

Submission to the Productivity Commission enquiry

Market mechanisms for recovering water in the Murray Darling Basin

Thank you for the opportunity to offer the following information to the Productivity Commission – Market mechanisms for recovering water in the Murray-Darling Basin.

Given government water purchases through the tender process already affect market stability and price; water brokers offer a flexible and cost effective method of procuring water for the environment into the future. Water trading platforms or water exchanges offer a fair and equitable method of procurement given their ability to source small and/or large parcels of water in a transparent and economical manner.

In an open and transparent market trading environment trading history can quickly be developed and made available as a matter of public record.

There is a general consensus that water marketing is maturing as evidenced by recent lesser price fluctuations throughout the trading zones. Traders, and in particular rural traders, have become more aware of the value of water and the implications price has on profitable production. There is also greater understanding of the value of water as a means of capitalisation in times of drought and commodity price downturn. The downturn in commodity prices for dairy products is a prime example.

The obvious market principle of supply and demand is currently and will in the future be disturbed by government water purchases regardless of methods used to procure the water. Market trading platforms or exchanges have the ability to provide a buffer, allowing the vendor and the purchaser to negotiate on price and volume in a fair and reasonable manner.

Watermove Pty Ltd (Watermove) is a wholly owned subsidiary of Goulburn Murray Water and operates in a commercial competitively neutral environment. Watermove was established by the Victorian Government in 2002 to help grow water markets. Watermove offers traders accessible, low cost and transparent trading options. Watermove provides a price reference point for the market and provides open access to results of trading.

The objectives and guiding principals of Watermove are;

OBJECTIVES OF WATERMOVE

Watermove was established to:

- Provide a transparent, publicly accountable method of water trading;
- Provide choice to customers in how they trade water by offering both a pooled exchange and an online lot trading environment;
- Provide equal access to water trading for all traders regardless of location;

- Provide a public price reference and other market information for all traders including those in thin and undeveloped water markets and those trading privately or via water brokers or other water exchanges;
- Operate a financially viable business; and
- Remain competitive in the market.

GUIDING PRINCIPLES

Watermove operates under the following guiding principles;

- To support a fair and open water trading market;
- To conduct trades in an open and transparent manner;
- To provide open and transparent water trade information to the market;
- To ensure confidentiality of traders and
- To continually improve business processes.

Watermove has embarked upon the establishment of a new web based electronic trading platform which will enable faster and easier lodgement of trade applications and still provide the same transparency of trade and access to historical price and trade volume information.

The trading platform will allow traders to list individual offer lots on the website and provides for fixed price and volume or negotiable bids against the price or volume of any particular lot.

For example a seller may list an offer and lock that offer in at a set price and volume or conversely allow buyers to bid on either the price or the volume or both. Several buyers could bid and satisfy one vendor lot. Flexibility is the key to the system.

All Watermove trades are independently audited on a weekly basis to ensure the integrity of its operations. Watermove staff provides a wealth of experience and knowledge in trading zones and the rules associated with feasible trades. Watermove can facilitate trades in all MDB trading zones.

Watermove commissions are capped to ensure a competitive and fair fee structure.

Peter Lawford

Manager – Watermove

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