



National Irrigators' Council

Level 2, NFF House, 14-16 Brisbane Ave
Barton ACT 2600

Ph: 02 6273 3637
ABN: 92133308326

MINUTES

Irrigation Infrastructure Operators (IIO) sub-committee

Wednesday 16 February 2022: 1.30 pm – 2.30 pm

Chair: Karen Hutchinson

Item 1	<p>Present and Apologies: <u>Present:</u> Karen Hutchinson, Judith Damiani, Greg McCarron, Phil Snowden, Jenny McLeod, Simon Schutz, Tracey Valenzisi, Rosalie Auricht, Jeremy Morton (observer), Clifford Ashby, Michael Pisasale, Isaac Jeffrey (CEO), Joy Thomas (NIC)</p>
Item 2	<p>Minutes of meeting held 20 October 2021 a) Business arising & progress on Actions <u>Action 1:</u> The Committee Chair, Greg McCarron, James John, NIC CEO and Joy to work up Agenda for Knowledge Sharing Forum to be convened by CIT: <i>to be convened when Covid pandemic issues are no longer a threat to people's movements between states.</i></p>
RESO 1	<p><i>Jenny McLeod moved:</i></p> <p><i>That the Minutes of the IIO committee held on 20 October 2021 be accepted as a true and accurate record.</i></p> <p><i>Seconded by Greg McCarron</i> CARRIED</p>
Item 3	<p>General Business a) ACCC inquiry into Murray Darling Basin water markets The Committee discussed key questions to be raised with Independent Panel Principal Adviser, Daryl Quinlivan.</p> <ul style="list-style-type: none">Proposed mandatory code for water brokers and whether this might capture IIOs, and potential impacts; if so, concern this might jeopardise IIO ability to do bulk lease for members; if too prohibitive, will result in less water in marketplace.Question of when does one become a broker; concern about costs to IIOs; will slow down the trade in terms of time and increased costs.Clarity needed on intention on what is to be captured; a range of issues within the workings of IIOs to be understood; ie moving water between farms, that level of detail.This also flows to a service (may not be seen as a brokering service); proportionality where some brokers might provide a whole range of services, and IIOs just a few.Where an operator sells water to its shareholders and rules around that. And, issues identified in the ACCC report, third party impacts / constraints – no detail yet. <p>b) IIO network knowledge sharing: to be hosted by Central Irrigation Trust Greg noted the issues and potential topics discussed at the October IIO meeting; timeframe originally suggested as March, however Covid related issues continue to impede progress on arrangements; suggest holding the event later in the year.</p> <p>The meeting canvassed ideas for discussion at the forum. Greg is happy to receive emails from other IIO committee members with their ideas and input. Suggested that the event be kept separate from other NIC national meetings. Greg also noted finance issues as a topic.</p> <p>c) <u>Guest at 1.45 pm:</u> Daryl Quinlivan, Special Adviser, Government Panel to oversee ACCC report on Murray Darling Basin Water Markets: accompanying Daryl were Gwendolen Deboe, Emma Solomon and Jacyleen Ong. Update on the work of the Panel and Committee discussion.</p>

The Committee Chair welcomed Daryl Quinlivan and team to the meeting; NIC Chair Jeremy Morton was present as an observer.

Daryl emphasised that nothing is agreed until the final package is settled and agreed by Governments; could potentially be in the fourth quarter of this year. Work is just commencing on the more important and difficult things. Initial advice released today (*Murray-Darling Basin Water Market Reform – Development of Implementation Roadmap*) a paper on the process and the initial issues being discussed with state officials.

ACCC report detailed report released in 2021; ACCC projection of what an unconstrained reform would look like. The Minister asks what can be done as defined by the ACCC, with Basin Govts to commit and with Basin wide approach.

Roadmap for water market reform: process commenced Oct/Nov, enough time to develop a package for December although December advice has been a more truncated version of what was conceived. The June 2022 timetable might be behind. The Govt may not be ready to receive the report in June - federal / state elections. The panel advice will be finished mid-year.

Two key issues in the Implementation Roadmap; the first is the agreement at senior officials level that there be a Basin wide mandatory code; the December advice includes C'wealth legislation. C'wealth law and a variety of options for the code; it will affect IIOs and difference in diversity, size, operations is noted; it won't affect all IIOs but will affect some in relation to services; due diligence to occur and survey to go to IIOs sometime next week.

The second issue is conduct legislation and will be C'wealth law as well; a couple of different options; trading markets, C'wealth level and possibility of new legislation to create these laws; testing that at the moment. Generally agreed, C'wealth law.

Beyond that, focus on improved quality and improved data and more transparency generally on the water market; a few processes to help make informed judgements about that. Interest from many participants in the market and who might do what.

Mandatory intermediary code: will apply to a specific set off services; water brokers generally seem keen on the idea and see it as part of a necessary generalisation and a way to improve public confidence. No one has expressed concerns, but to the extent that the code may extend beyond the voluntary code; question is how far on the Roadmap this is taken. Guidance will be provided on what it is thought should be in the code, then a judgment about how that is done and about who might be the appropriate legislator – a matter for governments.

Contents are straight forward; the principle is what are the reasonable obligations and how relevant are they to services provided and other trading markets; much work gone into this.

ACCC recommended introducing an enforceable mandatory code for intermediaries, including water brokers, exchange platforms and IIOs providing intermediary services (eg advisory, information, matching and settlement services etc.) The survey to be circulated will seek information on who provides what services and the level of service provided.

The ACCC recommended new Basin-wide legislation to strengthen and broaden insider trading prohibitions, as well as new market manipulation prohibitions to regulate the conduct of market participants. ACCC didn't find evidence of misconduct and people are comfortable that this is not a rampart problem. Key focus for 2022: Implementation details (scope of prohibitions, who will regulate) to be worked out.

ACCC recommended improvements to digital infrastructure for trade including water market data standards and system integration; expected to have considerable benefits to water markets. Key focus for 2022: consider recommendations to improve data & systems for trade.

- ACCC proposed reforms that would increase the information to be collected and provided by trade service providers (including IIOs)
- CSIRO assessing the benefits and costs in detail with trade service providers, recognising potentially significant impact on trade service providers (including IIOs).

Institutional Arrangements: ACCC recommended creating new 'Water Markets Agency' to centralise all water market functions in one agency. The idea that functions would span:

- Market surveillance, compliance and enforcement
- Market evaluation, advisory and advocacy functions
- Information and reporting functions

Focus for 2022: determine whether this is practical and cost-effective, having regard to the number of existing regulatory agencies in the water management sector

The remainder is harder and involves more judgments about costs and benefits; so that it is more evident of what volume in the market, and judgements about how best to do that. Judgements about how to build on existing services against something new and purpose built for water markets; and whether ACCC preference is followed; with clear and unambiguous responsibility for these things as against the more incremental approach. To find a way to simplify arrangements in a congested space.

Not found strong advocates for a new agency, a more incremental approach; resources constraints; an open mind but tending more towards incremental. Does not mean in some areas something new may be proposed.

ACCC recommended a Basin-wide water market education program to assist current and potential market participants, esp irrigators, to understand & utilise information for trading

- ACCC also identified smaller, family-owned farms, beneficiaries of increased education
- The details of this initiative will be worked out in developing the Roadmap
- What audience, what issues, what decisions and more informed ways for an education program.

Market Architecture Reforms: 'Market architecture' is the framework of laws, rules, policies and arrangements underpinning water markets, (eg rules governing the trade of water between zones, and the sharing, storage and delivery of water)

- Strong relationship with water management more generally & projects already in train
- May seek to reinforce rather than duplicate existing work

Careful to make practical decisions about water market and water management; will endeavour to improve operation of the water market. Grey areas and will make judgments. Won't do anything that is dramatic but will be framed around water trading issues; some adjustments to streamline and refine, rather than to the work that water managers are doing.

No products for discussion yet, intention is to test ideas with people who will be affected, and when advice provided to Basin Govts, can report on level of support.

Questions and discussion: The Committee Chair inquired regarding the role of the panel, the role of State Govts and the work of testing issues with market participants.

Daryl advised that negotiation occurs with officials, C'wealth and state; that will be at the heart of what is given to the C'wealth Minister and will go to the state Ministers; nothing will go up

that is not expected to get agreement with Basin States. The advisory panel meets monthly and includes two NIC members, with others from the water broking community. Issues arising that are relevant to an interest group or industry will be tested with those groups; more time will be spent with NIC, or a version of the IIO committee, on more detailed issues as they progress over coming months. If the IIO committee, is happy to be the key point of contact?

The Committee Chair advised that that has been done in the past with other key bodies, including the ACCC, with the IIO c'tee providing a direct road into the Council more generally.

Greg highlighted concerns about a mandatory code vis a vis the services provided by IIOs; concerns regarding potential increased costs against the services IIOs provide to members. Daryl advised awareness of that issue and no intention to see a reduced level of services to IIO members; but perhaps an increased accountability in the provision of some of these services; but in some cases, because of the structure of an IIO, it is uncertain at the moment.

Michael noted that on the initial consultation, redefining a trade – ie on the temporary market – it appears that there is a little more thought on the boundaries on what is a trade and what is not. Gwen Deboe advised it is the definition of someone paying a price and someone not paying a price, but into and out of, for example, IVTs; the general purpose is seeking transparency and the traders can make a decision; it is recognised that those issues need to be worked through and how to make a definition to get those outcomes, without impost for IIOs. The environmental water holder also has those issues when moving water around.

The Committee Chair noted an opportunity to define those things differently dependent on the outcomes, but it depends on the requirement. The Committee Chair highlighted that the IIO committee can be used as a sounding board in terms of the fine detail with IIO members closely involved in these issues and willing and able to assist the panel.

The Committee Chair noted Daryl's comments around a phased and cost-effective approach with different levels of maturity of IIOs, or different bars for different scales. Daryl advised the intention is to define the pathway for implementation so that those kinds of issues are considered; the panel is interested in IIOs' advice.

The Committee Chair noted discussion about an inter-governmental agreement so that whether engagement occurs with stakeholders first or the States. Daryl advised it will be mixed. The Committee Chair reiterated that the worst possible agreement for IIOs would be a government report that will cost IIOs hundreds of thousands of dollars. At that tactical level, IIOs will be most important.

Clifford noted the work with CSIRO, benefits/costs with trade service providers and digital infrastructure, what insights on how CSIRO might do this? Daryl advised the CSIRO report not yet received; CSIRO is conducting interviews and report is expected at the next panel meeting.

Jenny highlighted the importance of this process working closely with IIOs and that it be separate from government, noting that the NSW Govt has no understanding of what occurs inside IIO businesses. This overlaps with the CSIRO work and the digital work; a potential gap in what the states might think is reasonable, without considering the facts and IIO business internal workings. Daryl noted the comments.

Greg reiterated the issues regarding the States' knowledge of IIO systems and the need to be rigorous; they were not getting down to the level of detail of what IIOs do and their systems.

	<p>The Committee Chair thanked Daryl for his time and noted the Committee would be happy to meet further, ad hoc as required. Daryl committed to engaging with the IIO Committee again and noted the cautionary points in the discussion.</p> <p>Judith highlighted grasping the opportunities the reforms will present to IIOs, but keen to work with NSW Government on where improvements can be made in terms of transaction processes and potential for the State Govt to assist in doing that.</p> <p>Michael noted the need to think about defining a trade.</p>
Item 5	<p>Other Business There was no other business raised.</p>
Item 6	<p>Meeting closed at 2.45 pm</p>