



Incorporating Buronga, Coomealla
and Curlwaa Irrigation Areas.

ACN: 067 197 853

PUBLIC SUBMISSION TO
REVIEW OF THE COMMONWEALTH WATER ACT 2007
BY
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A. INTRODUCTION

Western Murray Irrigation Limited (WMI) is a not for profit unlisted public company limited by shares. WMI customers hold a high security entitlement of 46,939ML at 30 June 2014 having reduced from 60,778ML at 30 June 2008.

WMI manages three irrigation areas, Buronga, Coomealla and Curlwaa. The irrigated area represents 4,400 hectares and over 400 property holdings are serviced.

The water is pumped directly from the River Murray via three separate pumping stations and delivered through fully pipelined delivery infrastructure. Each pumping station has its own meter, owned and operated by WMI and is supplied water under a bulk water licence arrangement. Each property has an irrigation meter and where applicable a stock and domestic meter. All water is measured.

WMI also undertakes extensive drainage water management, monitoring and reporting. Drainage schemes in each area ensure removal of hundreds of tonnes of salt each year and prevent drainage water from entering flood plains.

WMI is at full cost recovery and has a combination of fixed and variable pricing which has allowed the company to be self-sustaining during the time since the Water Act was legislated which has included periods of drought where allocation and usage were reduced and very wet periods.

WMI prides itself on the company's strong financial performance since privatisation in 1995 and the fact that annual charges are set aside into an infrastructure fund for future asset replacement.

B. SUBMISSION

WMI welcomes the review of the Commonwealth Water Act 2007 and encourages the independent expert panel to make changes to the Act to remove inefficient and irrelevant sections of the legislation with the aim of minimising bureaucracy while achieving the core objectives of positive economic, social and environmental outcomes across the basin. There is 6 years of history of implementation of the legislation to assess and no stone should be left unturned in the review.

WMI is a member of the National Irrigators Council and the NSW Irrigators Council and supports their submissions noting considerable engagement has been completed with the membership base to prepare the detailed submissions.

WMI will only comment on the following questions raised in the terms of reference that directly impact the entity as an infrastructure operator:

Is water trading occurring effectively and efficiently?

Annual water trading of allocation has been effective as evidenced by the large volumes of water traded. In general water trading has become more efficient as the water market has matured and the rules have settled into certainty. It could be argued this would have occurred without the Water Act.

Environmental water trading should be undertaken no differently to any other water transaction on the market.

Permanent water trading of water is occurring and the transformation requirements of the water market rules and the termination fees rules have been adhered to by the infrastructure operators as

evidenced in the annual ACCC Monitoring Report. The fact that a property right is being traded requires appropriate paperwork to be completed, security where applicable and titles to be dealt with and this means there will always be a certain period of time required to manage approvals and process a trade. Infrastructure operators also have to manage the processing of trades within their limited resource availability.

Termination fees have been applied to a number of transactions where delivery entitlements are no longer required by the customer. WMI have required the termination fee to be paid only where the customer has chosen the option to terminate their delivery entitlement. Termination fees are set in accordance with the termination fee rules to reduce the impacts of stranded assets and intergenerational inequity.

WMI remains concerned that the legislation has targeted only the larger infrastructure operators with a number of smaller operators escaping the need to comply with the relevant sections of the Water Act.

This has led to some inequity in the treatment of infrastructure operators and the associated compliance costs required to be passed onto irrigator customers.

Water brokers have also escaped the onerous compliance obligations imposed on the rest of the industry and remain the key figures in facilitating water trades.

Western Murray Irrigation Limited Temporary Transfers of Water Allocation			
Year	High Security Out (ML)	High Security In (ML)	General Security In (ML)
2013/14	23,838.50	3,426.00	
2012/13	26,457.20	4,947.90	82.00
2011/12	19,017.90	2,948.00	
2010/11	19,836.90	1,963.00	
2009/10	36,046.61	12,625.40	
2008/09	31,082.30	2,218.70	
Total	156,279.41	28,129.00	82.00

Western Murray Irrigation Limited Permanent Water Transfers (Transformation)			
Year	Off WMI's Bulk Licence	Onto WMI's Bulk Licence	Total for Year
2013/14	827.00	35.00	862.00
2012/13	4,224.00		4,224.00
2011/12	3,136.00		3,136.00
2010/11	3,020.00		3,020.00
2009/10	2,502.00		2,502.00
2008/09	95.00		95.00
Total	13,804.00	35.00	13,839.00

Western Murray Irrigation Limited – Terminated Delivery Entitlement							
YEAR	BURONGA		COOMEALLA		CURLWAA		Total Termination Fees Paid
	Delivery Terminated	Termination Fee Paid	Delivery Terminated	Termination Fee Paid	Delivery Terminated	Termination Fee Paid	
2013/14	80	\$69,059.20	217	\$104,572.30	104	\$39,815.36	\$213,446.86
2012/13	0	\$0.00	41	\$18,409.00	26	\$9,680.32	\$28,089.32
2011/12	285	\$220,122.60	3081	\$1,313,138.60	145	\$51,788.20	\$1,585,049.40
2010/11	0	\$0.00	2560	\$1,059,984.00	531	\$185,480.37	\$1,245,464.37
2009/10	0	\$0.00	870	\$351,480.00	1,007	\$343,294.00	\$694,774.00
2008/09	0	\$0.00	95	\$50,825.00	55	\$18,260.00	\$69,085.00
2007/08	0	\$0.00	0	\$0.00	169	\$54,080.00	\$54,080.00
Total	365	\$289,181.80	6864	\$2,898,408.90	2037	\$702,398.25	\$3,889,988.95

WMI provided detailed submissions to the initial development of the trading rules in the Water Act arguing that there was no need to have legislation regarding the trade of delivery entitlements (rights) as these are non-transferable outside of the relevant water system and are generally sold with the land.

There are specific geographic limitations and values of delivery entitlements are unique to each system. In fact in most cases excess delivery entitlements have a negative value for the holder as all of the charges are attached to the delivery access rather than the water or use of the water under the water charging regime established when water was unbundled. It is in the best interests of the infrastructure operator if delivery entitlements are transferred as that action would mean water may be used against the entitlement. By removing all references to delivery entitlement in the Water Act trading rules unnecessary bureaucracy will be eliminated.

Western Murray Irrigation Limited has not processed any trades of delivery entitlements separate to land.

Is there a level of Basin-wide consistency in water charging regimes?

No, there has been little improvement in consistency of water charging regimes in terms of bulk water charges and recovery from users with New South Wales remaining the only State aiming for full cost recovery from its water users. South Australia still does not on charge its irrigators and general use customers for bulk water charges.

Water charging regimes of infrastructure operators should never be expected to be consistent as each operator is unique with different assets and systems to maintain however regulations should allow for full cost recovery and the ability for decision making at a local level within the business.

At times during the implementation of the Water Act the Board of WMI has questioned the rights of directors and the need to act in the best interests of the company against what they have been forced to do under the Water Act.

The ACCC have been strictly monitoring infrastructure operator pricing and the timing of pricing data being made available to customers.

What is your assessment of the extent to which water is being used in higher value uses?

Water is now firmly established as a marketable commodity with a value which is applied by users, both irrigators and the environment. It has been proven annual croppers will make decisions as to whether to invest in planting and finishing a seasonal crop based on temporary water values.

Those with permanent entitlement have actively been encouraged to assess the opportunity cost of holding or selling the entitlement (generally by their financiers) they own to free up capital or alternatively retain the security for their operations.

It should be noted high value use is generally associated with more sophisticated irrigation systems which usually require high energy and the electricity costs have continued to increase in the order of 20% plus per year in the last few years in New South Wales. If electricity costs cannot be contained the whole concept of high value use will be tested.

The environment as the largest irrigator in our region now (Hattah Lakes) will also be faced with significant pumping power costs to meet its environmental outcomes and the environment is already deemed a high value user.

Cyclical agricultural cycles will always mean higher value uses will change based on commodity prices.

What is your assessment of the progress in the implementation of improved water information systems, including the National Water Account?

Despite tens of millions of dollars being spent to develop a National Water Market system a solution has not been provided to the market and significant taxpayer funds have been wasted that could have been spent addressing the economic and social impacts of the Murray Darling Basin plan.

Despite the absence of a national water information system, water has continued to be traded and market information remains available from a wide array of sources which effectively ground truths the market (examples include the Victorian Water Register, Water Brokers, Infrastructure Operators etc.).

There remains a lack of communication as to the value of the National Water Accounts to people in the regions.

Are there opportunities to reduce or simplify the regulatory and/or reporting burden while maintaining effective standards?

A stocktake should be undertaken to clearly outline which Government Departments are involved in water management and oversight and an understanding obtained of how many people have been employed in these Departments over the years and if they are in fact adding any value to the industry and its participants. Simple questions should be asked, what do you do and why do you do it and is it necessary to do it. These questions are particularly pertinent now the major water reforms are largely settled.

Industry has long argued there should be only one point of request for information from infrastructure operators a year regardless of what type of information it is. The compliance burden on operators has increased significantly since the Water Act was introduced in 2007 and the introduction of Water Trading Rules on 1 July 2014 will only continue to exacerbate the matter.

Reporting should be based on exception reporting principles. WMI concurs there is no longer a need for a separate National Water Commission.

WMI has only a small team with four administration staff and compliance reporting is a direct impost on valuable resources and the cost of compliance is directly passed onto customers and irrigators who can ill afford it in light of the continuing cost pressures on farming families Australia wide.

WMI believes there is an opportunity to reduce the number of departments, restructure departments and to de-centralise functionality from Canberra into the regional areas while minimising duplication between Commonwealth and State authorities.

The Role of the ACCC

WMI also believes there is an opportunity to reduce the ACCC compliance powers in light of their own experience of the past few years (ACCC breach reporting in their monitoring reports shows few instances) where what they have found is immaterial in terms of the cost of their operations.

WMI has found dealing with the ACCC extremely frustrating and costly always having to revert to expensive legal advice as the ACCC will not provide a clear answer and act in a threatening manner. The internal paperwork and processes to comply with the ACCC rules has been costly and is a classic case of red tape for no value.

WMI supports reducing the compliance powers of the ACCC where they “may” be involved rather than “must” be involved. WMI does support an ombudsmen arrangement where valid customer complaints can be dealt with.

IPART remains the preferred organisation to set prices in New South Wales given their long history and the respect they have in the industry. WMI also believes compliance and price setting roles should be clearly separated.

Appendix

2014 REVIEW OF THE WATER ACT 2007

The Commonwealth *Water Act 2007* (the Act) commenced on 3 March 2008 and implemented key reforms for water management in Australia. The key features of the Act include establishing: the Murray-Darling Basin Authority (MDBA), a national framework to manage Basin water resources, including through the adoption of the Basin Plan, and the Commonwealth Environmental Water Holder. The Act also provided for water charge and market rules to be developed and for national water information to be provided.

A review of the operation of the Act will be carried out in accordance with section 253 of the Act. Consistent with the Government's deregulation agenda this will include consideration of opportunities to reduce or simplify unnecessary regulatory burden.

The Government is committed to ongoing water reform, including the implementation of the Murray-Darling Basin Plan on time and in full. The focus of the review will be on improving the effectiveness of the Act itself, although amendments to the Act resulting from the review process could affect regulations or subordinate instruments made under the Act.

The Murray-Darling Basin Ministerial Council is separately progressing a review of the governance arrangements for, and efficiency of, joint activities in the Murray-Darling Basin, the outcomes of which may inform the review.

The terms of reference for the review are set out below.

REVIEW OF THE WATER ACT 2007

TERMS OF REFERENCE

1. A review of the *Water Act 2007* (the Act) will be carried out in 2014 in accordance with section 253 of the Act, which specifies the following mandatory terms of reference: a) having regard to the extent to which water resource plans are in transition, the review will conduct an assessment of the extent to which:
 - i) the management objectives and outcomes of the Basin Plan are being met; and
 - ii) long-term average sustainable diversion limits are being met; and
 - iii) targets in the Basin Plan are being met; and
 - iv) water trading is occurring effectively and efficiently; and
 - v) other key elements of the Basin Plan are being implemented;
 - b) an assessment of:
 - i) the level of Basin-wide consistency in water charging regimes; and
 - ii) the contribution made by those charging regimes to achieving the Basin water charging objectives;
 - c) an assessment of the extent to which water is being used in higher value uses;
 - d) an assessment of the progress in the implementation of improved water information systems, including the National Water Account.
2. In addition, the review will examine and report on:
 - a) the effectiveness of the Act in achieving its objects, as set out in section 3 of the Act; and
 - b) opportunities to reduce or simplify the regulatory and/or reporting burden while maintaining effective standards.

3. The review will also recommend appropriate future review points for the Act and Basin Plan, noting the 2019 implementation date of the Basin Plan.
4. The review will be undertaken in consultation with state and territory governments and stakeholders