



Hon Lisa Neville MP

Minister for Police and Emergency Services
Minister for Water

AUST. COMPETITION &
CONSUMER COMMISSION

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CANBERRA

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Director, Murray-Darling Basin Inquiry
Australian Competition and Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

Ref: MBR043387
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Dear Director

SUBMISSION TO MURRAY-DARLING BASIN WATER MARKET INQUIRY - INTERIM REPORT

The Victorian Government welcomes the opportunity to provide comments on the interim report of the Australian Competition and Consumer Commission (ACCC) Murray-Darling Basin water market inquiry. The overview provided by Mr Keogh during a discussion with my office was informative and demonstrated how the ACCC has captured the breadth of concerns raised by stakeholders across the Murray-Darling Basin in the report.

The interim report acknowledges the lead role Victoria has taken in developing and pursuing ongoing improvements in water markets to ensure both transparency and efficient and effective operation. This includes initiatives such as the annual audit conducted as part of access to the Victorian Broker Portal and my commitment to increasing water market transparency to increasing confidence in markets.

I note that a significant amount of the analysis presented in the interim report is based on northern Victoria market activity – this reflects the high level of market transparency in Victoria and availability of market information and insights available from the Victorian Water Register public website.

Victoria supports the inquiry and the Department of Environment, Land, Water and Planning (DELWP) has worked closely with the ACCC to share information and data in a timely manner to make sure that the inquiry leads to meaningful outcomes. DELWP is keen to keep working closely with the ACCC to further explore and provide in depth insights into the operation of water markets in the southern connected Murray-Darling Basin.

I would like to highlight issues in the report that are of concern and that would impact on Victoria's robust and critical water entitlement and market framework. Victoria has a transparent and effective governance framework, with the Victorian Government having regulatory oversight over the Water Corporations' operational role. There is also clear separation between market intermediaries and the operational roles and functions of the Water Corporations. Victoria believes our existing governance framework is appropriate and this should be acknowledged in the final report recommendations.

It is acknowledged that there are gaps and deficiencies in the regulation of water markets and Victoria welcomes further discussions to identify options to improve regulation and governance across the Murray-Darling Basin. This should include a robust assessment of the current roles and responsibilities of the existing regulatory agencies and the ability to alter these to meet the governance objectives. Any recommendations must also include a cost benefit analysis.

Victoria is committed to greater transparency in our water markets, and transparency of foreign ownership is something we want to work with the ACCC to include in the final recommendations.

Victoria's market products: Victoria's entitlement framework is robust and effective, and any changes could have implications for the framework and third-party impacts to existing property rights. As reflected in the interim report, Victoria's allocation and carryover rules have been developed and refined over time and in close consultation with communities. This has resulted in the carryover policy accounting for evaporation and spills to ensure that there are no third-party impacts from the storage of this allocation. Victoria's rules are clearly communicated to market participants, which is acknowledged in the report. Victoria is not supportive of changes that impact Victoria's entitlement framework and will not support changes to Victoria's carryover policies or creation of storage rights.



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Governance: The report does not outline clearly the benefits and limitations of the existing water management and operations governance framework, including actions or lack thereof in existing regulatory bodies. Victoria believes that final report should focus on improvements in the efficiency and effectiveness of decision making within the existing framework. Any recommended changes in the governance framework that impeded on the state's existing rights to manage its water resources would not be supported.

Interoperability: Victoria agrees that there is merit in exploring how the increased use of digital technologies could drive enhancements. A distributed model would be preferred as it is likely to be more resilient than a centralised system. It would allow for state specific systems, while enabling the states to contribute to national requirements, through the application of standards and protocols. It would also enable simpler governance and funding as local and national requirements would be easily identifiable.

Care is required to ensure that proposed changes are not too ambitious or unrealistic, given the failure of previous attempts. Any collaborative approach will need to be based on a sound business case. It will need to ensure that it is consistent with the market regulatory oversight framework, with clear roles for the public and private sectors, and ensure that a monopoly framework is avoided.

Victoria is supportive of improving automation of interstate interoperability, the review of trade processing costs for interstate trades, as well as the need for improved tracking of allocation trades between states and entities. The financial tracking of transactions requires further analysis as it is inter-related to market regulatory oversight. Improvements to tracking of allocation trades must consider protecting flexibility, practicality and efficiency for irrigators and other market participants.

Opportunities for the final report: A limitation of the interim report is that it focusses on water markets in the regulated river systems, with limited insights on water markets in groundwater and unregulated water systems. There are opportunities to improve the effectiveness and efficiency of these markets, with the increased conjunctive use of these resources due to the rise in the value of regulated river entitlements and allocation trade prices. I request this be included in the final report.

Victoria believes the interim report would have been more useful had it been specific about the jurisdiction or region where the issues identified applied. This would have greatly assisted Victoria and market participants in providing specific feedback and advice on the options raised in the report, and I request that the final report is clear where recommendations relate to a specific jurisdiction.

I see this inquiry as a unique opportunity to identify and implement long term transformational change to the regulation of water markets and their efficient and effective operation. I encourage the ACCC to use their full regulatory powers to obtain additional information from market participants and I welcome the recent announcement extending the inquiry to the new 26 February 2021 date for the final report.

Victoria would be pleased to discuss our submission with the ACCC and look forward to working closely to develop effective and practical final recommendations.

If you have further question, please contact Alieta Donald, Director, Water Resource Reform and Insights, DELWP on 0427 800 198 or via email at alieta.donald@delwp.vic.gov.au.

Yours sincerely



Hon Lisa Neville MP
Minister for Water

30/09/2020