



Growers' Conference 2022

A sustainable future together



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Water Markets and Government Policy



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2022 Lower Murray Water Growers' Conference



Joe Banks
19 August 2022



Environment,
Land, Water
and Planning

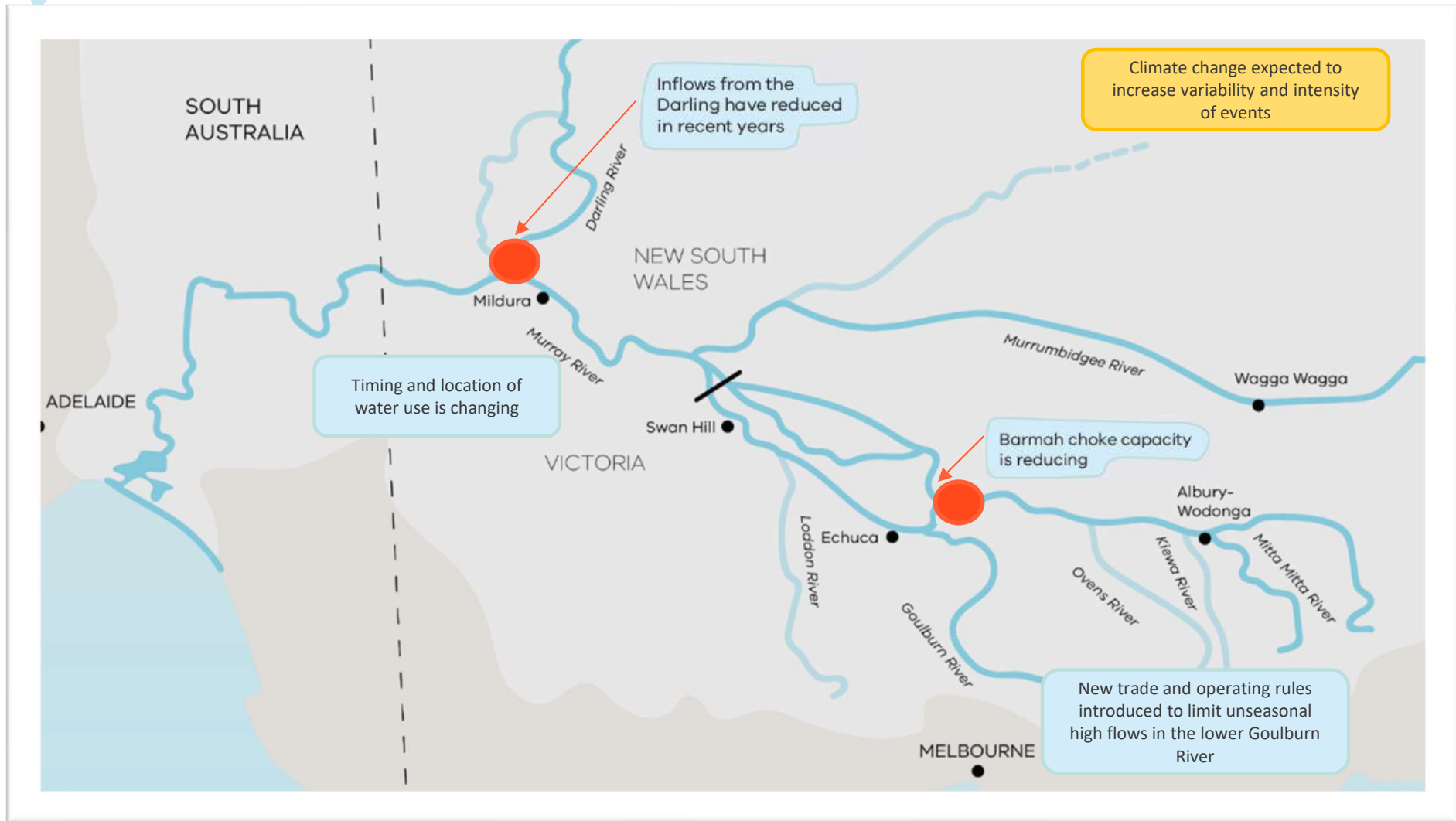
What I'll cover today:

1. River Murray shortfall risks
2. A new delivery rights framework based on place of take
3. Implementing outcomes from the Goulburn to Murray trade review
4. Opening trade this year

Murray shortfall management



What's changing?



What are governments doing about shortfall risk?

Joint River Murray governments work:

- Actively manage the River Murray System to avoid shortfalls
 - Closely monitor demand, forecast conditions and setting up the system in spring to support summer demand
- Barmah Millewa Feasibility Study – investigating options to reinstate lost capacity
- Coordinated shortfall response plans
- Committed to clearly assign and communicate remaining risk to individual water users
- Understanding changing water use patterns – what regional shifts in the timing and location of water use below the Choke means for shortfall risks

Victoria has also:

- Called in works licences and assessing applications looking for more extraction share to protect existing entitlement holders' rights in a shortfall
- Made changes to the Water Act to strengthen our delivery rights framework – clearer rights and ability to cap and trade extraction share
- Through the Goulburn to Murray trade review designed trade rules to not increase shortfall risks
 - Trade enabled within sustainable limits – only restricting where needed to recognise ecological tolerances and so that we can deliver it

What does a shortfall mean for water users?

- Ministers/BOC agree on how states will share water available
- In Victoria, water users in the affected reach will be **temporarily rationed** (for example, able to take 80% of their extraction share over specified period), sharing the burden
- GMW and LMW will contact customers when a shortfall occurs, and advise them of their ration (this includes the **volume** of water they can take over a specified **period of time**)

How will rationing be applied to different types of water users?

- **Domestic and stock, and urban water users:** exempt from being rationed during a shortfall
- **Environmental water delivery:** will be interrupted unless there is a non-interruptible watering event underway
- **Irrigators:** will be temporarily rationed in proportion to their
 - extraction share (river diverter), or
 - delivery share (irrigation districts)

How can irrigators prepare for shortfall risks?

- Review your licence and be aware of your delivery share or extraction share and how they are used if rationing is required.
- Monitor current shortfall risk (e.g. MDBA Weekly Report)
- If you have on-farm storage, consider storage levels during higher risk periods.
- Plan for how you might respond to a shortfall (e.g. prioritise particular patches over others)
- When developing or redeveloping, be aware of your shortfall risks

Place of Take Approvals



Change to the Water Act 1989

- Amendments passed parliament in October 2021
- Apply to all Declared Water Supply Systems (i.e. where water rights have been unbundled)
- Changes coming into effect on **1 July 2023**:

1. New 'place of take' framework

Addresses weaknesses in delivery rights from unbundling by introducing a new **Place of Take Approval framework**, which:

- Clarifies water users with rights to take water at a specified place
- Enables the Minister to cap extraction share
- Enables trade of extraction share

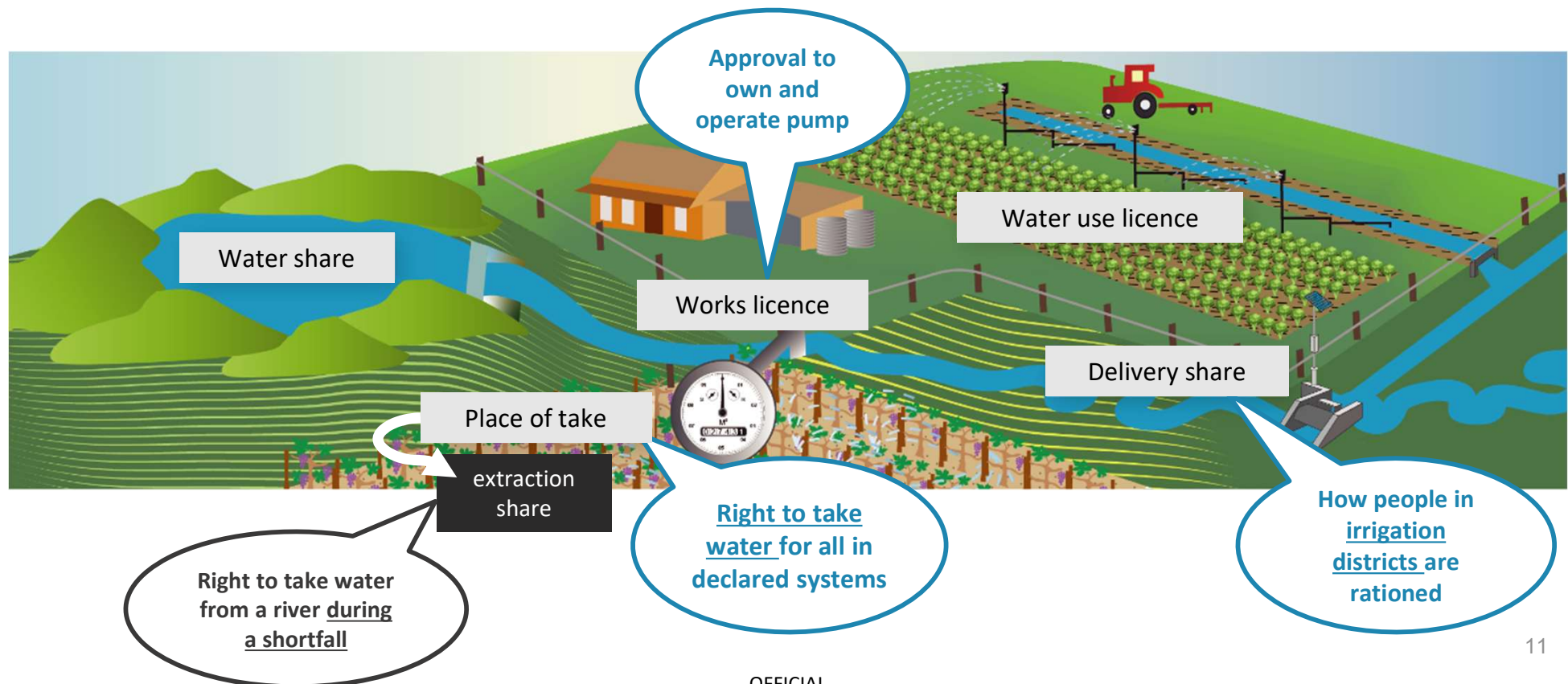
2. Further water market transparency

Meets government commitments to improve market transparency about water ownership

New Place of Take Approvals framework

Unbundling separated rights to water from land into rights to 3 components; water shares, water use licences and “delivery rights”:

- For irrigation district customers – **delivery share** (determines ration in shortfall)
- For private diverters – **works licence** (with an Extraction Share condition which determines ration in shortfall)



New Place of Take approvals framework

What does the Place of Take framework mean for water users in declared systems?

All existing water users get a Place of Take Approval

- Replaces their existing approval for a pump/service point (everyone's are consistent)
- Can access a Copy of Record (previously not possible)

For private diverters

- Extraction share moves from Works Licence to their Place of Take Approval
- Extraction share becomes an enduring right (no longer expires)

For district customers

- Get a Place of Take Approval without extraction share
- No change to delivery share (continues to be used for rationing)

For lower Murray private diverters: 'cap-and-trade' of extraction share

- Extraction share likely to be **capped**
 - Formalises what Minister has been doing since 2019 in assessing Works Licences
- Minister can set **rules for trading** extraction share
 - provides flexibility for users to manage their own delivery risks

Implementation status

Next steps

- Develop policy options for new rules (e.g. setting of caps and trade rules)
- Establish Consultative Committee with key stakeholders to develop and test new rules
- Develop and implement public engagement plans to test rules more broadly and build water users' understanding about what the changes mean for them

Goulburn to Murray trade rule



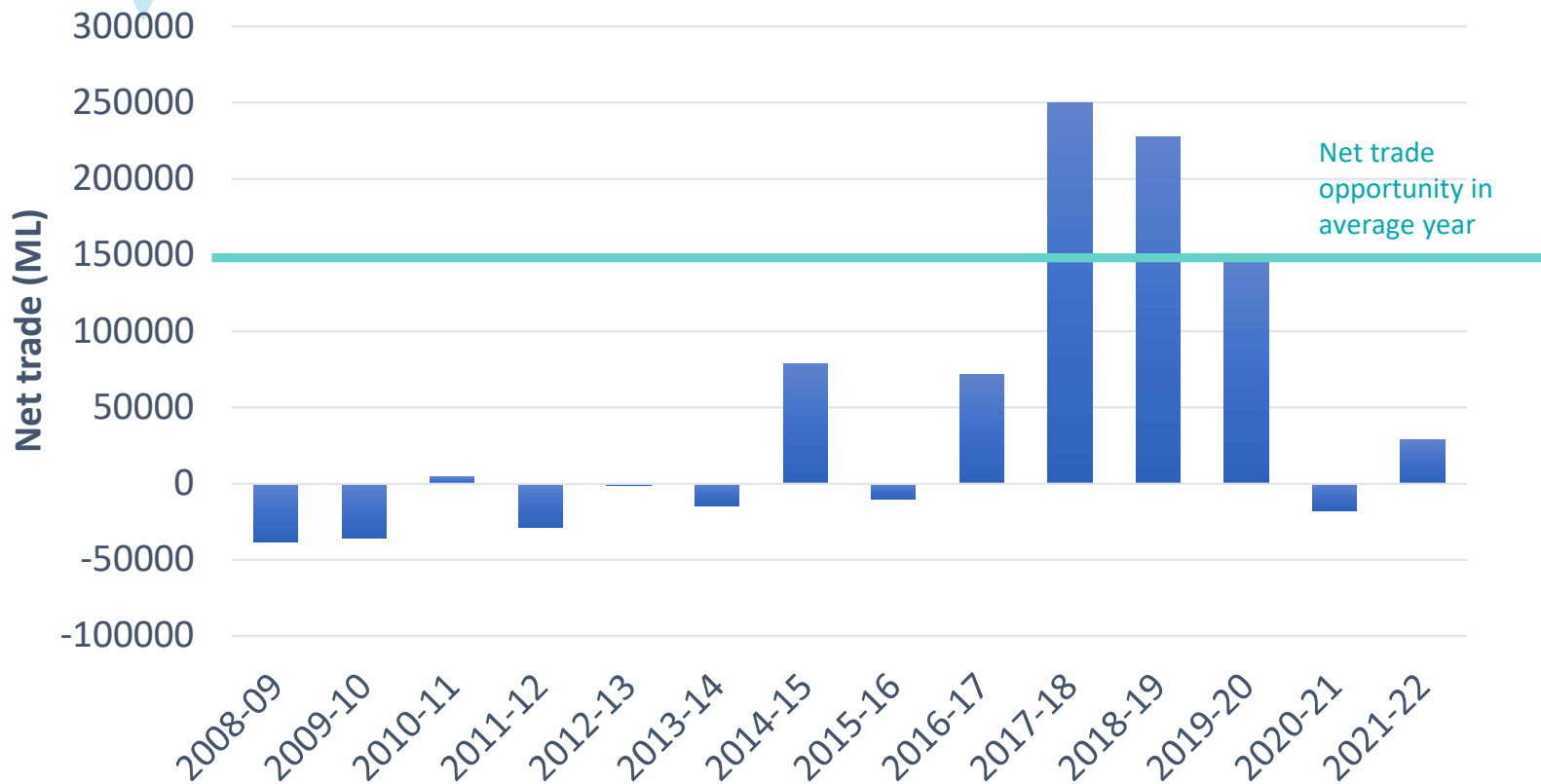
Key changes:

- New trade and operating rules in place for Goulburn to Murray allocation trade, to balance environmental and cultural values in the Goulburn with needs of downstream users
- Trade opportunity **resets each year** based on **how much can be delivered from the Goulburn River within ecological tolerances**, with seasonal flexibility informed by how people are using water that year
- River operators will call on delivering that water over multiple years, within operating limits, to get maximum resource efficiency benefits (e.g. by reducing spills that would have otherwise occurred)

Trade opportunity is no longer tied to when river operators deliver water (IVT callout)

Goulburn to Murray trade rule

Goulburn to Murray Total Net trade



- More net trade than we have seen in recent years, but less than 2017-18 and 2018-19
- Many years we see net trade into the Goulburn
- Net trade in 2021-22 was ~28 GL

- **~150 GL of net trade** opportunity expected in an average year
- More trade released in **dry years when allocations are low**

How does the trade rule work?

- 1. On 1 July** opening trade opportunity will be released (~83 GL this year)
 - Quarantining legacy commitments (~99 GL)
 - Allocation against grandfathered tags (~19 GL)
- 2. On 15 October** additional trade opportunity will be announced (0 – 30 GL)
- 3. On 15 December** additional trade opportunity will be announced Release (0 – 30 GL)
 - Additional trade released if Goulburn allocations <100%
- 4. Trade is capped from 15 December to 30 June**
- 5. Back trade still available, still creates downstream trade as usual (3.9 GL so far)**

- **82,726.1 ML** trade opportunity
- Taken in **34 minutes**
- **35 applications** approved
- Volumes **9 ML to 16,959 ML**
- 29 applications refused (69,511.9ML)
 - 2 submitted too early
 - 27 volume of application greater than available
- Small openings post 4 July due to back trade (3,876 ML)

Slide 18

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[@Sarah J Ryan (DELWP)] Think this has a bit too much info for a big audience to digest. Reckon let's pare it back and tempted to move it to flow from current slide 19, and have this final section to talk about other trade opportunities

Joe M Banks (DELWP), 2022-08-16T12:51:57.054

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Done

Alex M Murray (DELWP), 2022-08-17T03:27:15.570

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Just chasing if we have a number of unique parties accessing trade as I think useful comparison if it's easy enough to dig up.

Alex M Murray (DELWP), 2022-08-17T03:55:25.068

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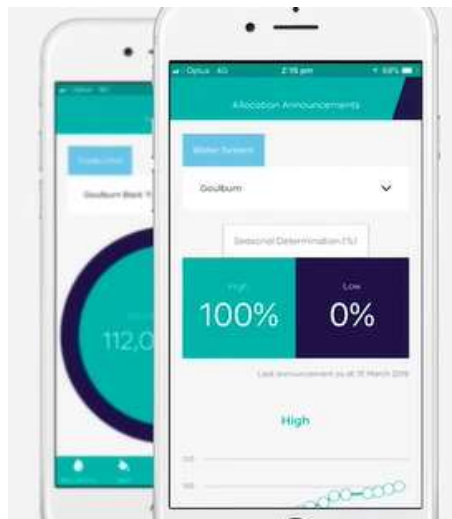
Just add in later if you can

Joe M Banks (DELWP), 2022-08-17T06:59:48.158

Victorian Water Register

<https://www.waterregister.vic.gov.au/water-trading/allocation-trading>

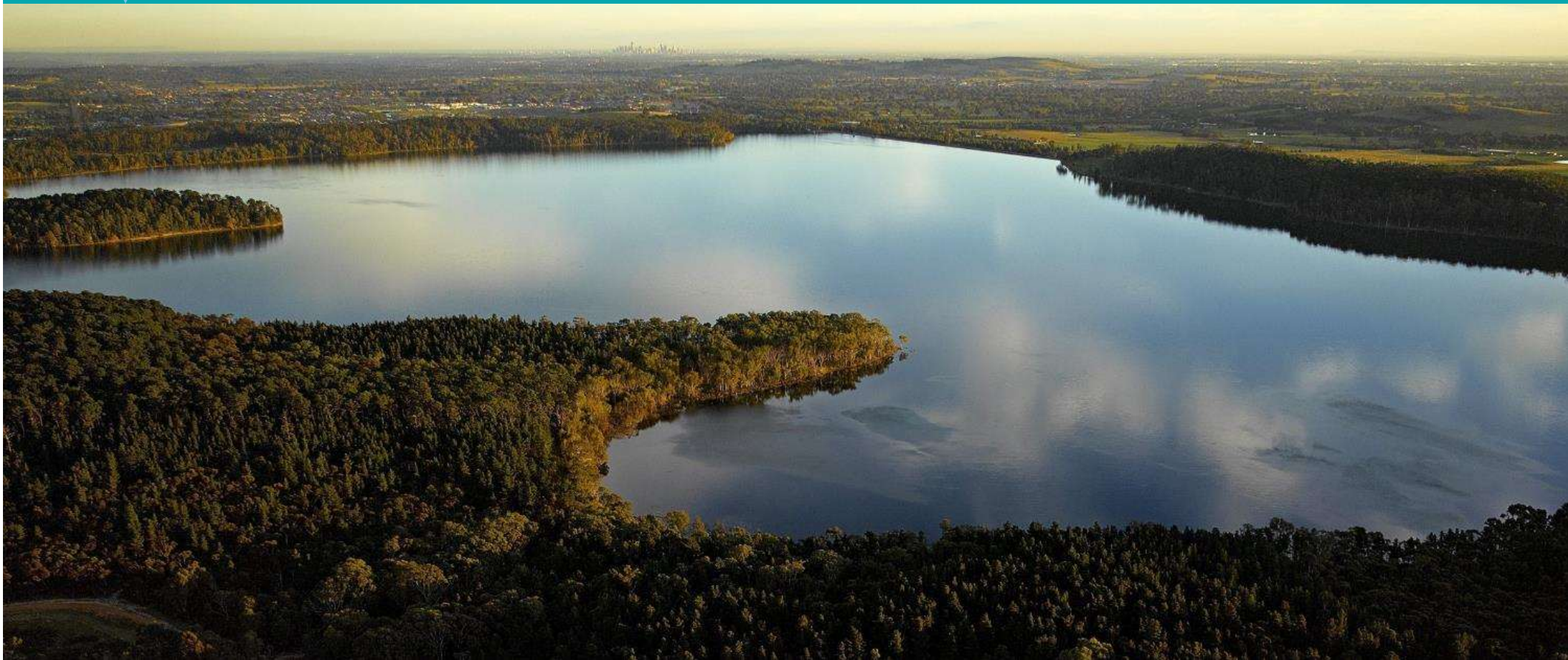
- Rules for allocation trade
- Where can I trade widget
- Trade data
- Trade FAQs
- Water Prices



Water Market Watch app

- Water Market Prices
- Trading Limits
- Seasonal determinations
- Spill declarations

Barmah Choke opening trade 2022-23



Slide 20

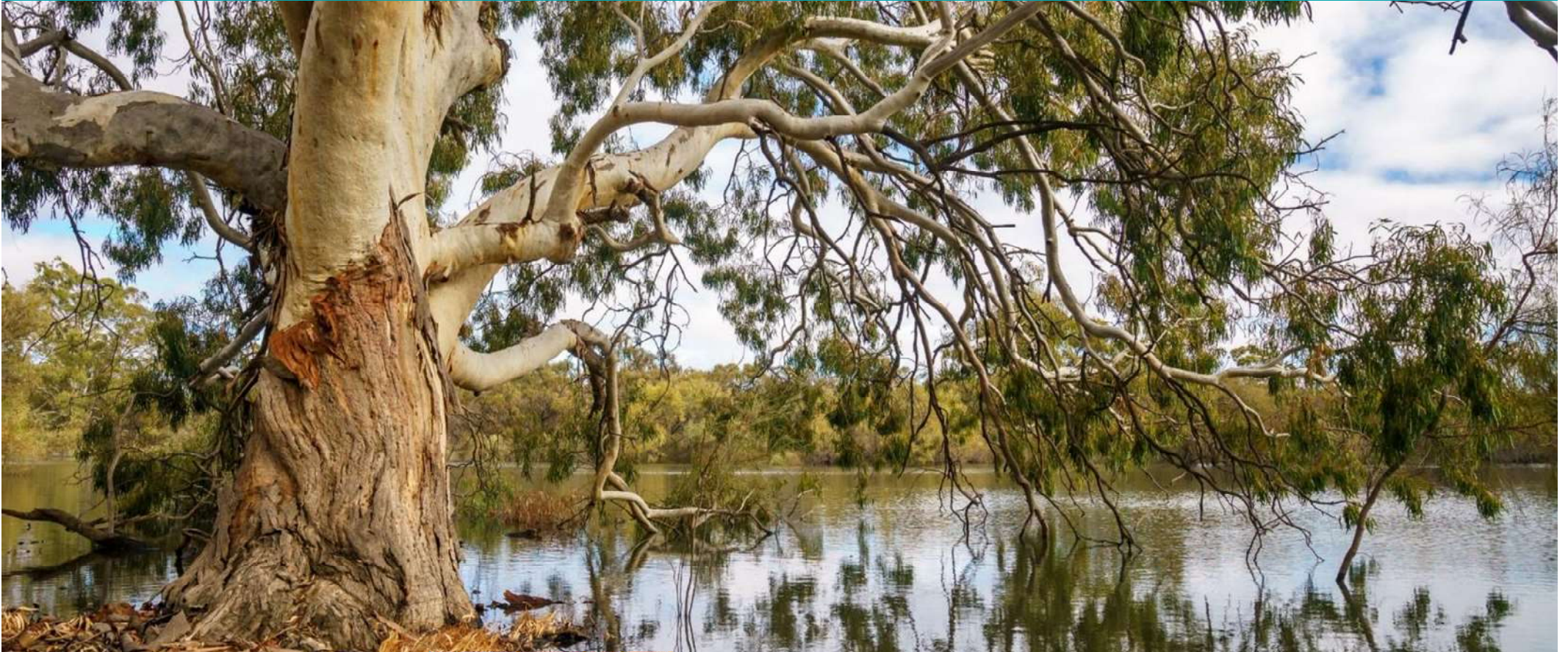
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[@Rosalind Martin (DELWP)] [@Nicholas M Longden (DELWP)] note Alex has pared back words and rearranged some content per Joe request
Sarah J Ryan (DELWP), 2022-08-17T02:18:29.503

- Victorian irrigators have consistently requested that Victoria address the inequity of access to the opening Barmah Choke trade opportunity
- This year was the first time Victoria has opened the Water Register at midnight, allowing Victorians access to the Barmah Choke Trade Limit when it became available.

- Opening balance **40,595 ML**
- **26,923 ML** Victorian trades approved
- Victorian accounts traded for ~20 mins
- Remaining balance 13,822 ML
- **65 applications** approved
- Application volumes 0.8 ML to 2,455 ML

What's next?



What's coming up:

- **Place of Take Approvals implementation** – public engagement
- **Goulburn to Murray review implementation** – monitoring will continue over next 2 years to inform adaptive management of flows within the operating rules
- **Goulburn to Murray Trade Out opportunity** – 15th October and 15th December next trade openings
- **Annual Broker Audit 2021-22** – due to commence in September 2022
- **VWR Transform Project** – project has kicked off and look out for future engagement activities

THANKS FOR HAVING US



Outcome of 2019-20 & 2020-21 Broker Audits



Since 2013-14, DELWP has conducted an annual audit of water brokers that use the Victorian Broker Portal or Broker API.

Outcome of 2019-20 & 2020-21 Broker Audits

The independent audits show that there has been an overall improvement in broker compliance in both years compared to results of prior audits.

Based on the final outcomes, the Department has:

- Issued warning notifications to six broker firms.
- Suspended Broker Portal access for two broker firms for a period of two weeks.
- Sent letters to 17 water broker firms to formally close the audits, and where relevant included advice on improvements that could be implemented.

2021-22 Broker Audit due to commence in **September 2022**