



# Lachlan Valley Water Inc

ABN 38 597 032 631

Sustainable, productive and efficient water use in the Lachlan Valley

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30 October 2020

Australian Competition & Consumer Commission  
GPO Box 3131  
Canberra ACT 2601

By email: [waterinquiry@accc.gov.au](mailto:waterinquiry@accc.gov.au)

## **Re: Submission to Interim Report on ACCC Murray-Darling Basin Water Markets Inquiry**

Lachlan Valley Water (LVW) welcomes this opportunity to provide comment on the ACCC water markets inquiry interim report. Lachlan Valley Water is the peak valley-based industry organisation representing more than 500 surface water and groundwater users in the Lachlan and Belubula valleys. Lachlan Valley Water does not hold or trade any water in its own right, however, our members do operate in the market and represent all categories of water licences except for those held by environmental water managers.

### **Introduction**

The Lachlan is a disconnected valley, where the river flow terminates in the Great Cumbung Swamp, and it is recognised as such by the Murray Darling Basin Authority, so that inter-valley transfer of surface water entitlement or allocation is not permitted. The market in the Lachlan does not face the complexity of the southern connected system and our submission addresses the issues in the interim report that relate primarily to impacts on this system.

Lachlan Valley Water agrees that the market has provided substantial benefits to water users in the Basin. We also agree with the ACCC's view that there are aspects of the market regulation that need to be improved to ensure fair and open operation of the market and to ensure substantial benefit to irrigated agriculture from the operation of the market.

### **Conduct of market participants**

LVW agrees that there is insufficient regulatory oversight, that market integrity regulation needs to be improved, and that regulation should be introduced in the case of water brokers.

We support the ACCC option of a government-initiated licensing scheme for intermediaries, and consider that a federal level scheme is likely to be more consistent and therefore more workable in view of the cross-border operation of many brokers.

LVW also agrees that greater transparency is required and supports the option that brokers should be required to operate trust accounts, and that conflict disclosure obligations should be introduced.

LVW does not believe that at this point it is necessary to establish an independent government regulator, because we anticipate that the expected costs of operating such a body would be significant, and would in the end be passed on to water users participating in the market, so we question whether the benefit would outweigh the cost.

### **Improving trade processes and market transparency**

In relation to the ACCC options for practical changes to trade processing, LVW supports the requirement for Basin states to improve trade data validation and quality checking processes. An effective information flow is necessary for the market to be informed and efficient.

With regard to the proposed requirement for Basin States to keep a register of entitlement and allocation trades, NSW already operates a Water Register to provide this information. LVW recommends that any additional information requirements should be compatible with the existing water register.

LVW supports the proposal that trade application forms be updated to provide additional information. WaterNSW has already updated their application form to assign surface water allocation to specify additional information that should be provided, including a requirement for the trade purpose to be identified.

In relation to the ACCC recommendation to remove the ability for zero dollar trades, it must be acknowledged that in some valleys, including the Lachlan, there are a significant volume of zero dollar trades which are simply the result of a licence holder transferring water allocation from the account of one licence to another, both of which are owned by the licence holder or a related party, in order to manage water balances within account limits. This is an entirely valid practice, which may be an outcome of water account rules, and should not be disallowed.

In reference to the proposal that IIOs should be required to establish and maintain registers for both temporary and permanent trades, within, out of and into their networks, we recommend that all IIO's must be fully consulted on any such requirements, and that there should not be costly additional requirements imposed on IIOs who already operate their own information systems.

### **Digital technologies**

LVW supports the ACCC finding that digital technologies offer the opportunity to streamline trade services, and can also improve information quality and availability, given the complexity of some trading and account management rules and the wide variation between different valleys.

LVW supports the NSWIC position that a single digital platform of water market information, including availability and trade information, would be useful, and that this is more important and useful outcome than a central trading platform.

LVW also agrees with the concerns flagged by NSWIC that a single exchange platform for posting and matching trade offers through a mandatory online platform would result in increased transaction costs, and would remove the role for brokers.

## **Improving market architecture**

LVW understands this section relates only to the southern connected Basin market, and does not have a comment on the reform options.

## **Changes to market governance**

LVW agrees with the ACCC view that current governance arrangements have been developed principally to facilitate state water sharing arrangements and system operation, rather than to facilitate an efficient, Basin-wide market. While we support the intent to improve market governance, it is not our view that the operation of the market should take precedence over broader water management requirements.

LVW supports the NSWIC position that the objectives of market governance should be to ensure sustainable river operations and avoid third-party impacts, and that any changes to governance should aim to reduce duplication of decision-making.

Please do not hesitate to contact us if you have any queries about the matters raised in this submission.

Yours faithfully

A handwritten signature in black ink, appearing to be 'ME', with a long horizontal line extending to the right.

Mary Ewing  
Executive Officer