



**RICEGROWERS' ASSOCIATION
OF AUSTRALIA INC**

**SUBMISSION TO THE REVIEW OF THE
MURRUMBIDGEE INTER-VALLEY
TRANSFER (IVT) APPLICATION AND
ASSESSMENT APPROACH**

August 2021

INTRODUCTION

The Ricegrowers' Association of Australia (RGA) welcomes the opportunity to participate in the review of the Murrumbidgee Inter-Valley Transfer (IVT) Application and Assessment Approach. This submission is in response to the Issues and Options Paper for Public Consultation, issued by WaterNSW. The following advice is provided on behalf of RGA's Water Committee, which is comprised of our members from both the Murray and Murrumbidgee Valleys.

1. THE RICEGROWERS' ASSOCIATION OF AUSTRALIA

The RGA is the collective voice of rice growers in Australia. The RGA represents the interests of around 1200 voluntary members. The main objective of the RGA is to provide members with strong and effective representation on issues affecting the viability of their businesses, their communities and their industry.

The RGA is made up of eight branches located across the Riverina rice growing regions of NSW. Each branch annually elects representatives to form the RGA Central Executive. The Central Executive represents their respective branches in determining RGA policy and projects.

The RGA is a member of the National Farmers Federation, National Irrigators Council and NSW Irrigators Council.

2. THE RGA'S POSITION

RGA supports the WaterNSW summary of the factors driving this review. There have been very observable patterns of changed water use in the Murray and Murrumbidgee Valleys since 2016, which is when these IVT processes were last reviewed and changed. Backed by the benefits of larger resources, access to technology and available time, some market participants have had the luxury of capturing most of the benefits of trade openings. Whether this is fair or not, the current rules certainly allow it to happen, and this has helped shape the perceptions and expectations of other market users.

RGA also notes the WaterNSW observations about the different ways that equity can be applied in this context: (i) equity in the ability to bid for trade opportunities; and (ii) an equal share of the opportunities that become available. We believe improvements exist in relation to both.

Based on the above, and additional detailed feedback from our members, we believe a number of enhancements could be made to the current application and assessment approach, which would substantially improve upon the future equity of access when this particular IVT is open for trade.

The reasons for the RGA's position are as follows.

2.1. Timing and Notice of Opening.

Our members have observed some general improvements to overall access to information overtime. In some regards, market participants can now actively track the status of the Murrumbidgee IVT online; however, there's still a substantial amount of guesswork involved in terms of the volume of water that may be open to trade, and how quickly the account is likely to close again. In terms of preparing a trade application, for the average irrigator, this poses a substantial initial hurdle as they don't have the ability to effectively 'sit' on the account waiting for it to open.

A first step toward equity would be to level the playing field so that all market participants have a fair and reasonable chance to prepare a successful trade application if that's what they want to do. A number of options proposed in the WaterNSW paper have the potential to provide for this outcome.

For example, the establishment of more predictable trade windows would support a more equitable approach to trade access. It is also important that the window be open for a reasonable length of time, so that all willing participants have a fair opportunity to plan for and then put in an application.

2.2. The Ability to Make Informed Trade Decisions Through Improved Efficiency and Transparency.

For most of RGA's members, decisions about whether or not to apply for a trade when the IVT is open will depend on a range of factors. These will primarily relate to each irrigator's particular need for water, season-to-season, and the cost-benefit comparison of the trade vs. crop production value. In addition to these factors, there are also aspects of the IVT that are under WaterNSW control, that can tip this balance.

For example, under the current arrangements, there's very little certainty about whether or not an application will be successful, and if so, how much water the applicant might receive. This can be quite detrimental to the effectiveness of business decisions that need to be made in real-time during a season.

Ideally, there should be an opportunity for all participants to have access to some of the volume that's available for trade, and an applicant should have an idea of the total volume available to them before they lock in a formal bid.

Murray Irrigation (MIL) has a straightforward approach that could inform a solution for the Murrumbidgee IVT. MIL offers an Expression of Interest (EOI) first step, which is non-binding, and does not pose a cost impost on the applicants. It is the step after the EOI where offers are made, which means the applicant can finalise their offer with full knowledge of the volume available, and before any money is spent.

To close the loop on this process, the efficiency with which an application can be made is also likely to influence whether or not an individual irrigator decides to participate. Essentially, the application process should be streamlined so it only take a few minutes, and it should be easily accessible to the point that every irrigator has the ability to participate quickly and directly.

2.3. Equal Share of Opportunities.

RGA supports the introduction of certain limits, in order to allow all participants to have access to some of the volume available for trade. These arrangements should also actively prevent any potential 'gaming' of the process through the submission of duplicate applications. Other methods that could assist here include the introduction of a fixed volume per licence, or a similar metric linked to actual water use.

When tied to an EOI-style process, each applicant would be confident in accessing some of the volume available, with time to make the best decision for their business at the point a formal offer is made.

2.4. Other Matters.

There are three matters raised in the WaterNSW paper that RGA would like to make comment on. While we recognise these matters are out of scope for this review, we feel there's value in pursuing them further through the process attached to the ACCC's recent water markets inquiry.

Linking Murrumbidgee IVT information to available water determinations, river operations decisions and the management of other IVT accounts: As noted earlier in this submission, in order to make a fully informed irrigation decision, individuals need to have a sense of the complete water availability picture from season-to-season. Finding ways to tell this more fulsome story, ideally in real-time as the season progresses, is one way to ensure that individual grower decisions are optimised.

Considering the destination of a Murrumbidgee IVT trade: The RGA notes that at the bottom of page 8 of the options paper, WaterNSW has considered one of the more policy-driven solutions that has been put forward by the ACCC. Under our simplistic interpretation of this proposed approach, we take it to mean that access to the open IVT account would be determined by a willingness to pay. The ACCC then goes on to assume that:

Gaining access to IVT allows parties to purchase water in one zone and sell it in another. Market forces would be expected to value this right at the price difference between the source and destination trading zones (final report, p. 524).

Any shift to a market-based mechanism of this type would require a much more detailed consideration than what this current review allows for. We would also argue that once consideration of a trade's destination begins to more formally be factored into decisions about whether to put in an application, it absolutely must be coupled with realistic accounting of associated transmission losses.

As such, RGA formally requests that this option not be pursued by WaterNSW at this time.

Potential changes to current Murrumbidgee IVT triggers: For similar reasons to those raised above, the RGA does not support any revision of the existing IVT triggers as part of this review. Sufficient time is needed to ensure the full implications of making such a change can be properly understood. Any proposed changes should also be done within the context of a broader consideration of the full suite of IVT accounts/trade limits in place across the southern Murray-Darling Basin.

3. CONTACTS

For further information please contact:

Rob Massina
President

Telephone: 0448 999 288
Email: rmassina@rga.org.au

Linda Christesen
Manager – Water Policy

Telephone: 0427 996 147
Email: lchristesen@rga.org.au