

Report on water markets and trading rules – Victoria

The Victorian annual report on facilitation of efficient and effective water markets and implementation of the water trading rules (Schedule 12, Items 15 and 16)

Reporting context

A key element of the Basin Plan is the introduction of water trading rules. The rules took effect from 1 July 2014. Reporting is required from the 2014-15 water year onwards.

The purpose of this report is to allow the MDBA to monitor the implementation of the water trading rules and evaluate their contribution to the efficiency and effectiveness of the water market. This report is a requirement of Chapter 13 of the Basin Plan and relates to Item 15 and Item 16 of Schedule 12.

Item 16 addresses how Basin Plan water trading rules are being implemented. This is an annual report, commencing in 2014-15.

Where possible the MDBA collects information directly through implementation of the rules. However, where the MDBA does not have direct access to information about implementation, Basin governments are asked to provide a small amount of additional information as soon as practicable after the end of the water year.

Item 15 will allow the MDBA to evaluate how implementing the water trading rules has affected the efficiency and effectiveness of the water market. Reporting on Item 15 is a responsibility of MDBA and will be conducted five-yearly. It will also draw on information contained in the annual reporting of Item 16.

Indicators for measuring success

Two indicators are used to evaluate implementation of water trading rules:

- Compliance with the Basin Plan water trading rules (**16.1**)
- Trade processing times (**16.2**)

16.1: Compliance with the Basin Plan water trading rules

Documentation to support compliance with Section 12.37 (notice of disclosure prior to trade approval) and Section 12.38(2) (publication of approval authority's interest in a trade)

Section 12.37 requires that an approval authority disclose certain information if they (or a related party) have a commercial or legal interest in the proposed trade, before the trade is approved.

The approval authority is required to disclose the following information to each party to the trade:

- *the nature of any legal or equitable interest it, or a related party, has in the subject of the proposed trade; and*
- *the nature of any commercial interest it, or a related party, has in the activities of a water market intermediary involved in the proposed trade.*

This section does not require this information to be published publicly. The MDBA requires documentation that demonstrates confirmation that the relevant parties were notified of the interests of the approval authority prior to the trade being approved.

As per Section 12.38(2) of the Basin Plan, the following information is required for approved trades where an approval authority had an interest in the trade:

- *the fact that the approval authority was a party to the trade*
- *the way in which the approval authority was a party to the trade (e.g. as a buyer, or a seller, lessee or lessor)*
- *the fact the approval authority has approved the trade of water access right*
- *the type of water access right*
- *the volume of the water access right*
- *the number of days between lodgement and approval of the trade*
- *the price of the trade*

The MDBA seeks confirmation that any relevant interests have been disclosed, and requires a website link to the source of this published information if applicable.

Response

There are four water corporations in Victoria that are approval authorities subject to the Basin Plan water trading rules. These are Coliban Water, Goulburn-Murray Water, Grampians Wimmera Mallee Water and Lower Murray Water.

Each water corporation has put in place different policies and procedures to ensure that relevant parties are notified of the interests of the approval authority prior to the trade being approved. Letters from each approval authority outlining

the measures they have implemented to support compliance with Section 12.37 are attached to this document. (Final version of Coliban Water's letter to be submitted to DELWP by 28 August 2015.)

As outlined in their letters, Coliban Water and Grampians Wimmera Mallee Water are only market participants in situations where the trade is initiated by their customer; in such situations, disclosure that the customer is dealing with the water corporation is embedded in the application process. Goulburn-Murray Water and Lower Murray Water are market participants in a wider range of scenarios; to account for this, both water corporations have put in place additional measures to ensure functional separation between their decisions to trade and their trade approvals. These measures include use of a third party to broker any trades and a requirement that brokers must disclose when the water corporation is a party to or has an interest in any trade, prior to submission of the trade.

In accordance with Section 12.38 of the Basin Plan, the Victorian Water Register website provides publicly available reports on all approved trades where an approval authority has an interest in the trade. This information is available for all such trades conducted by each approval authority since 1 July 2014 at:

<http://waterregister.vic.gov.au/water-trading/status-of-trading-applications>.

See section titled "Trades where the approval authority is also the buyer or seller".

Documentation to support compliance with Section 12.39 (reasons for restricting trade)

Section 12.39 requires that an approval authority must give notice to each party involved in a trade when it decides to restrict the trade of a water access right, and the reasons for doing so. Notice of disclosure to each party should include:

- *the decision to restrict the trade of a water access right; and*
- *the reasons for the decision to restrict the trade of the water access right.*

The MDBA seeks information on the total number of trades that were refused and the dates these occurred.

Response

The attached spreadsheet titled "Data on refused water trade applications in Victoria - 2014-15.xls" provides both:

- Summary information on the outcomes of all water trade applications submitted to the four water corporations in Victoria that are approval authorities subject to the Basin Plan water trading rules; and
- Additional details for each trade that was refused and the date this occurred.

All data in this spreadsheet is sourced from the Victorian Water Register for water trade applications processed between 1 July 2014 and 30 June 2015.

Documentation to support compliance with Section 12.50 (water announcements to be made generally available)

Under Section 12.49, a water announcement includes:

- *an allocation announcement,*
- *a carryover announcement, or*
- *a public announcement by a Basin State that*
 - a) relates to the actions of the agency, or*
 - b) may have a material effect on the water market.*

The MDBA considers 'generally available' to mean that the relevant water announcement has been published publicly or made easily accessible to the general public.

The MDBA seeks evidence that water announcements were made generally available. Evidence may be provided via confirmation of material submitted to the Bureau of Meteorology under category 6(d) of the *Water Act Regulations*.

Response

Allocation and carryover announcements in northern Victoria are made generally available on the Resource Manager website at <http://nvrn.net.au/>.

Any Victorian water trading rule announcements are made generally available on the 'News' page of the Victorian Water Register website at <http://waterregister.vic.gov.au/about/news>. Note that no changes have been made to the Victorian water trading rules since 1 July 2014.

Subscriptions services are also available to the public for both websites.

Please note that the Victorian Water Register website also provides up to date public reports on both:

- Current allocation trade opportunities within trade limits at <http://waterregister.vic.gov.au/water-trading/allocation-trading>.
- Carryover and allocation available within declared water systems at <http://waterregister.vic.gov.au/water-availability-and-use/unused-water>.

16.2: Trade processing times

Report on interstate and intrastate trade processing times (as per the COAG service and reporting standards for trade processing times).

This indicator will allow the MDBA to monitor changes over time to trade processing times. This will contribute to the MDBA's monitoring and evaluation of the efficiency and effectiveness of the water market for the purposes of reporting under Matter 15.

The MDBA seeks provision of link to published information on COAG processing times.

Response

Current year reporting on trade processing times (per the COAG service and reporting standards for trade processing time) is provided publicly on the Victorian Water Register website at:

<http://waterregister.vic.gov.au/water-trading/status-of-trading-applications>.

Complete annual data for previous years is available publicly in the Victorian Annual Water Trading Reports published at:

<http://waterregister.vic.gov.au/water-trading/trade-reports>.

The 2014-15 Victorian Annual Water Trading Report is expected to be published in August 2015. Data from the Victorian Water Register on 2014-15 trade processing times is also provided in the attached spreadsheet titled "2014_15 Vic CoAG service standards report_31 July 2015.xls".