



01 June 2020

Dear Sir/Madam,

FGVL Goulburn to Murray trade rule submission

Introduction

Thank you for the opportunity to submit our views on potential changes to the Goulburn to Murray trade rule.

Fruit Growers Victoria Ltd (FGVL) is a member-based organisation representing the interests of Victorian fruit growers, which includes 300 fruit growing, packing and exporting businesses across the state. Production from our members encompasses 40% of Australia's apples, 30% of Australia's stone fruit industries and 90% of Australia's pears. Our industry has a gross value of production more than \$1 billion and is a cornerstone for business and employment in regional Victoria.

FGVL recognises the challenges posed by increased summer demand from the lower Murray and supports the Victorian government's intent to resolve excessive delivery demands in the lower Goulburn.

Key principles

The government's measures to remove tagged trade loopholes, apply a moratorium on downstream development and adopt an interim operational regime were appropriate, though too late to prevent the current demand imbalance across the two catchments. FGV is concerned that the MDBA does not appear to have observed Minister Neville's request that no more than 50 GL per month be called out of the Goulburn IVT account during 2019/20, with deliveries exceeding 60 GL in January 2020.

Operational changes applied at state government level need to be observed by the MDBA, otherwise the integrity of the system is undermined.

Pressure to meet delivery shortfalls can create environmentally unnecessary over bank flows, the losses from which are borne by irrigators. The losses accrued from excessive delivery through the Barmah Choke has had a major effect on water availability for irrigators across the system.

We support the Victorian government's efforts to have MDBA do the work necessary to understand delivery shortfall risks. The department's consultation implies that this work





has not yet commenced in any meaningful way. Our view is that these regulatory changes should not be impeded by delays to that process. FGVL agrees that further changes to operational and trade rules are required to provide a more certain regulatory framework for all irrigators in the Goulburn and Murray systems.

Operational rules that set sustainable physical delivery limits through the lower Goulburn need to be clear and observed by river operators. The quantum of this limit should in the long term be established by robust environmental assessment. Until that occurs, we would support a continuation of the interim 50 GL/month call out limit.

FGVL recognises the importance of protecting entitlement holders' property rights. We would support measures that maintain sustainable trading activity by better dispersing IVT delivery across the season, as long as this can occur without unfair third-party effects. We are concerned that incentivising trade during non-peak periods will incentivise inefficient storage development downstream and contribute to overall system losses that undermine the reliability of upstream irrigators' entitlement.

Losses associated with pre-emptive delivery of water accessed for summer use should be debited against downstream Murray users. If one region is demanding more water than can be sustainably delivered during peak periods, then the losses from any work-around measures should not be socialised to the detriment of upstream users.

The trajectory of changing demand patterns in the lower Murray is unsustainable. Current and prospective water users need clear regulatory and market signals to rebalance demand patterns across the catchments. This reform provides a good opportunity to place a regulatory marker in place, so users know the framework within which adjustments can occur.

FGVL supports the principle of applying the transmission cost of delivery to users whose demand triggers loss from inefficient delivery. However, we see the current impediments to this system as follows:

- Insufficient river operations data on which to price quantifiable losses relative to the delivery location.
- The regulatory changes required to apply transmission pricing, which would be complex and politically contentious.

We support a transition to transmission pricing and will work constructively with state and Commonwealth governments on the best means to have it implemented.

FGVL does not support any proposal to bypass trade limits through expensive engineering solutions. Upstream users would wind up bearing some of the cost of building and maintaining this system, representing a further subsidy of water users in other parts of the system.





Response to options

The trading system is already very complex, and beyond the understanding of many family farming irrigators in the Goulburn and Murray systems. We would be concerned about the government opting for more complex options where the benefit from doing so would be a modest public policy improvement. More complex arrangements have the effect of further advantaging sophisticated water traders over family farming businesses.

Option 1 – Annual limit

A conservative annual limit is FGVL's preferred option, subject to robust modelling across various seasonal circumstances.

We consider that this would be the simplest and easiest to understand for irrigators and help avoid further advantaging sophisticated market participants.

Our view is that clarity about trading parameters will be important to provide the signals required to rebalance demand across the system. The annual limit option would achieve that outcome more effectively than other to more complex options with intra-season trigger points and regulatory discretion.

Option 2 – Dynamic rule

While we understand the intent of this option, our view is that it is too complex and provides too much bureaucratic discretion.

Option 3 – Seasonally-based rule

FGVL have concerns about this option also being too complex, subject to manipulation of tagged trade arrangements, and benefits may be offset by changed use of Murray entitlement (leading to excessive system losses).

Kind Regards,

Michael Crisera.

Grower Services Manager

