

Thank you for agreeing to receive our monthly update. We appreciate you taking the time to keep abreast of what NSWIC is doing to represent Water Access License holders in NSW. This electronic bulletin is a collation of our weekly updates which are sent to our Member organisations.

If you would like more details about your local Member of NSWIC, please don't hesitate to contact us.

### NSWIC Welcomes new CEO

#### Irrigators Council's New CEO

With interviews completed and the offer accepted, we are pleased to announce that NSWIC has a new CEO – Mr. Mark McKenzie.



Mark comes to NSWIC with extensive experience in irrigated agriculture, having been the executive director of Wine Grape Growers Australia, and the CEO of the Victorian Wine Industry Association. Mark is currently the CEO of Murray Valley Winegrowers and a Director of the National Irrigators' Council, hence will be familiar to many of you.

With his permission we have condensed his CV to a one page summary to give you a bit more background and highlight the skills and expertise he will bring to his new role as CEO of NSWIC. The summary can be accessed [HERE](#).

Council Chairman Richard Stott said, "I believe Mark will provide the experience necessary in managing the many issues irrigators currently face in NSW – including the implementation of the Murray Darling Basin Plan and the impending review of the Northern Basin; Coal Seam Gas exploration; rapidly rising power costs; and the potential onset of another dry sequence with restrictions on water supply. He is a very effective communicator and has significant experience in irrigator issues management and water policy."

Currently working on a campaign for improved commercial wine grower arrangements with MVWI, we plan to welcome Mark to his role in our office in early April and Mark will be attending our March Council meeting in Sydney,

## NSW Signs Basin Plan IGA

The phones were ringing off the hook all day Thursday (27 Feb) with the announcement that NSW and Queensland had signed the IGA. While we received a joint media release from Barry O'Farrell and Andrew Stoner announcing the signing - [HERE](#).

Our media release in response to the announcement can be accessed [HERE](#).

### IGA Released

Following up on the announcement that NSW and Queensland had signed the IGA, we have now received a copy - [HERE](#) - and related signature documents - [HERE](#). To clarify a few questions we received, the 1500GL cap on buybacks, Nimmie Caira and Menindee Lakes are not included in the IGA but constraint management and water shepherding are in the IGA.

We are still working through some of the finer details of the IGA.

## Water Act Review Reference Group

The reference group met on Friday (7 Feb) via teleconference to discuss further steps in the process of the 2014 Water Act review. In particular we discussed the CEWH water trading and the adjustment mechanism.

## Bulk Water Charge Update

We inquired with the ACCC on the progress on State Water's bulk water charge determination and were told it is still a 'work in progress'. It is likely at this stage that the draft determination will be released in early March instead of 28 February. We will keep a close eye on the process as any delay in the ACCC process will shorten the time for further stakeholder consultation.

### ACCC/SWC – Worked Example

We received a preliminary 'worked example' on the proposed price control mechanism for State Water's bulk water charges from the ACCC on Wednesday (19 Feb).

The worked example provides a numerical analysis on how a proposed 'overs/unders account' will work in the next determination of State Water's bulk water charges. We forwarded the worked example to the members of the 'bulk water charge' reference

group (with request for confidentiality) for further consideration . This information is currently not publicly available and hence it is not attached. If anyone would like to discuss the mechanism, please contact Stefanie.

We have also extended in invitation to the ACCC to attend the pre-council meetings on 12 March to discuss the next steps of the determination.

## IPART – Water Charge Review

This year will be busy with three reviews coming up for water charges. The ACCC draft determination on State Water's bulk water charges (for the Murray-Darling Basin portion of NSW) will be released in early March. Mid-year, IPART will commence its review of State Water's bulk charges in the coastal valleys in June. Concurrently, IPART will commence its review of the NSW Office of Water charges in June this year. The NOW review will be applicable for both coastal and inland NSW.

Stefanie was in Lismore on Tuesday (25 Feb) to discuss the upcoming NOW review with our North Coast Members.

## Energy Information

### Energy Update

We met with the National Irrigators' Council, Cotton Australia, Canegrowers on Thursday (20 February) to discuss possible future strategies for electricity. The discussion centered around where we should take our efforts and what type of information we need to obtain to achieve better electricity prices and suitable tariffs for irrigators in the future. We also discussed on how to best divide our limited resources to achieve these goals.

### Energy White Paper

We have now submitted our response to the Federal Government's Energy White Paper - [HERE](#). Thank you to all our Members who provided input into the Draft submission, your assistance is invaluable.

As a next step, a Green Paper will be released in May this year with a final policy to be delivered in September this year.

As a follow up to our submission to the Government's Energy White Paper, we issued a media release on Monday (10 February) to reiterate our concerns about current electricity prices and to call for the introduction of electricity food and fibre tariffs. Our media release can be accessed [HERE](#). Cotton Australia also released a media statement on the same issue - [HERE](#). Overall, issue was picked up well in the media.

## **Network Charge Determination in NSW**

The Australian Energy Regulator (AER) will soon determine the next round of network charges in NSW. The next determination will commence in July 2014 with a 'transitional one year period' followed by a normal regulatory period' (July 2015 to July 2019). As part of the determination process, Essential Energy (the main network distribution service for irrigators) has submitted its transitional 12 month proposal for capital and operating expenditure plans - [HERE](#). On the surface, the submissions looks positive as Essential Energy has revised its overall revenue requirements downwards. Unfortunately very little detail has been provided on their OPEX and CAPEX requirements.

We put together a short Briefing Note with the main aspects of Essential Energy's submission and a critical assessment of their proposal. The Briefing Note can be accessed [HERE](#).

We will meet with the Australian Energy Regulator on 14 February to discuss the determination further.

## **Network Determination Update**

The Australian Energy Regulator (AER) is seeking comments on Essential Energy's transitional regulatory proposal (think network charges) for the 2014-15 period. The AER will conduct a '2 stage' determination for network charges due to the recent rule changes initiated by the Australian Energy Market Commission. The first stage will cover a transitional period (2014-15) and the second stage will cover the full regulatory period (2015-19). Further information on the next determination can be found on the AER's website - [HERE](#).

We have drafted a response to Essential Energy's transitional pricing proposal - [HERE](#).

## **Emission Reduction Fund (Green Paper)**

The Government has asked for comments to the Emission Reduction Fund Green Paper ([HERE](#)). As mentioned previously, the Fund is the centrepiece of the Government's Direct Action Plan and will provide monetary incentives for small and large scale emission abatement projects across Australia. The Green Paper states specifically that it the Government will consider 'energy efficiency and fuel switch opportunities, as well as actions in the agricultural sector'.

With the assistance of our Members, we have now submitted our response to the Federal Government's Emission Reduction Fund (Green Paper) - [HERE](#).

As a next step, a White Paper will be released later this year.

## Meeting with AER

We met with the Australian Energy Regulator (14 February) to discuss the NSW electricity distribution network's (DNSP) pricing proposal for the transitional year 2014-15. The meeting provided us with a first view on the AER's assessment of the DNSP's pricing proposal and an indication on which aspects they will be looking at closely during the reset process (commencing mid-2014).

### Tradeable Water Rights Regulation

You may recall this issue being raised several years ago with Minister Burke. We were concerned about the regulation of trade in water entitlements. They were going to be considered derivative products and hence anyone dealing with them would be required to hold a Financial Services Licence as well as a Market Licence. The Department of Treasury has now released a Draft Regulation for targeted consultation - with a response deadline of **Tuesday 04 March**. Needless to say we've advised them of our opinion regarding a four day consultation timeline! [Explanatory Memorandum / Regulation](#).

Together with the NIC, RGA and the NFF we were able to arrange a teleconference with Treasury to clarify the changes in this new regulation. Please find information below on our interpretation of what this means and what we are now asking from you (our Members) in order to respond to Treasury.

The new regulation is now not solely based on the Corporations Act, but includes provisions under the ASIC Act. It clarifies water trading contracts and transformation arrangements (where what was sold might not match what was bought) so they are not treated as derivatives or financial products and therefore not caught by the financial product and services regulations (meaning special licences and reporting arrangements are not required). In effect, what's changed is what we asked for and supported in our submission to the first draft.

Treasury Department provided us with the following text regarding options / derivatives: *'Options contracts in respect of tradeable water rights would not fall within the exception, and would still be considered to be derivatives, unless the contracts did not permit settlement in cash or by set-off between the parties and neither usual market practice nor the rules of the market permit closing out of the contracts by matching up with offsetting contracts.'*

*In layman's terms, normally, if an options contract requires the actual delivery of a water right then it isn't a 'derivative' or 'financial product'. However, it may still be a derivative if (although the contract on its face requires delivery) it is traded on a market that permits contracts to be offset against each other (so there is no physical delivery) OR, although the market does not explicitly permit this, this is the ordinary practice on the market.*

We definitely hope this helps explain it, but if you have any questions, we have a contact at Treasury.

With that and a few Member comments, we advised Treasury, on Tuesday (04 March) of our support for this regulation.

## Drought Assistance

Tony Abbot and Barnaby Joyce announced a new drought assistance package on Wednesday (26th February). The package includes measures for financial, social and mental health support. A fact sheet with further information can be accessed [HERE](#). Shortly after the release of the new drought assistance, the NFF issued this media release - [HERE](#) - welcoming the package.

## CEWH Portfolio Management

The CEWH released a 3 page 'Managing the Commonwealth Environmental Water Portfolio' - [HERE](#) - on Thursday (27 Feb). While still light on detail, it provides a bit more detail on the demand and supply constraint for use/trade/carry-over of environmental water. Interestingly, the table states that in times of very low water availability (and high water needs for the environment), the CEWH will 'investigate opportunities to purchase allocations by exceptions'.

While this aligns with its environmental requirement, it might conflict with its 'value for money' objective stated in its recently released environmental water trading framework - [HERE](#).

## NSWIC March Meeting

Our 'Notice of Meeting' has now gone out to all Member organisations for the **Thursday 13 March Council Meeting**. Notice is [HERE](#).

Things to note for this meeting:

- Our new CEO, Mark McKenzie will be in attendance
- Menzies Hotel - **MELBOURNE ROOM**
- Please RSVP at your earliest convenience
- Deadline for agenda items is Friday 28 February 2014
- Update on guest speakers will be sent out next week
- Thank you and welcome dinner takes place on Wednesday 12 March (please RSVP for this also)

## Council Meeting Update

All meeting agenda and supporting documents for the Thursday 13 March Council Meeting has now gone out.

Guests attending the Council Meeting:

The Hon Katrina Hodgkinson MP  
NSW Water Commissioner, David Harriss  
Murray-Darling Basin Authority – Russell James  
Soon to be in place NSWIC CEO, Mark McKenzie

### Standing Committee on the Environment

#### Inquiry into environmental regulation, green tape and 'one stop shop'

Minister Hunt has asked the Standing Committee on the Environment to inquire into and report on streamlining environmental regulation, 'green tape' and one stop shops. The brief terms of reference for the inquiry are available [HERE](#).

Submissions addressing the terms of reference are due **11 April**.

### Rice Scholarships Awarded

Congratulations to Luke O'Connor and Sarah Robertson who both won scholarships from The Ricegrowers' Association of Australia. A media release announcing the winners is [HERE](#).

### Irrigation NZ Conference

A reminder that Irrigation NZ are holding their Biennial Conference in Hawkes Bay in April. You can access the full details of the event [HERE](#). The itinerary looks fantastic and would be a great opportunity for Australian irrigators to have a look at alternative operations.

## National Farmers Federation

The NFF put out a weekly newsletter for their Members, much like the one NSWIC distributes. To access these newsletters, click the link beside the date of each issue.

07 February – [HERE](#)

14 February – [HERE](#)

21 February – [HERE](#)

28 February – [HERE](#)

## ABARES REPORTS

### **Climate, Water and Agriculture ABARES Updates**

The last two months of reports can be accessed on our website page link [HERE](#).

### **ABARES Crop Report**

ABARES released its quarterly crop report. The full report can be accessed [HERE](#). We prepared a short Briefing Note with all aspects relevant for irrigators in NSW. The Briefing Note can be accessed [HERE](#).