



Changes to the Goulburn to Murray Trade Rule

Victorian Farmers Federation Submission

June 2020

VFF Water Council
Richard Anderson, Chairman

The Victorian Farmers Federation

The Victorian Farmers Federation (VFF) is the only recognised consistent voice on issues affecting rural Victoria and we welcome the opportunity to comment on changes to the Goulburn to Murray Trade Rule.

Victoria is home to 25 per cent of the nation's farms. They attract neither government export subsidies nor tariff support. Despite farming on only three per cent of Australia's available agricultural land, Victorians produce 30 per cent of the nation's agricultural product. The VFF represents the interests of our state's dairy, livestock, grains, horticulture, flowers, chicken meat, pigs and egg producers.

The VFF consists of a nine person Board of Directors, with seven elected members and two appointed directors, a member representative General Council to set policy and eight commodity groups representing dairy, grains, livestock, horticulture, chicken meat, pigs, flowers and egg industries.

Farmers are elected by their peers to direct each of the commodity groups and are supported by Melbourne-based and regionally located staff.

Each VFF member is represented locally by one of the 200 VFF branches across the state and through their commodity representatives at local, district, state and national levels. The VFF also represents farmers' views on hundreds of industry and government forums.

David Jochinke
President

Summary of Recommendations:

Recommendation 1: The VFF supports the objective of ensuring the environmental values of the Goulburn are not sacrificed . Greater effort must be made by NSW and SA to control irrigation developments so Victorian Mallee irrigators are not faced with delivery risks.

Recommendation 2 : Proposed IVT changes should not be introduced until the start of an irrigation season. Introducing changes mid-season has unforeseen impacts on the water market that must be avoided

Recommendation 3: DELWP ensure the model adopted is as simple as possible.

Recommendation 4: Rules are included that ensure equitable access to water in the Goulburn IVT

Recommendation 5: The Victorian Government continue to pursue issues within the Commonwealth *Water Act* relating to IVT exemptions prior to October 22nd 2010.

Recommendation 6: The VFF supports in principle the quarantining approach, however DELWP needs to be more explicit in how the quarantine arrangements operate in dry times.

Recommendation 7: DELWP release the proposed operational rules for the Goulburn River as soon as possible for public comment.

Recommendation 8: DELWP provide information on controls on IVT from the Campaspe and Loddon rivers and the Broken Creek.

Introduction:

The Victorian Farmers Federation (VFF) welcomes the opportunity to provide comment to the Department of Land Water and Planning's (DELWP) consultation on proposed changes to the Goulburn to Murray trade rule.

The VFF recognise the importance of protecting the Goulburn River and believe the Murray Darling Basin Authority (MDBA) and Commonwealth has sacrificed the Goulburn River to deliver increased environmental flows to the Murray Mouth as part of the Basin Plan.

The Basin Plan was supposed to improve the health of the entire Basin, not just one part.

The VFF has lobbied for the Victorian Government to address the risks associated with increased downstream demand on the Goulburn River and Barmah Choke since 2016.

The greatest increase in permanent plantings has occurred in Victoria, with a 19,155 hectare increase in permanent plantings from 2003 to 2018. NSW has increased by 2970 hectares in permanent plantings for the same period and South Australia has increased by 1745 hectares¹.

While Victoria has taken steps to call in all new irrigation developments, no such controls have occurred in the Mallee region in South Australia and New South Wales, this puts increased pressure on existing irrigators in the Mallee to ensure their water can be delivered.

Increased deliveries from the Goulburn to the Murray is highlighted in the table below:

Date	Total Goulburn IVT Delivery (GL)
2004-05	47
2005-06	111
2006-07	1
2007-08	42
2008-09	16
2009-10	68
2010-11	19
2011-12	63
2012-13	99.7
2013-14	142.8
2014-15	240.6
2015-16	71.7
2016-17	109.7
2017-18	319.5
2018-19	433.4

¹ <https://www.mdba.gov.au/publications/independent-reports/irrigation-area-mapping-murray-lower-darling-rivers>

Recommendation 1: The VFF supports the objective of ensuring the environmental values of the Goulburn are not sacrificed . Greater effort must be made by NSW and SA to control irrigation developments so Victorian Mallee irrigators are not faced with delivery risks.

Timeframes and Changes:

The VFF note the extension to the consultation period will also impact the timing of the Regulatory Impact Statement, which was to occur by mid-2020.

The VFF believe changes should not occur mid season due to impacts on the water market.

We saw the interim changes brought in mid season in 2019, impact the water market and this should be avoided.

Farmers need to enter a new water season with a clear understanding of a new rule so they can plan their business with certainty.

Recommendation 2: Proposed IVT changes should not be introduced until the start of an irrigation season. Introducing changes mid-season has unforeseen impacts on the water market that must be avoided.

Simplicity:

The VFF supports a principle of simplicity in regards to IVT rule options.

All of the proposed 3 models are more complex than current arrangements. While the VFF acknowledge current problems with the IVT limit, we must look to new models that are as simple as possible.

Recommendation 3: DELWP ensure the model adopted is as simple as possible.

Equity and Fairness:

The VFF support a principle of equity and fairness for those accessing water through the IVT.

All of the proposed models will see less water being able to be delivered from the Goulburn to the Murray system, therefore competition for access to this water will be strong.

The VFF are seeking assurances the Government will ensure water in the IVT is accessed equitably.

Theoretically, one single large corporate could take up all of the IVT capacity with a single trade. The VFF are seeking assurances that rules will be included that ensure equitable access rather than one that benefits brokers and their favoured clients. A cap and ballot option should be explored.

Recommendation 4: Rules are included that ensure equitable access to water in the Goulburn IVT.

Inter Valley Trades and Tagged Water Accounts:

Numerous systems in the Southern Basin allow for inter valley trades which creates a limit on how much water can be traded out of the original system to the Murray.

However, the Basin Plan Act (2012), under Clause 12.23 creates an exemption from the IVT for tagged water accounts that were established prior to 22nd October 2010. This means irrigators who had dual accounts prior to 2010 are able to push IVT accounts beyond their upper limits which can cause third party impacts and environmental damage.

The Victorian Government took steps in 2019 to ensure tagged accounts on the Goulburn will be subject to the Inter valley trades rules, yet entitlements owned prior to 2010 will still be exempt due to Clause 12.23.

The VFF believe the Victorian Government need to continue to pursue this issue within the Commonwealth *Water Act* to ensure all irrigators are treated fairly. The grandfathering of these entitlements does not allow for a level playing field among irrigators and risks further damage to the environment.

Recommendation 5: The Victorian Government continue to pursue issues within the Commonwealth *Water Act* relating to IVT exemptions prior to October 22nd 2010.

Quarantine Water

All proposed models in the worked examples are proposing to quarantine 140GL assuming a 100% Goulburn allocation. This is the amount of water that the Goulburn system must supply to the Murray system because of water that was traded from the Goulburn to the Murray by the exchange rate mechanism before 2007 and because of water recovered from the Goulburn system for the Snowy Initiative.

The quarantine rule is designed to reserve 140GL in the IVT to ensure the legacy commitments can be delivered. It also provides the flexibility to reduce the volume reserved to supply legacy commitments when seasonal allocations in the Goulburn are less than 100%, thus allowing more water to be traded from the Goulburn to the Murray in those dry years.

Recommendation 6: The VFF supports in principle the quarantining approach, however DELWP needs to be more explicit in how the quarantine arrangements operate in dry times.

Operational Changes:

The VFF note that operational rule changes are also proposed outside of the Intervalley Trade (IVT) consultation and these changes are to occur as part of the Regulatory Impact Statement Process.

Farmers need to have confidence that changes to operational limits will allow for water deliveries through proposed IVT changes.

For example, if the operational limit is set too low, then it could theoretically make the IVT redundant. The VFF note that DELWP has provided examples of a 50GL and 40GL per month operational limit on the Goulburn and this does allow for water deliveries through an IVT.

Without having a confirmed operational limit, it makes it difficult to assess the practical realities of an IVT model. The VFF believe the proposed operating rules need to be released for public comment as soon as possible.

Recommendation 7: DELWP release the proposed operational rules for the Goulburn River as soon as possible for public comment.

IVT Rules on other Systems:

The consultation papers provide little discussion on IVT arrangements for the other Victorian tributaries, such as the Campaspe and, Loddon rivers and the Broken Creek.

The VFF believe a further explanation on how much water these systems can provide to the Murray would be helpful in the context of the Goulburn IVT discussion.

Recommendation 8: DELWP provide information on controls on IVT from the Campaspe and Loddon rivers and the Broken Creek.

IVT PROPOSED MODELS:

This table assumes 40GL will be delivered over Spring, which represents the 10 year average. Actual deliveries through the IVT in Spring have ranged from 0-120GL. Increased Spring deliveries will result in greater IVT deliveries than those outlined in the table below.

50GL Operating Rule								
	Current Rule 100% alloc	Current Rule 78% alloc	Annual 100% alloc	Annual 78% alloc	Dynamic 100% alloc	Dynamic 78% alloc	Seasonal 100% alloc	Seasonal 78% alloc
Year 1	338	360	143	173	138	168	158	188
Year 2 ²	153	175	143	173	153	175	153	175
40GL operating Rule								
	Current Rule 100% alloc	Current Rule 78% alloc	Annual 100% alloc	Annual 78% alloc	Dynamic 100% alloc	Dynamic 78% alloc	Seasonal 100% alloc	Seasonal 78% alloc
Year 1 ³	288	310	93	123	88	118	108	138
Year 2 ⁴	103	125	93	123	103	125	103	125

² Year 2 data for 50GL Operating Regime data under 100% allocation scenario has been provided by DELWP

³ Year 1 data for 40GL Operating Regime data under 100% allocation scenario has been provided by DELWP

⁴ Year 2 data for 40 GL Operating Regime data under 100% allocation scenario has been provided by DELWP

Comments on Models	
Current Rule	Description: The current rule limits trade from the Goulburn, Broken, Campaspe and Loddon systems to the Murray when the balance of the Goulburn IVT is greater than 200GL. All trade out is stopped when the IVT account reaches 200GL, including tagged water use. The IVT can grow beyond 200GL as Goulburn allocations increase to legacy water commitments increase to 100%.
Comment:	This rule has enabled large volumes to be traded from the Goulburn to the Murray causing unacceptable damage to the environmental values of the lower Goulburn
Annual Option	Description: The option would see a conservative annual cap established based on the amount of water that can be delivered each year
Comment	This limit is simple and easy to understand But may be more restrictive than is necessary, particularly in dry years

Dynamic Option	Description: This a two part rule <ul style="list-style-type: none"> 1) 1st July – 30th Nov – A rolling IVT limit is in place, with trade stopped when the IVT balance exceeds the designated limit 2) 1st Dec – 30 June – A summer cap rule prevents further trade it cannot be delivered.
Comment:	When seasonal conditions allow water from the Goulburn IVT to be delivered in Spring without causing environmental damage, more trade opportunity is made available. The rule has two parts and is complex to follow, DELWP have not provided details on the rolling IVT limit.
Seasonal Option	This is a two part rule <ul style="list-style-type: none"> 1) 1st Jul to 30th June – Annual cap rule in place 2) 1st July – 30 Nov – Additional tagged rule in place which allows unrestricted tagged use up until 30th November.
Comment:	Provides additional opportunity for transfers from the Goulburn to the Murray in winter and spring to reduce environmental damage to the lower Goulburn but the risks of delivery shortfalls in the Murray over summer are not clear.

The VFF recognises that there are physical limits to the amount of water that can be supplied to meet the growing demands in the lower Murray and that rules are needed. This is why we support the efforts of the Victoria government to limit the ongoing increases in demand due to uncontrolled irrigation development in NSW and SA.

The VFF note that all of the proposed new options may result in less water being traded through the IVT than in 2018/19. Every effort should be made to ensure that the new rules enable existing irrigation in the Victorian Mallee can be supplied with minimal restrictions.