

Gwydir Valley Irrigators Association Inc.

458 Frome St, PO Box 1451, Moree NSW 2400

Submission in response to the Commonwealth Office of Environmental Water's discussion paper on:

*'Commonwealth Environmental Water –
Trading Arrangements'*

**Submission by:
Gwydir Valley Irrigators Association Inc
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1. Purpose of this Submission

This document has been developed by the Gwydir Valley Irrigators Association on behalf of its members as a formal submission on Commonwealth Environmental Water – Trading Arrangements for consideration by the Commonwealth Environmental Water Office.

This document represents the concerns and views of GVIA's members. However, each member reserves the right to express their own opinion and is entitled to make their own submission.

2. About the Association

2.1. Where we are and what we do

The Gwydir Valley Irrigators Association (GVIA) represents in excess of 250 water entitlement holders in the Gwydir Valley, centred around the town of Moree in North-West New South Wales. Our mission is to build a secure future for its members, the environment and the Gwydir Valley community through irrigated agriculture.

Our members hold entitlements within the Gwydir regulated and un-regulated surface water areas, in addition to groundwater resources. All of which are managed through water sharing plans although the Water Sharing Plan for the Gwydir Unregulated and Lower Gwydir Alluvial Water Sources remains in draft at the time of preparing this submission.

The Gwydir Valley Irrigators Association organisation is voluntary, funded by a cents/megalitre levy on regulated, unregulated and groundwater irrigation entitlement. In 2010/11 the levy was paid on in excess of 87% of the eligible entitlement (excludes entitlement held by the State and Federal Government).

The Association is managed by a committee of 11 irrigators and employs a full-time executive officer and a part-time administrative assistant, as well as hosting a Regional Landcare Co-ordinator.

Much of the activity the association revolves around negotiating with government at a Federal, State and Local level to ensure the rights of irrigators are maintained and respected.

While the core activities of the Association are funded entirely through a voluntary levy, the Association does from time to time, undertakes special projects, which can be funded by government.

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The GVIA and its members are members of both the National Irrigators Council and the NSW Irrigators Council.

2.2. Association Contacts

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3. General Comments

The Gwydir Valley Irrigators Association (GVIA) welcomes the proposal by the Commonwealth Environmental Water office to determine a trading framework for Commonwealth-held environmental water. In fact the GVIA encourages the trade of both entitlements and/or allocations, specifically in the Gwydir valley where the water sharing plans are actively and adequately delivering environmental water at this current time.

The GVIA are acutely weary of the market share in which the Commonwealth Environmental Water Holder (CEWH) has and the associated market implications of mobilising such a large share (up to 27% of general security entitlement in the Gwydir alone). There may always be winners and losers in trading, depending on whether you are a buyer or a seller of water at the time. The CEWH must limit any third party impacts by careful consideration of the timing, volume and process in which trade will occur.

Ultimately the GVIA supports the need for the CEWH to have no net third party impacts from their behaviour; either watering actions or market interactions.

The GVIA believe it is unnecessary for the Commonwealth Environmental Water Office to provide their trading intentions at the beginning of each water year but rather encourages the CEWH to be more transparent on their

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intentions for using environmental water. This would simplify the process of trading water by:

- Limiting the need for market sensitive information to be released;
- Encouraging market participants to seek and make decisions on the information at-hand; and
- Providing the CEWH the same trading process as other water holders.

Adopting this process has the added benefit that this would also require potential buyers and or sellers, to be up to date with the watering intentions of the Commonwealth and would therefore also increase the communication of watering goals and outcomes.

The GVIA are aware that any proceeds from trading environmental water are constrained by the *Water Act (Cth) 1997*. The GVIA request that any proceeds of trade in the Gwydir be used to firstly cover the costs of holding environmental water and then to be utilised to improve the efficient and effective delivery of environmental water through research or works and measures not funded by other agencies. Only then should funds be diverted elsewhere to other valleys to purchase more water, cover costs or undertake projects.

For example, if water was to be traded in the Gwydir valley and it generated additional revenue for the Commonwealth Office of Environmental Water. These funds would first be used to pay the charges associated with the holdings in the Gwydir and then the remaining, could be used to purchase easements in the Lower Gwydir and Gingham areas to reduce third-party impacts on surrounding land or the construction of new roads to allow public access to environmental assets within the Gwydir.

Adopting such a policy would aim to ensure that the environmental, fiscal or other benefits that are generated from the water holding, remains within the local community. This would help to reduce the socio-economic impacts incurred following the completion of the water recovery program.

Although the GVIA supports trade, we do not support the over accumulation of entitlement to support a consistent trading platform. It is our opinion that over accumulation of entitlements is a misuse of public funds at the cost of local communities.

The GVIA supports the high level conceptualisation of trade as proposed in the discussion paper. However, encourages the Commonwealth

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Environmental Water Office to develop additional, locally based frameworks that reflect the actions and priorities of environmental water use in that region and the Murray Darling Basin. Essentially such work cannot be completed until environmental watering plans are developed under the Basin Plan.

The GVIA also believe that the Commonwealth Environmental Water Office should consider separating trading arrangement discussions for the Northern (Darling) basin and the Southern (Murray) basin. These systems are inherently different in terms of connectivity, flows and account management rules and as such, should be assessed differently.

The GVIA acknowledges that this discussion paper is a first step in determining a framework in which the Commonwealth Environmental Water Office will consider and implement trade and we look forward to working with the Office and the CEWH to further develop this process.

4. Answers to Discussion Questions

The following provides input and discussion on some of the specific questions asked within the discussion paper.

4.1. Question One

What are your views on the portfolio management options which are outlined? Do you think that there are other issues which should be considered?

The GVIA generally agree with the portfolio management options provided in Table 1 on page 5. However, we recommend that the table should be divided up into Northern and Southern basins to align better with the Basin Plan and to recognise the inherent differences of these system and the similarities that valleys within these system have.

The GVIA also recommend that the Commonwealth Environmental Water Office consider the portfolio options when accounts spill and managing for this occurrence.

The GVIA requests clarification and an example on what the Commonwealth Environmental Water Office mean in regards to trading water “between Commonwealth environmental accounts, for example to improve opportunities for carryover”. The separating of the Northern and Southern basins, where inter-valley trade and carryover rules are different may help to clarify this statement.

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4.2. Question Two

What other trade scenarios could be considered to improve the overall capacity of the Commonwealth environmental water portfolio?

As with the above comments the GVIA recommend that the Commonwealth Environmental Water Office consider the scenario when an account is due to spill, regardless of whether an environmental objective has been met or not.

All other scenarios appear logical.

The GVIA would also encourage the Commonwealth Environmental Water Office to look at the scenario where environmental water has been met upstream with an environmental water delivery and that water could then be available for trade downstream of that asset. This scenario is extremely important considering the development of such pilots like the River Reach project¹ and the real-time data management network provided through Computer Aided River Management (CARM). The GVIA believe that the CEWH would significantly benefit from the opportunity to utilise real-time trade.

4.3. Question Three

What are your views on the capacity building example?

Generally speaking the various water availability scenarios are true and logically but markets do not always behave characteristically. The CEWH should be prepared for alternatives to these scenarios.

The GVIA believe that there will be opportunities for the Commonwealth Environmental Water Office the capture on the differences between water needs of the environment and irrigators. These scenarios do not reflect the opportunities that may exist for the CEWH in trading in times when water is required to be utilised for production and may generate real value for the Commonwealth Environmental Water Office.

4.4. Question Four and Five

Do you agree with the proposed elements of the operating rules? What other issues may be covered by the operating rules?

Do you agree with the proposed approach to developing a portfolio management strategy that will be publicly released? What other issues do you think could be dealt with in the strategy?

¹ www.riverreach.com.au

The GVIA strongly encourages the Commonwealth Environmental Water Office to consider trade as an option to managing and meeting environmental objectives. We also recognise that there is additional public interest in the behaviour of the Commonwealth Environmental Water Holder and hence, support any rule and mechanisms to ensure there is greater transparency.

Transparency however, does not need to occur to the detriment of the business performance. As a result, the GVIA agree that the goals and objectives of the water portfolio should be well communication as with the outcomes and achievements from use of that water through active watering or trade. These actions should be transparent and freely available to the public.

The GVIA submit that there is no benefit from the Commonwealth Environmental Water Office divulging their trading strategy in detail to the market. That by providing their watering plan should be enough information for the public to be aware of the CEWH's intentions.

4.5. Question Six

Do you agree with the mechanisms for trade that have been identified and the relative advantages of each? Do you have any other suggestions about other mechanisms that could be used to engage with the water market?

In principle the GVIA agree with the Commonwealth Environmental Water Office's assessment of trade mechanisms within the paper.

However, there needs to be consideration to the type of water trades that the Commonwealth Environmental Water Office may offer, in terms of timeframes and quantities as this will affect the mechanism by which the trade may occur. For example, for a large volume of water to be available over a number of seasons a tender process would be applicable. But for opportunistic trades, when outcomes are met un-expectantly and excess water is available, quick and simple processes like online trading platforms need to be utilised to take full advantage of the market.

5. Conclusion

The Gwydir Valley Irrigators Association (GVIA) welcomes the proposal by the Commonwealth Environmental Water office to determine a trading framework for Commonwealth-held environmental water.

In general the GVIA are supportive of trade of both entitlement and allocation provided that at a minimum, there is consideration that there are no third-party

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impacts from the Commonwealth Environmental Water Office's market participation behaviour.

Consideration should also be given to the use of any funds generated from trade and that they should be retained within the region where the funds were generated from.

Overall, the GVIA recommends that any future trading frameworks be considered for the Northern and Southern Basins separately. This acknowledged the vast number of between the two systems including hydrological, account management and trading rules.

The GVIA also supports greater consideration be given to the possibility and types of trades being available and the ability for the CEWH to quickly and easily participate in the market.

The GVIA does not support any additional bureaucratic burdens on the Commonwealth Environmental Water Office that will limit its ability to actively participate in the market.

In our submission the GVIA have made a number of general and specific comments regarding the discussion paper. We believe the discussion paper is a sound first-step in developing arrangements to better facilitate the trading Commonwealth-held environmental water.

The GVIA looks forward to working with the Commonwealth Environmental Water Office to further develop a trading framework that is representative of the Gwydir and the Northern Murray Darling Basin region.

Submission ends...

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