systems. The ACCC recommends a transitional exemption to this rule in cases where an exchange rate is being used to reverse the impact of past exchange rate trades (specifically, from the Murray to the Goulburn system up to the historical volume previously traded out using exchange rates).</p>	<p>Agreed</p>
6-G	<p>The Basin Plan water trading rules should provide that any current restrictions on the ability to trade water allocation between two zones apply equally to the delivery of water allocations pursuant to a tag between the same two zones, at the time when delivery is requested (i.e. when water is ordered against the tag).</p>	<p>Agreed. The VFF supports 'tagged' water trading, effective from July 2007 in Victoria. Tagging provides that entitlements from each system are administered by the jurisdiction in which they were initially created, and retain all of the rights, responsibilities and risks associated with the source system. This ensures that entitlement holders irrespective of where the entitlement is now utilised, still receive the same allocation as the source. Tagging applies to high and low-reliability water shares. This minimises third party impacts of the water trading. The tagging system is fairer than the pre-existing exchange-rates model, especially in light of the expected impacts of climate change.</p>
6-H	<p>The ACCC recommends that the MDBA—in consultation with Basin states and other relevant stakeholders—revisits the advantages and disadvantages of various administrative options, such as automated allocation trade and improvements to tagging processes, and assess whether they should be reconsidered following the implementation of the National Water Market System.</p>	<p>Agreed. The VFF supports 'tagged' water trading, effective from July 2007 in Victoria. Tagging provides that entitlements from each system are administered by the jurisdiction in which they were initially created, and retain all of the rights, responsibilities and risks associated with the source system. This ensures that entitlement holders irrespective of where the entitlement is now utilised, still receive the same allocation as the source. Tagging applies to high and low-reliability water shares. This minimises third party impacts of the water trading. The tagging system is fairer than the pre-existing exchange-rates model, especially in light of the expected impacts of climate change.</p>

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6-I	The ACCC recommends that Basin states should examine options for improving the clarity and excludability of water access rights in unregulated systems. This should include an investigation of a range of management strategies, including rostering, restrictions and options to ‘shepherd’ water through zones, while recognising that different management approaches may be better suited to different stream types.	Generally in Victoria, trade within unregulated systems is restricted to downstream trade, must be ‘back trade’ and all trades require a 20% reduction in Volume for environmental purposes. However, trading rules can vary depending on local circumstances and risks to specific unregulated systems. The VFF supports a further clarified model of trade within unregulated systems. The VFF believe that rules for trade within unregulated systems should not be so rigid and not to be applied in such a blanket manner. The trade rules for unregulated systems should demonstrate some flexibility in application, as characteristics of each system vary quite greatly. For example, some unregulated systems have a much greater capacity to deliver water upstream, and other do not. There should be trade upstream where possible.
6-J	The ACCC recommends that where the likely benefits outweigh the likely administrative costs, trading zones should be established for unregulated rivers, defining areas within which trade can occur without detailed assessment. Trading rules should be expressed with reference to these trading zones. Trading zones should consider: <ul style="list-style-type: none"> • that hydrology should be homogeneous within the zone • the location of important environmental assets and major off-takes • the existing volume of available water and likelihood of further development • transmission losses and local catchments inflow. 	
6-K	The ACCC recommends that the MDBA considers requiring water resource plans to provide for the assessment of individual trades between zones on a case-by-case basis in unregulated systems where trading zones (and related trading rules) have not been established.	
6-L	The ACCC recommends that the MDBA considers requiring water resource plans to explain the rationale behind transmission loss factors where these are applied to trades in unregulated systems.	
Trade between regulated and unregulated systems		
6-M	The MDBA and Basin states should investigate the potential for trade of water access rights along rivers that are intermittently connected. To inform this process: <ul style="list-style-type: none"> • more detailed information should be established and publicly reported about delivery losses • arrangements for better communication between water users about options to minimize delivery losses for such trades should be investigated <p>If triggers are used to define hydrologic connectivity, these should be clearly stated, reported against and</p>	The overall rule supported by VFF is that no trade should

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	communicated.	occur between unregulated and regulated that has the potential
6-N	<p>The ACCC recommends that trade of water access rights from an unregulated to a regulated trading zone (or vice versa) should not be allowed until:</p> <ul style="list-style-type: none"> • property rights are clearly defined and unbundled from land within the unregulated catchment • it has been demonstrated that third party interests will be appropriately protected • a range of alternative approaches to managing such trade have been assessed (see recommendation 6-O below). 	to have adverse impacts on current users and the environment.
6-O	<p>The ACCC recommends that further options to manage trade between unregulated and regulated systems should be considered by the MDBA and Basin states. The conditions for such trade may vary between catchments. Options such as tagging extraction conditions from the unregulated system to the regulated system, or crediting inflows from the unregulated system to storage associated with a regulated water access right should be considered. Where the market is thin in the unregulated system, the ability to use exchange rates to manage trade should be investigated to assess what conditions are required to ensure third party impacts are appropriately protected. The appropriateness of different methods to manage trade between unregulated and regulated systems would need to be assessed for individual catchments.</p>	
	Trade in groundwater systems	
6-P	<p>The Basin Plan water trading rules should provide that trade of water access rights should be permitted within appropriately set groundwater trading zones, and should not be permitted between groundwater zones that have low, or no, hydraulic connectivity.</p>	<p>Groundwater is traded within Victoria. Groundwater in Victoria is managed by Groundwater Management Areas, and if deemed stressed, <i>Permissible Consumptive Volumes</i> (PCV) are applied which determine to total allocation for an aquifer.</p> <p>In relation to 'third party impacts' this is addressed at the 'works' level as Rural Water Authorities are required to determine if bore locations are appropriate and if the position will have effects on</p>

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		neighbouring bores.
6-Q	<p>The ACCC recommends that the MDBA considers requiring water resource plans to ensure that trade of water access rights is not permitted between highly or moderately connected groundwater trading zones unless the following can be demonstrated:</p> <ul style="list-style-type: none"> • lag times are clearly understood • where the zones have separate SDLs, accounting for trades can occur between the SDLs of the two zones • water access rights in the two zones have substantially similar extraction conditions, or a tagging approach is in place • where unbundling has not occurred, local extraction issues have been considered and extraction capacity is available in the destination zone and third party interests are appropriately protected. <p>While the existence of a Basin state border may necessitate different trading zones, it should not (in isolation) limit trade between these two zones.</p>	
6-R	<p>The ACCC recommends that the MDBA considers requiring water resource plans to include definitions of groundwater trading zones and the levels of hydraulic connection within and between those zones.</p>	
6-S	<p>The ACCC recommends that Basin states consider unbundling water access rights from extraction rights (or ‘partial unbundling’) within a trading zone. Impacts on neighbouring bores and surface water users could be assessed as part of the extraction right assessment process, rather than as part of a water access right trade assessment.</p>	
	Trade between groundwater and surface water	
6-T	<p>The Basin Plan water trading rules should provide that trade between surface water and groundwater systems with a low level of connectivity (or that are not connected) is prohibited.</p>	<p>The VFF does not support trade between groundwater and surface water systems.</p>
6-U	<p>The ACCC recommends that the MDBA considers requiring water resource plans to only permit trade of water access rights between highly or moderately connected surface water and ground water systems when it can be demonstrated that:</p> <ul style="list-style-type: none"> • lag times are clearly understood • WRPs are integrated and specifically consider 	

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	<p>the relationship between the two water systems</p> <ul style="list-style-type: none"> • there is a process to ensure no double accounting of surface and ground water • accounting for trades can occur between the SDLs of the two systems • water access rights in the two systems have substantially similar extraction conditions, or a tagging approach is in place • third party interests are appropriately protected. <p>The ACCC notes that meeting the above criteria will be more difficult—and therefore trade less likely to be permitted—in relation to moderately connected surface water and ground water systems.</p>	
	Farm dam trade (6-V and 6-W)	VFF maintains its position. Trade should be allowed between farm dams and regulated water system subject to no third party impacts.
	Water delivery rights(7-A, 7-B, 7-C)	Agreed
	Irrigation rights (8-A, 8-B, 8-C)	VFF maintains its position, Providing that permanent trade can be delivered, without effecting existing users, there should be no restrictions on permanent trade.
	Reporting and the availability of information (9-A to 9-H)	Agreed. Also refer to 5-I