

Water Entitlements & Markets

Lower Murray Water Growers Conference
1st May 2024

Markus Baggs Sargood & Joe Banks



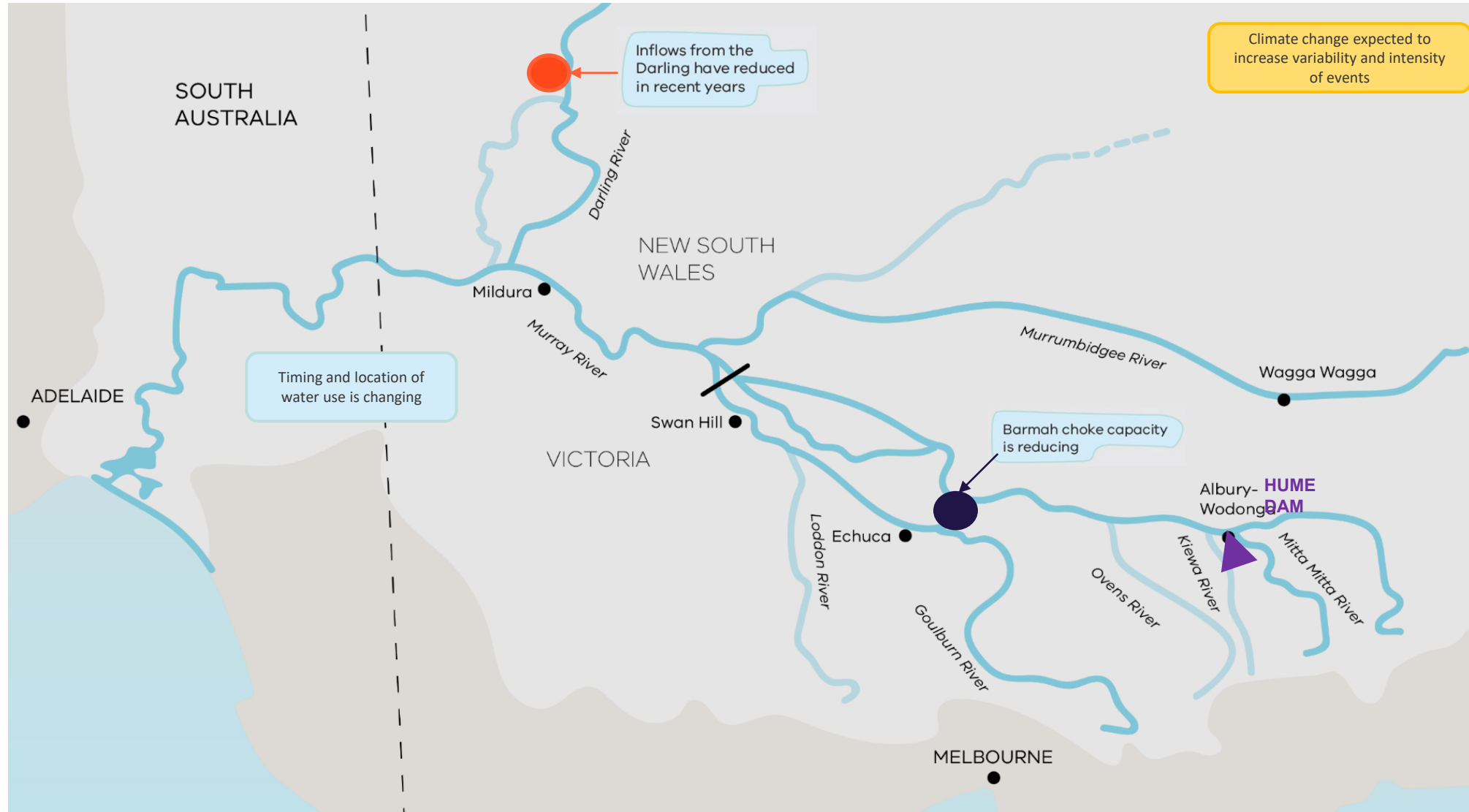
What we'll cover today

- 1. Delivery risks in the Murray:**
 - a. Victoria's Place of Take approvals framework
 - b. What happens in the event of a shortfall
- 2. Water market update:**
 - a. Water market reform roadmap
 - b. Removal of exemption for grandfathered tags
 - c. Goulburn to Murray trade update
- 3. Commonwealth changes to the Basin Plan**

1. Delivery risks in the Murray

- Victoria's Place of Take approvals framework
- What happens in the event of a shortfall

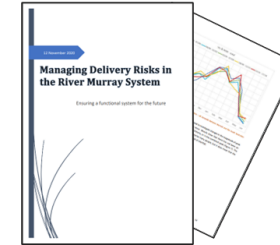
Delivery risks in the Murray are increasing



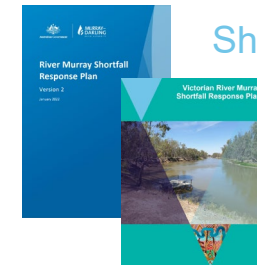
Program of work to manage Murray delivery risks

Joint governments

- Actively manage the River Murray System to avoid shortfalls
- MDBA working with Vic, NSW and SA to:
 - Better understand the risks
 - Mitigate the risks (Barmah Millewa Program)
 - Have a clear plan to manage the risks when realised



Joint report on delivery risks in the River Murray published 2020

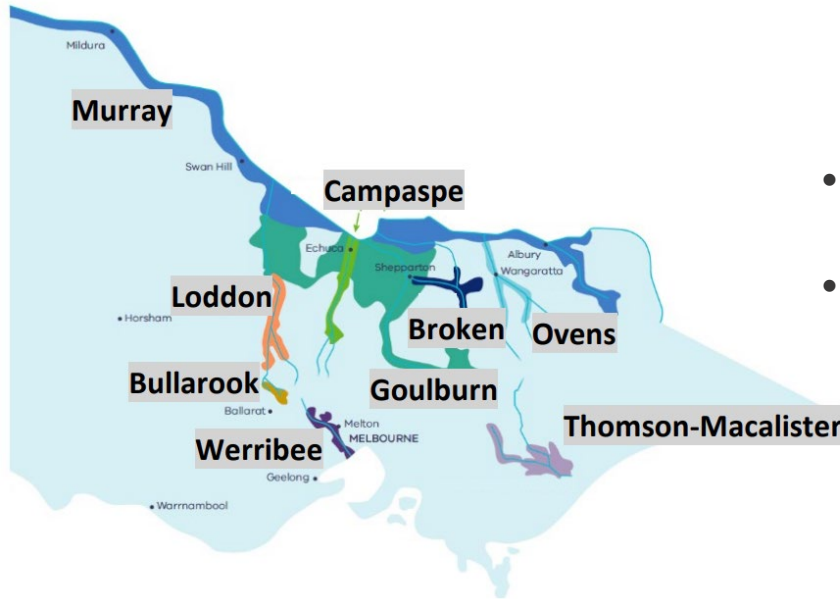


Shortfall response plans

Victoria

- **July 2022 – New Goulburn to Murray trade rule** - made sure trade from the Goulburn does not increase Murray delivery risks and can be delivered within ecological tolerances
- **July 2019 to November 2023 - Minister called in works licences** - assessed applications for new extraction share to make sure no impacts on existing rights
- **November 2023 – Changes to Water Act** - introduced the Place of Take Approvals framework to provide long-term certainty on these delivery rights

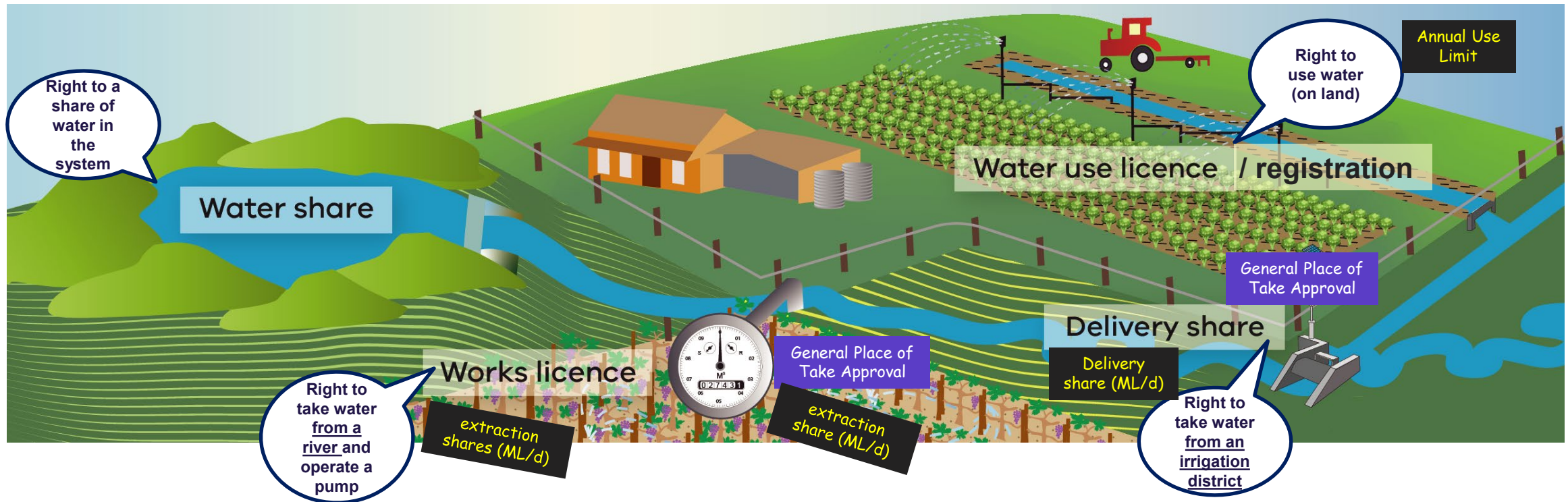
What is the 'Place of take approval' framework



- A new approach to strengthen water delivery rights in Victoria's declared water systems
 - Does not affect anyone's water shares
- Commenced 20 November 2023
- Driven by increasing delivery risks in the Murray
 - Sets a consistent framework for all systems
 - Clarifies and protects existing rights to take water during the rare event of a shortfall
 - Provides water users with more:
 - Certainty about their rights to have water delivered down rivers
 - Flexibility to manage their own delivery risk

What place of take has changed

At unbundling each water right holder received three separate products:



If an 80% delivery restriction

- A 1 ML/day delivery share holder can only take 0.8 ML/day
- A 1 ML/day extraction share holder can only take 0.8 ML/day

Note: extraction share only constrains take in a restriction.

Summary of changes for water users

For all water users in declared systems

- Approvals to take water now formally recognised as **general place of take approvals (GPTs)**
- Recorded in the Victorian Water Register
- Authorising powers consistent for all water users = > consistent & strong offence provisions
 - Company directors now liable for any unauthorised take

For irrigation district customers

- Delivery share remains right to a share of available water in delivery restrictions

For private diverters

- Extraction share remains right to a share of available water in delivery restrictions
- Extraction share moved to GPT and becomes an enduring right
- Caps on extraction share have been introduced in the Murray (downstream of Barmah) and the Ovens
- Minister can set trading rules for extraction shares

Minister's rules - extraction share rules

The Minister has set extraction share rules, to increase flexibility and prevent third party impacts

1. Cap on total extraction share in Murray downstream of Barmah (Zone 7)

- No new extraction share issued in Zone 7
- With some very specific exceptions (e.g. where delivery share is cancelled)
- Consistent with outcomes of Ministers' decisions on extraction share since July 2019

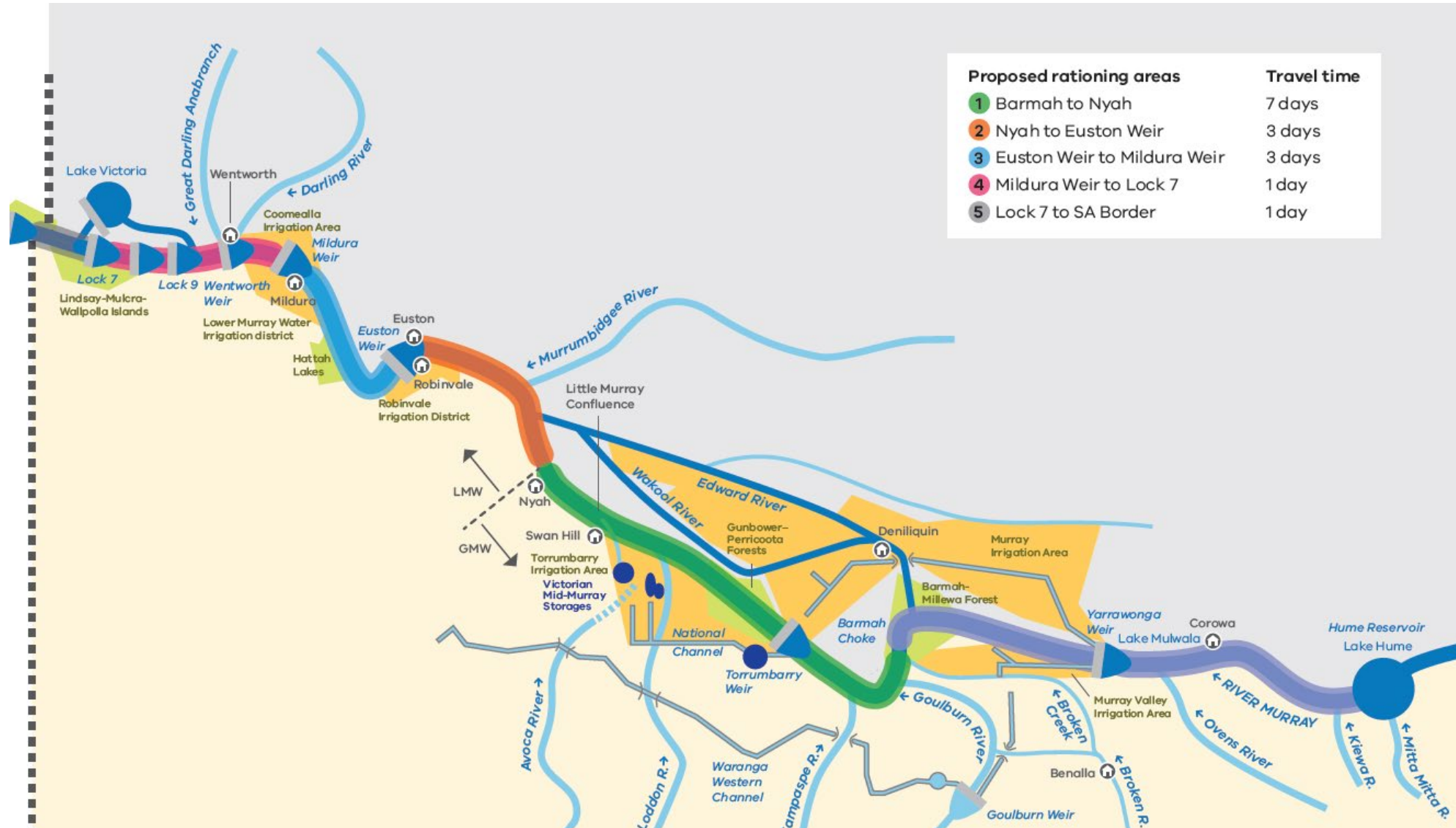
2. Trade of extraction share only permitted within rationing areas

- For first set of rules, trade of extraction share only permitted *within* rationing areas

3. Limits on amount of extraction share that can be held on land

- Allow for greater flexibility while preventing inappropriate market speculation
- Limit based on a percentage of the 'Annual Use Limit' held on the land (1.5% of AUL)
 - Designed to meet expected daily peak crop demands, with a reasonable buffer to allow risk management

Rationing areas in the Murray



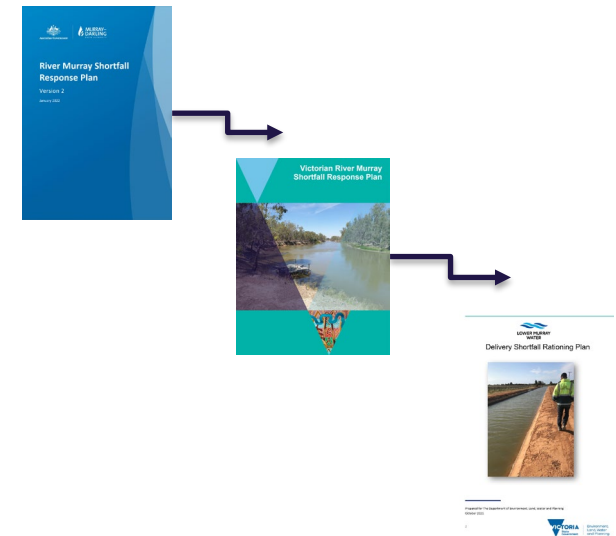
Managing Murray delivery risks

Current delivery risk:

- MDBA report on current delivery risk in its weekly report
 - Current risk is negligible
 - 2024-25 risk will depend on seasonal conditions

If a shortfall occurs and restrictions are required:

- The MDBA advises states of water available and time period
 - Northern Victorian Resource Manager (NVRM) calculates the percentage restriction required based on irrigation demand and extraction shares held in the relevant area
 - LMW inform customers



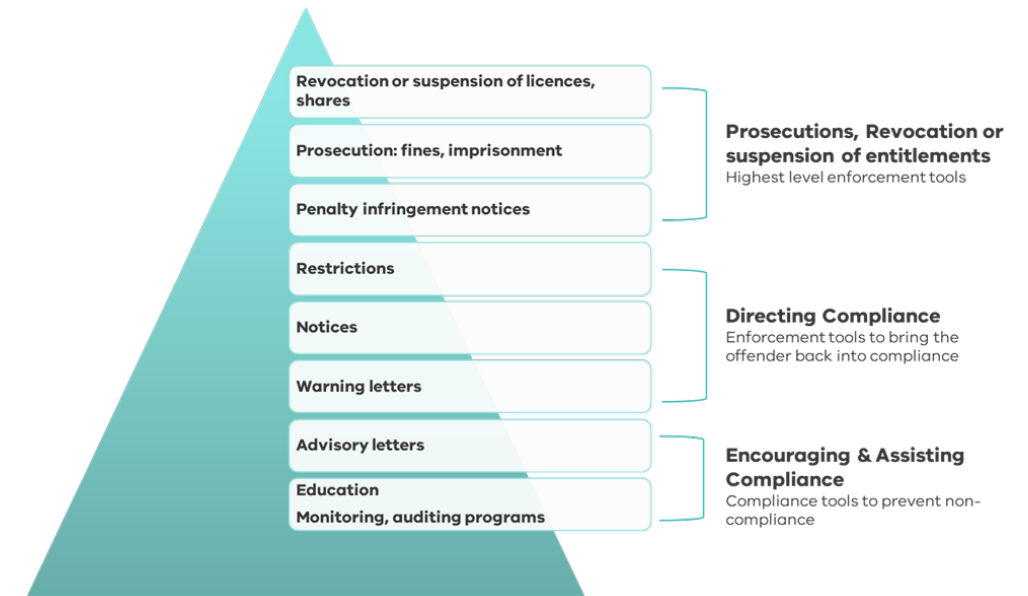
Shortfall Compliance

Why is compliance important?

- Critical to managing the water system, protecting the environment and maintaining the integrity of Victorian entitlements.
- Ensures fair sharing of water when there are delivery constraints when non-compliance could mean others can't access water when they need it the most.

What does shortfall compliance look like?

- Includes activities before, during and after a shortfall event:
 - ▶ **Before** - Factsheets, targeted comms to high-risk customers
 - ▶ **During** - Use of telemetry and increased frequency of manual meter reads to monitor usage
 - ▶ **After** - Non-compliance investigated, and enforcement tools applied, publication of case studies



What enforcement tools are available?

- Penalties of up to \$230,000 for individuals and \$1,150,000 for corporations and 10 years imprisonment for not complying with restrictions
 - Burden of proof on water user
 - Directors of companies are liable
- Associated works licence may be suspended or cancelled if restrictions are contravened.

2. Water markets update

- Water market reform roadmap
- Removal of exemption for grandfathered tags
- Goulburn to Murray trade update

Water market reform roadmap

Improving water markets together:

- The ‘Water market reform: final roadmap’ report was published on 11 October 2022.
 - The Roadmap sets out a phased, practical plan for water market reform aligned to the ACCC’s 2021 Murray-Darling Basin Water Markets Inquiry
 - Victoria, Commonwealth and other states working together to implement recommendations to support reforms to improve and build confidence in water markets

Timeline of some of the key reforms:

July 2024	<ul style="list-style-type: none">• Removal of exemptions for ‘grandfathered’ tagged entitlements• Stronger powers to require trade price and reason for trade	Commonwealth Vic & NSW Inspector-General
July 2025	<ul style="list-style-type: none">• Water market intermediaries code	ACCC
July 2026	<ul style="list-style-type: none">• Stronger protections against water market misconduct:<ul style="list-style-type: none">• Managing water market information and insider trading risks• Protections against water market manipulation• Lifting the bar on water market data standards across all water markets	Commonwealth BoM
Ongoing	<ul style="list-style-type: none">• Improving how delivery risks are managed, transparency of river operations trade-offs and settings for intervalley trade	States and MDBA

Removing the “grandfathered” exemption for tagged entitlements

What’s changed?

- Commonwealth legislation has been changed to remove the exemptions for ‘grandfathered’ tagged entitlements from allocation trade restrictions from **1 July 2024**.
 - This was recommended by the ACCC Water Markets Inquiry in 2021
 - Victoria has been a strong advocate for this as it will support a level playing field for inter-valley trade and the water market
 - Existing arrangements offer an unfair advantage to a small group who can access water from restricted trading zones when trade is closed for other water users
- These changes mean that from **1 July 2024**, all water market participants will be subject to the same intervalley trade rules.

How does this affect Goulburn to Murray trade opportunity?

- Removing this exemption will also increase the volume of Goulburn to Murray trade opportunity that is available to all at the start of the water year
- Previously **~15 GL** of opening trade opportunity was reserved to meet these “grandfathered” legacy commitments
- This means that starting in 2024-25, an additional volume of **~15 GL** of opening trade opportunity will be available to the water market
- It is anticipated that this will increase the average opening trade opportunity from **~85 GL** to **~100 GL**

Goulburn to Murray Trade and Operating Rules

New river operating rules for lower Goulburn:

- Since rules were introduced in July 2022, conditions have been very wet, resulting in low demand for Goulburn IVT deliveries.
- Regulated flows in lower Goulburn have been managed within or below maximum allowed flow and pulse limits.
- Monitoring by Scientific Advisory Panel shows early signs of environmental recovery in absence of sustained high flows on the river over summer & autumn.

New trade rule:

- Under new rules, the trade opportunity from the Goulburn to the Murray was **greater than expected**:

- Year 1 (2022-23): **151 GL**
- Year 2 (2023-24 so far): **174 GL**

~12 GL taken up by grandfathered tags

- Water market trends for Goulburn intervalley trade:

- There has been strong competition for trade opportunity from Goulburn to Murray at three trade openings in July, Oct & Dec.
- In 2022-23 followed by significant back-trade at the end of the water year driven by demand for carryover, with overall result net trade of water (**11.8 GL**) from Murray to Goulburn.



3. Changes to the Basin Plan

What does the change to Commonwealth legislation mean for our environments and communities

- On 7 December 2023, parts of the ***Water Amendment (Restoring our Rivers) Act 2023*** commenced.
- Key changes under the ***Restoring our Rivers Act 2023*** include:
 - Removed the cap of 1,500 GL on Commonwealth water entitlement purchases
 - Commonwealth can now purchase water towards the additional 450 GL – minimising not avoiding socio-economic impacts
 - Mandated production of a roadmap for implementation for relaxing constraints
 - Additional time for critical environmental works and measures projects to be completed under the Sustainable Diversion Limit Adjustment Mechanism – SDLAM (31 December 2026)

2022-2023

The Parliament of the
Commonwealth of Australia

HOUSE OF REPRESENTATIVES

As passed by both Houses

**Water Amendment (Restoring Our
Rivers) Bill 2023**

No. , 2023

**A Bill for an Act to amend the *Water Act 2007*, and
for related purposes**

Victoria's approach to the Basin Plan

- The Victorian Government's approach has always been to achieve environmental outcomes in a way that minimises socio-economic impacts by:
 - investing in water recovery methods that have the least impact on the consumptive pool available to water users, and
 - maximising environmental outcomes of the water recovered for the environment – including use of infrastructure and flexible operations.
- The Victorian Government's priority has always been to develop and deliver projects to achieve the 2,750 GL target we signed up to, including the critical Victorian Murray Floodplain Restoration Project.

Up to 450 GL additional recovery

27 GL has already been achieved or contracted to deliver additional water recovery with neutral or positive socio-economic impacts

2,750 GL agreed shared recovery target

Half of the agreed 605 GL of projects to deliver environmental works and improved river operating rules has already been delivered

Over 2,100 GL of water entitlements have been recovered already through Commonwealth Government water purchases and state water savings projects

Focus of recent Commonwealth legislation

The Commonwealth Government's recent changes to legislation have provided it with powers to purchase water towards the additional 450 GL and have removed previous safeguards that required neutral or positive socio-economic outcomes to be achieved

Victorian Government focus

The Victorian Government's focus remains on achieving the shared outcomes of the Basin Plan agreed by all governments in 2012

This means completing existing and new projects to deliver infrastructure and improved river operating rules that will achieve better environmental outcomes on the ground for the rivers and floodplains of the Murray-Darling Basin

50%
achieved

Achieved

Victoria's Basin Plan

Basin Plan – Victoria's achievements	Status
Pre-requisite Policy Measures (e.g., return flows)	✓
Water Resource Plans	✓
Environmental Watering Plans	✓
Compliance	✓
Trade Rules	✓
SDLAM	
VMFRP + Constraints	✓
Enhanced environmental water delivery	
Water recovery	
In-valley recovery complete	✓
826.5 GL recovered towards bridging the gap target	✓
Efficiency measures – contracted more than other states	✓

- ✓ Complete
✓ In Progress

4. Where to find more information

Where to go for more information – Place of Take

Victorian Water Register website: [Place of take approvals - Water Register](#)

- General information on Place of Take approvals (updated periodically)
- Fact sheets and FAQs, including:
 - [Factsheet - Introducing place of take approvals to declared water systems \(waterregister.vic.gov.au\)](#)
- Animations on what the changes mean for water users, including for:
 - [Irrigation district customers](#)
 - [Private diverter with one pump and one property](#)
 - [Private diverters sharing a license to operate a pump \(one pump, separate properties\)](#)
 - [Private diverter with multiple pumps \(two pumps, one property\)](#)

Where to find your delivery share / extraction share:

- Victorian Water Register - Copy of Record: www.waterregister.vic.gov.au
- LMW's WaterNow – Water Management System: www.lmw.vic.gov.au
- Call LMW's Rural Customer Team: 1800 808 830 (option 3)

Where to go for more information – Murray delivery risks

MDBA website

General info on delivery risks: [Deliverability risk in the River Murray system | Murray–Darling Basin Authority \(mdba.gov.au\)](#)

- Current risks: [River Murray weekly reports | Murray–Darling Basin Authority \(mdba.gov.au\)](#)
- What's changing: [Managing Delivery Risks in the River Murray System \(mdba.gov.au\)](#)
- The Barmah-Millewa Program: [Barmah–Millewa Program | Murray–Darling Basin Authority \(mdba.gov.au\)](#)
- MDBA Shortfall response plan: [River Murray Shortfall Response Plan \(mdba.gov.au\)](#)

Victorian Water Register website: [River Murray delivery risks - Water Register](#)

- General info Murray delivery risks and what's being done to manage risks
- Fact sheets
- FAQs
- Victoria's shortfall response plan

Lower Murray Water website: [Shortfall – Lower Murray Water \(lmw.vic.gov.au\)](#)

Where to check extraction share information

- **Previously:** Extraction Share was a condition on a works licence
- **Now:** Extraction Share has moved to general place of take approvals (on conversion it went to landholders)

Works Licence ID:
WLE087083

Printed on: 20 Nov 2023 12:00:00

COPY OF RECORD IN THE VICTORIAN WATER REGISTER
LICENCE TO OPERATE WORKS
under Section 67 of the Water Act 1989

Conditions

Rosters and restrictions

1. ~~Water may only be taken through the works referred to in the works licence rationing or other restriction, it is taken in accordance with the share of the specified extraction share of 0.019 ML/day.~~

2. When directed by the Authority, water must be taken in accordance with the restrictions determined by the Authority, and advised to the licence holder.

General Place of Take Approval ID:
GPT049823

COPY OF RECORD IN THE VICTORIAN WATER REGISTER
General Place of Take Approval
under Section 64FC of the Water Act 1989

Approval Details	
Expiry date	NA
Status	Active
Authority	Lower Murray Water
Delivery system	River Murray (Euston to Mildura)
Rationing area	Euston Weir-Mildura Weir
Trading zone for water use	7 VIC Murray - Barmah to SA
Extraction Share	0.019 ML/day