IMPROVING ACCESS TO WATER ALLOCATION TRADE BETWEEN ZONES IN THE SOUTHERN MURRAY-DARLING BASIN

CONSULTATION ON DRAFT ASSESSMENT FRAMEWORK

WaterNSW

VICTORIA State Government | Energy, Environment and Climate Action

Disclaimer
For the purposes of this report, Victoria is represented by the Department of Energy, Environment and Climate Action (DEECA) and NSW is represented by WaterNSW, a State-owned Corporation.

Acknowledgements
DEECA would like to acknowledge the contributions of Frontier Economics in developing an initial version of the framework as well as reviewing earlier versions of this report.

WaterNSW would like to acknowledge the contributions made by Ricardo for the development of the initial framework and their contributions to the finalised framework as outlined in this report.

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EXECUTIVE SUMMARY

Water markets are where water rights are traded between people and businesses. Successive reforms by governments in water trade and water markets since the 1980's have sought to provide an equitable and efficient way to allow access to, and sharing of, finite water resources. Water markets have been developed to support water users to hold and trade a portfolio of water entitlements from different connected water systems, to diversify the risks associated with low water availability in any one area.

Water markets have become an important part of how people, businesses and agencies manage their water needs, particularly during dry conditions. Markets in the southern-connected Murray-Darling Basin have grown substantially in recent decades.

Increasingly active and competitive water markets have led to the increasing movement of water between valleys or 'trading zones'. These trades are subject to inter-valley trade (IVT) rules that manage real and potential third-party impacts caused by the movement of water between systems, zones and valleys. Opportunities to trade water between valleys is highly valued by water market participants because it offers price differentials between regions and the opportunity to import additional water to supply-limited areas.

As competition for limited IVT opportunities has increased some stakeholders, members of the community and the Australian Competition and Consumer Commission (ACCC) have expressed concerns with current arrangements for managing access to restricted IVT opportunities. The current approach provides IVT access on a 'first in, first served' basis, with stakeholders feedback suggesting that this may advantage certain types of market participants over others, enabling select participants to benefit from the arbitrage opportunities offered by IVT.

Recognising these issues, New South Wales and Victoria have developed a draft principles-based framework which will be used to consider options to improve access to IVT opportunities. The principles aim to conduct this assessment in a way that promotes efficient and equitable access for all market participants (Table 1). We are now seeking feedback on this draft framework to inform consideration of future improvements to IVT access.

Table 1 Draft framework principles for improving access to water allocation trade in the southern Murray-Darling Basin

Principle	Why it matters
Alignment to water market objectives Considers whether it aligns with agreed water market objectives (i.e., Schedule 3, *The Water Act 2007* (Cth)	The option needs to be consistent with the agreed objectives of water market and trading objectives developed under the National Water Initiative (refer to Appendix 1)
Efficient distribution of water Considers whether the option supports efficient distribution of water among water users	The option needs to consider whether it enables water to be transferred between water users and trading zones without unnecessary costs or barriers
Equity of access Considers whether the option supports equitable access to trade opportunities for all market participants	The option needs to consider whether it facilitates a level playing field for water markets and prevents advantages to certain types of market participants over others
Transparency of information Considers whether the option can be clearly communicated to support informed decision making by water market participants	The option needs to consider whether the trade arrangements can be communicated effectively (i.e. both clearly and transparently) to support trust in the process and to improve market confidence
Practical to establish Considers whether the option is practical to establish for both water market agencies and water market participants	The option needs to consider the establishment requirements, including any costs, changes to policies, procedures and/or amendments to existing technical infrastructure (e.g. state water registers) to both water market agencies and market participants
Practical to operate and maintain Considers whether the option is practical for both water market authorities and water market participants once the option has been established and become business-as-usual	The option needs to consider how practical it is to be operated and maintained into the future, in a way which minimises administrative burden and is cost-effective for governments and water market participants alike

PURPOSE AND SCOPE

Purpose

WaterNSW and the Victorian Department of Energy, Environment and Climate Action (DEECA) are jointly investigating ways to improve the efficiency and equity of access to IVT[1] opportunities in the southern connected Murray-Darling Basin.

This consultation paper proposes a draft principles-based framework for water market participants and other members of the public to review and provide feedback on. It is proposed that, following consultation, a final framework will be used to evaluate alternative ways of managing access to intervalley trade opportunities in the southern connected river valleys of NSW and Victoria. This will be conducted in stage two of this work.

An agreed joint framework will enable WaterNSW and DEECA to assess alternative approaches to IVT, in a consistent, transparent, systematic manner, and in a way that reflects the expectations of market participants and community.

WaterNSW and DEECA encourage market participants and the broader community to "have their say" and to provide their feedback on the draft framework.

Scope

The draft framework has been designed to assess the policy, operational and technical aspects affecting access to IVT opportunities. In the short-term, it is intended to inform options to improve arrangements where demand for IVT frequently exceeds supply (i.e., the volume available to be traded) – trade between the Murrumbidgee and Murray systems, the Goulburn and Murray systems and the River Murray upstream and downstream of Barmah.

The framework has been developed to consider how access to IVT opportunities is managed but does not consider trade rules themselves, which inform how much water is made available to be traded, or other broader market drivers. Details of what is in- and out-of-scope are presented Figure 1 below.

In scope	Out of Scope
Approach to determining access to available trade volumes between zones (i.e., how applications for trade are processed), with consideration of supporting systems and processes, including: ○ **Transparency of notifications** to market participants about IVT opportunities ○ **Technical infrastructure requirements** to support IVT application submissions and processing	**Trade rules** and related river operations rules Broader changes to **water market and entitlement framework policies and rules** (e.g., Basin Plan Trading Rules, delivery of environmental water, or state legislation) **Policies or programs underway affecting water markets and trade** (e.g., Basin Plan water recovery and programs to improve First Nations access to water)

Figure 1 Scope of the draft framework for assessment of options for access to allocation trade between water

Both the Victorian and NSW governments have specific programs of work underway to improve access to water for land councils, indigenous corporations and other Traditional Owner groups requiring access to water for cultural and economic purposes.

More information about these programs can be found at:

- Water is Life Traditional Owner Access to Water Roadmap (for Victoria) and,
- Aboriginal Water Program (for NSW).

[1] The term 'intervalley trade' is used in this report to refer to the allocation trade from one trading zone into another trading zone, e.g. it includes trade from the Murrumbidgee to the Murray trading zones, and trades from the Murray trading zones upstream of Barmah to the trading zones downstream of Barmah. Allocation trade involves moving allocation between accounts and may or may not involve a change of ownership. Allocation is a specific volume of water allocated to an entitlement in a given water accounting a period (usually a water year).

WORKING TOGETHER

WaterNSW and DEECA are progressing with three stages of work (see Figure 2) to achieve the overall objective of improving the efficiency and equity of access to IVT opportunities in the southern connected Murray-Darling Basin. This report is part of Stage 1.

In Stage 2, WaterNSW and DEECA will use the finalised framework to develop and assess alternative options for accessing priority IVT opportunities (including between the Goulburn and Murray, Murrumbidgee and Murray and upstream/downstream of Barmah).

Under this approach, if changes are proposed, they will be supported by detailed consideration of the option, including a clear description of the benefits and costs, and the practicality of implementation. They would also remain subject to decision making under state frameworks, including any funding requirements.

Stage 1
Develop Assessment Framework
2025

- **Define the problem –** identify the key issues with current settings that limit access to intervalley trade
- **Draft the assessment framework –** which will be used to evaluate alternative approaches for intervalley trade access
- **Community consultation** on draft assessment framework
- Use community feedback to develop a **final assessment framework**

Stage 2
Develop and Assess Options
2025 & 2026

- **Develop list of options -** list ideas for improving access to intervalley trade
- **Assess options** against the framework for priority trade rules
- **Community consultation** on results of the draft options assessment and any recommendations
- **Publish** findings and recommendations in a **final report**

Stage 3
Implementation & Monitoring
2026 and beyond

- **Implement the recommendations –** subject to support from community and available funding
- **Ongoing market monitoring –** to identify any new or emerging issues with access to intervalley trade

Figure 2 Three stages of the IVT Framework Project

CONTEXT

Development of water markets in the southern connected Murray-Darling Basin

Water markets have been developed in the southern connected Murray-Darling Basin to provide an equitable and efficient way of sharing finite water resources (Figure 3). Water allocation trade enables irrigators to supplement their water supply for agricultural production, manage water supply risks, and to earn income when the water is more valuable to someone else. This can be particularly helpful during dry times when water availability is low. An effective market supports the efficient reallocation of scarce water resources based on market participant values.

Australia first introduced water markets in the early 1980s. Since then, extensive reform by the NSW and Victorian governments, particularly in the southern Murray-Darling Basin, has been undertaken to promote effective water markets. The separation of water from land was one of the formative events in the development of Australian water markets. By separating water rights from land rights, water could be bought, sold and traded independently from land title.

In 2004, the National Water Initiative (NWI) was introduced to provide a nationally coordinated approach to sustainable water management, including setting outcomes and actions for water markets and principles for trading rules. The NWI was agreed by all Australian states and territories and included commitments to progressively remove barriers to trading water and make it easier to trade water across state borders. The Commonwealth *Water Act 2007* embedded the NWI outcomes, committing governments to legally mandated water market objectives. These objectives were further reinforced when they were incorporated into the Murray-Darling Basin Plan in 2012.

NSW and Victoria, with other Basin governments have implemented market reforms to remove barriers to trade and enabled the trade of water allocations within and across state borders. The ability to trade between water trading zones (i.e. between valleys and states) has provided significant benefits for water market participants.

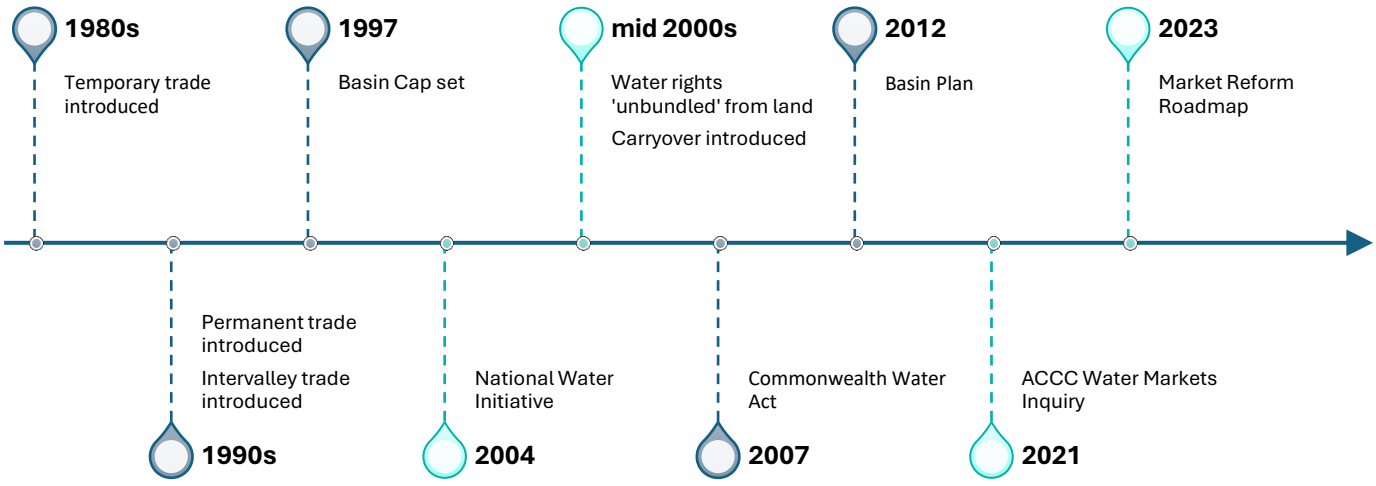


Figure 3 High-level timeline of water market reform relevant to the southern Murray-Darling Basin

Current intervalley trade arrangements

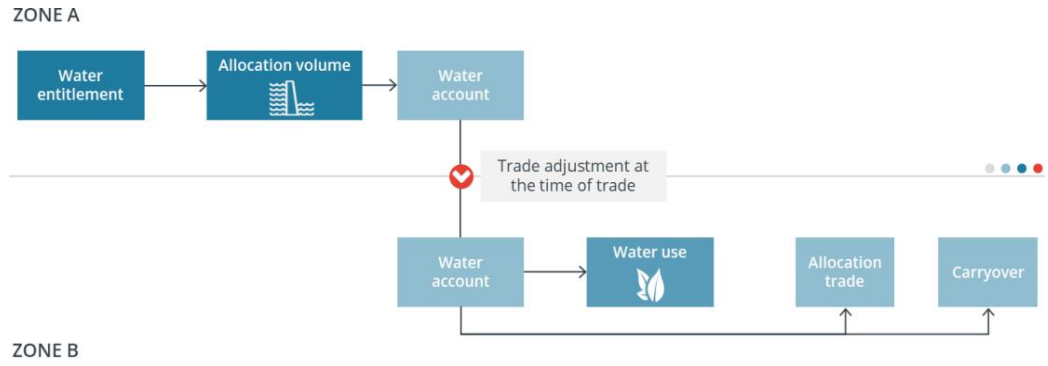
Water trade and enabling the change in location of water extraction throughout a network of connected waterways and channels has a number of potential and real hydrological issues and environmental impacts. Allocation trades are underpinned by a set of simplifying assumptions to facilitate water markets in this context – including that allocations can be delivered at any time, and trade does not result in material changes to losses in delivery.

These assumptions enable allocation trade between water zones or valleys which change the characteristics of the allocation.

In practice, when 100 ML of allocation in one zone (Zone A) is traded to another zone (Zone B), the zone A allocation is effectively cancelled (debited from the seller's account), and zone B allocation is issued (credited to the buyer's account). This can be referred to as the 'cancel/issue' approach to water allocation trade and is used for the vast majority of IVT in the southern Murray-Darling Basin.

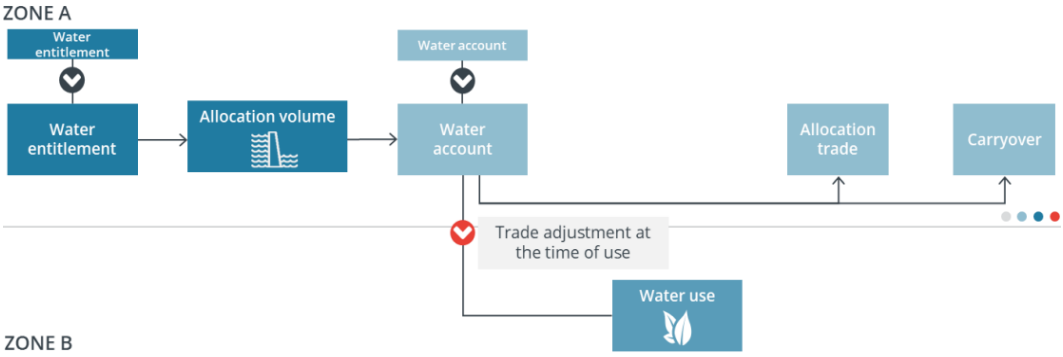
IVT is also enabled through tagged allocation trade arrangements where allocation in one zone retains its original characteristics but is approved for use in another connected zone (Zone B) (Figure 4).

'Cancel/ issue' approach



This type of trade changes the zone of use, zone of further allocation trade and zone of carryover

Tagged allocation trade



This type of trade changes only the zone of use

Figure 4 Comparison of 'cancel/issue' approach to water allocation trade with tagged allocation trade (Source: Frontier Economics)[2]

[2] Frontier Economics - Water market architecture - Issues and options - Input into ACCC market architecture assessment.pdf

How trade opportunities become available

Most of the large IVT opportunity openings in the southern connected Murray-Darling Basin, are informed by water resource management requirements, such as available delivery capacity to downstream systems and releases of IVT water. These triggers are based upon state trading rules which enable water to move between connected trading zones without causing unacceptable negative impacts to third parties.

The timing of these openings can either be scheduled (such as 1 July openings for the Goulburn and Barmah limits) or unscheduled (such as Murrumbidgee limits, which can be triggered by releases or availability of IVT water). Specifically, the unscheduled trade openings into the Murrumbidgee become available when the IVT account balance is above 15 GL and close when the intervalley account balance drops to 0 GL. Other unscheduled trade openings can be driven by market activity, especially following allocation trades in the opposite direction of the limit.

Figure 5 presents the location of the key trade limits discussed in this paper. For more information about these trade openings, please consult the trade rules for the relevant zone: Barmah, Goulburn and Murrumbidgee

For unscheduled trade opportunity openings, market participants are informed about trade opportunities by monitoring online IVT balances.

- WaterNSW publishes a Daily Murrumbidgee IVT Balance, and
- Victorian trade opportunities are published live on the Victorian Water Register website.

Not all IVT openings are highly sought after; in some instances, opportunities to trade between zones remain open/ available for extended periods of time.

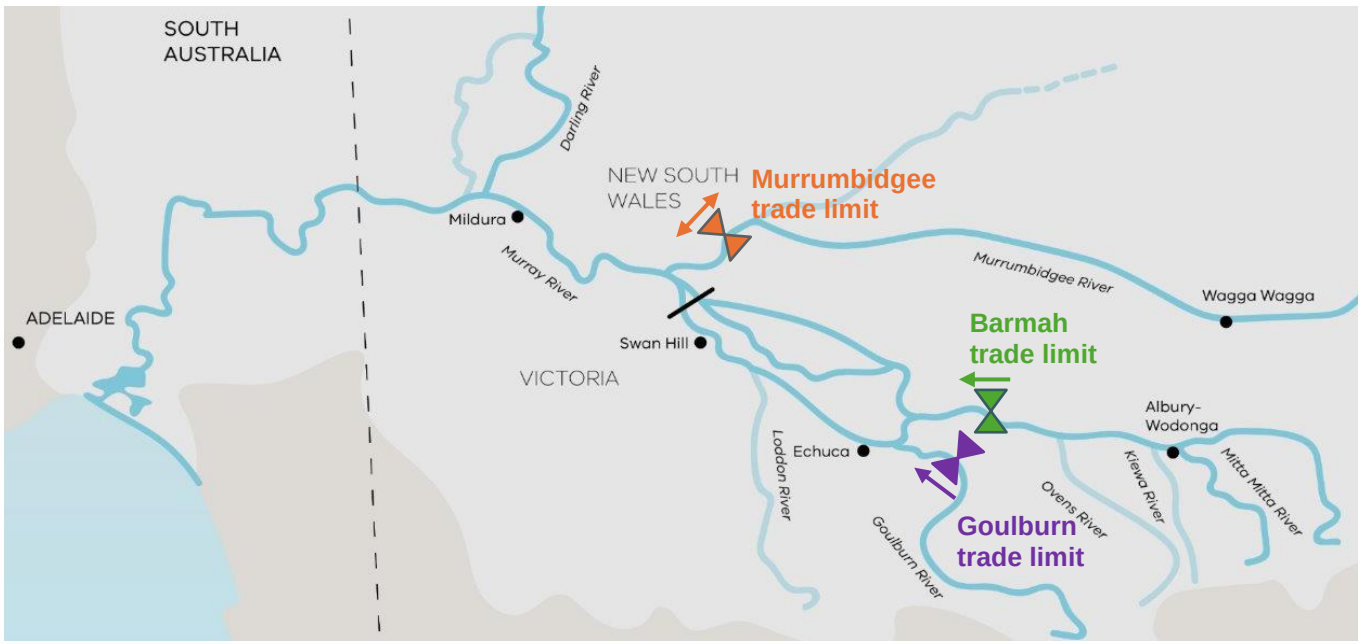


Figure 5 Location of intervalley trade restrictions focussed on in this paper

How access to trade opportunities is managed

Access to IVT opportunities has historically been managed on a 'first in, first served' basis (i.e. valid applications are processed in the order they are received). This provides a consistent approach for the distribution of IVT opportunities regardless of how the opening was triggered.

While both Victoria and NSW have used this approach, the processes for submitting and assessing trade (allocation assignment) applications differ between the two states, reflecting different trade rules, regulatory constraints and operating systems shown in Figure 6. A recent interim change to Victoria's approach is outlined in Box 1.

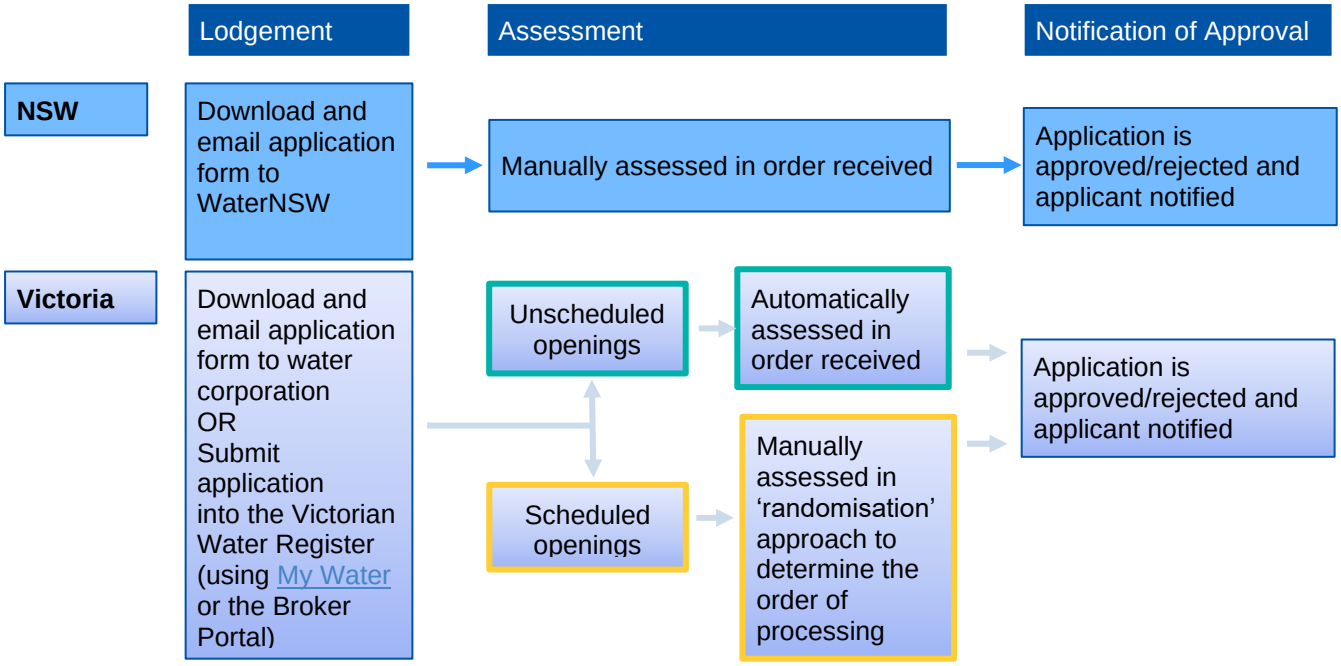


Figure 6 NSW and Victorian processes for submitting and assessing trade applications

Box 1 - Recent changes to Victoria's approach to managing access to allocation trade for major trade openings

In October 2024, DEECA rescheduled the planned 15 October trade opening for Goulburn to Murray trade, delaying the opening to 14 November 2024.

This occurred in response to a technical disruption during the original 15 October 2024 submission window linked to very high load on the Victorian Water Register during the trade opening.

In order to provide a reliable trade service for scheduled IVT openings, DEECA has adopted an interim approach to use a 'randomisation' method, on the basis that this approach provided reliable access to the trade opportunity as quickly as possible. More information about the interim approach can be found on the Victorian Water Register website.

The Barmah limit is managed under both the Victorian and NSW frameworks. Water market participants who want to trade through the Barmah limit must submit their trade application to either New South Wales or Victoria, depending on which state their water allocation is held. For the scheduled Barmah trade opening on 1 July, WaterNSW and DEECA synchronise opening times, and Victoria uses manual processing, so that trade opportunities are shared between both states[3].

[3] Prior to 2023 these openings were not always aligned with different state opening times

Issues and challenges with access to intervalley trade opportunities

Increasing competition for IVT opportunities

In recent years, water markets have increasingly been subject to IVT restrictions. This is most evident for Barmah trade openings, where the trade limit has been binding most of the time since July 2019, driven by high demands for water in downstream trading zones. When Barmah trade opportunities become available, availability is often exhausted within seconds. Similar trends have been observed with trade out of the Goulburn and between the Murrumbidgee and Murray systems, particularly early in the water year. When IVT is restricted in a zone with high demand for water, allocation prices start to diverge, placing a higher value on water in the destination zone. For example, prices in the Murray system downstream of Barmah tend to be higher than prices in the Goulburn system when IVT limits are in place.

Frequent trade restrictions and associated price differentials, mean the value of accessing IVT opportunities extends beyond the value of water use. The cancel/issue approach to water allocation trade allows successful interzone transfers to be treated the same as other allocations in that zone. In other words, once water transfers between zones, it can be traded and will carryover in accordance with the rules of its new zone. This incentivises market participants to access sought-after IVT opportunities as soon as they become available to take advantage of the arbitrage value of IVT, leaving decisions about how they will use, trade or carry over that water to a later date.

This behaviour has been visible in recent Goulburn trade trends, where opportunities to trade out of the Goulburn have been consistently oversubscribed at scheduled trade openings in July, October and December. Meanwhile, in the period before June (or even earlier in wetter years) there has consistently been net trade back into the Goulburn and trade opportunities have remained open.

ACCC Inquiry and Roadmap for reform

In 2019, the Murray-Darling Basin was experiencing dry conditions with low water availability and high-water prices, and water markets were continuing to grow in size and complexity. These factors placed water markets under significant pressure, raising concerns with market rules and processes.

In response to these concerns, the Australian Competition and Consumer Commission (ACCC) conducted an inquiry into water markets in the Murray-Darling Basin (2021)[4] – *Final report into the Murray-Darling Basin Water Markets Inquiry.*

The inquiry found that Murray-Darling Basin water markets have evolved in both scale and complexity and that market settings had not kept pace with economic growth and development. The ACCC made 29 recommendations to improve water markets in the Basin. These included a recommendation to improve IVT mechanisms (ACCC Inquiry Recommendation 22)[5] as well as a recommendation for reforms that support efficient market operations into the future (ACCC Inquiry Recommendation 25). This includes reforms that improve the efficiency and equity of access to trade opportunities, which are currently largely 'first-in, first-served'. and exploring longer-term reforms to water accounting for trade that better aligns with the physical transfer of water, such as through 'tagged allocation trade'.

Following the ACCC inquiry, the Federal Minister for Resources and Water engaged an independent Principal Advisor, Daryl Quinlivan, to work with the Australian Government, Basin states, industry and communities to develop a phased, practical, and cost-effective plan for implementing water market reform having regard to the ACCC's findings and recommendations. The Water Market Reform Roadmap was published in 2022[6].

[4] Final Report into the Murray-Darling Basin water markets inquiry

[5] ACCC Inquiry Recommendation 22 includes other actions that are not relevant to this paper; removing the exemption in Basin Plan water trading rule 12.23 for 'grandfathered' tagged water access entitlements (which was completed in 2024); and considering if current 'rolling' IVT limits can be replaced with 'dynamic limits' – to develop trade rules that better match opportunities to trade with the constraints of the physical system (completed for Goulburn IVT in 2021, and could be considered in the Murrumbidgee in the future).

[6] Water Market Reform: Final Roadmap Report

The Water Market Reform Roadmap reflects a joint commitment by Basin governments of the need to improve efficiency and access to IVT opportunities. Specifically related to the scope of this paper, it commits Victoria and NSW to work in collaboration with the Murray-Darling Basin Authority to consider options to improve equity of access to IVT opportunities (Roadmap Recommendation 14).

PROBLEM STATEMENT

Access to IVT opportunities has historically been managed on a 'first in, first served' basis (i.e. valid applications are processed in the order they are received). With increasing competition for IVT and the arbitrage value available by moving water between zones, the 'first in, first served' approach of distributing available trade volumes makes speed a crucial factor in the submission process.

WaterNSW and DEECA have heard that some participants find it challenging to compete with better resourced participants to access IVT opportunities. There is concern that current settings are inequitable, inhibiting the re-allocation of water to its most valued use and driving a reliance on water brokers to improve the chances of success in IVT access. These concerns are consistent with findings from the ACCC Water Market Inquiry.

In considering trade between regions, the ACCC inquiry[7] found that:

- Binding intervalley trade limits increase the chance of successful access for larger and better resourced participants such as agribusinesses, often at the expense of irrigators, and;

- The hydrological characteristics of the storages and river systems produces a 'disconnect' between the time of trade and the actual movement of water, leading to river channel congestion and negative impacts on other water users and the environment (see Box 2 below[8]).

While the primary issues identified in this section are related to the 'first-in, first-served' approach to providing access to IVT opportunities, the equity and efficiency of access to trade between zones is also affected by other elements of how trade is managed under state frameworks, including:

- **How predictable trade openings are** – In some cases, trade openings can be difficult to predict and can occur with limited communication to market participants (such as unscheduled market-driven openings or the Murrumbidgee IVT limit). This favours well-resources water market participants who have the ability to monitor likely trade opportunities and can act quickly as openings occur.

- **What technology underpins agencies' ability to manage trade openings** – NSW and Victoria operate their own Water Registers. In Victoria, an electronic submission and automated assessment process for most trade opportunities operates more quickly than NSW's more manual system. This means that applications lodged under different state frameworks can experience different trade outcome – for example the majority of unscheduled trade openings related to the Barmah limit are taken up by applications through the Victorian Water Register.

- **Different requirements for submitting trade applications for types of market participants and between states** – In some cases, different water market participants are able to apply for trades in a different way. In Victoria, the Broker Portal is available to registered parties who have met Victorian Government requirements, which can result in faster trade application times than for other users.

On the balance, the combination of these factors is resulting in a large proportion of the benefits of IVT being captured by a select group of market participants. A consistent and holistic framework is needed to support development and assessment of options for managing access to trade between zones to enable agencies to consider ways that the equity and efficiency of IVT can be improved.

[7] Final Report into the Murray-Darling Basin water markets inquiry
[8] ABARES, 2020, Options for water market reform: ABARES submission to the ACCC

While market participants with greater resources, information and expertise are likely to continue to have a competitive advantage under any alternative arrangements, a framework will support the consideration of actions to minimise barriers to other market participants that can improve the equity and efficiency of water markets in the southern Murray Darling Basin.

HAVE YOUR SAY

What other challenges are causing issues for the efficiency and equity of allocation trade between zones?

Box 2 - Cancel and Issue Allocation Trade – Implications for water market outcomes

'Cancel and issue' allocation trade (described in the Context section) means that when trade between zones occurs, the relevant allocation takes on the characteristics of the zone it is being traded to (i.e., if Goulburn allocation is traded to the Murray, it becomes a Murray allocation).

This means that the resource managers and river operators then need to supply the relevant allocation to the new system from its original location to meet water user demands, considering the potential for IVT to increase the risk of spill for storages, for IVT water deliveries to increase delivery congestion within waterways and channel infrastructure, or cause environmental damage.

To manage these practical considerations, trade limits need to make simplifying assumptions, which may limit the volume of interregional trade, or support more trade than can be practically managed without third-party impacts. This challenge has been identified by both the ACCC and the Australian Bureau of Agricultural and Resource Economics (ABARES).

Any short-term options to improve the equity and efficiency of allocation trade between zones in the southern Murray-Darling Basin within current management frameworks are likely to retain these challenges for water managers and risk some suboptimal outcomes for water market efficiency.

DRAFT FRAMEWORK

To investigate aspects of current arrangements could be changed to better provide efficiency and equity of access to trade opportunities, NSW and Victoria have jointly developed a draft principles-based framework.

The framework is intended to provide a rigorous, clear and repeatable assessment of any proposed options which can inform decision making on any future reforms to current arrangements. This means the framework needs to consider how any option aligns to current policy and legislative frameworks, how it can support efficient and effective market outcomes, as well as transparency for water market participants. The draft framework also incorporates the practicality of establish any alternative options and operate and maintain trade arrangements into the future.

DEECA and WaterNSW are seeking feedback on the draft framework principles to ensure that they reflect the key things that should be considered in assessing any options, and that they can support future consultation with water market participants and the community on potential reforms.

Table 2 below presents the principles as well as their definitions and the reasoning for why these principles matter. Further information on how DEECA and WaterNSW plan to apply the framework is provided in the next section.

Table 2 Draft Framework principles and outline of why it matters

Principle	Why it matters
Alignment to water market objectives Considers whether it aligns with agreed water market objectives (i.e., Schedule 3, *The Water Act 2007* (Cth)	The option needs to be consistent with the agreed objectives of water market and trading objectives developed under the National Water Initiative (refer to Appendix 1)
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Transparency of information Considers whether the option can be clearly communicated to support informed decision making by water market participants	The option needs to consider whether the trade arrangements can be communicated effectively (i.e. both clearly and transparently) to support trust in the process and to improve market confidence
Practical to establish Considers whether the option is practical to establish for both water market agencies and water market participants	The option needs to consider the establishment requirements, including any costs, changes to policies, procedures and/or amendments to existing technical infrastructure (e.g. state water registers) to both water market agencies and market participants
Practical to operate and maintain Considers whether the option is practical for both water market authorities and water market participants once the option has been established and become business-as-usual	The option needs to consider how practical it is to be operated and maintained into the future, in a way which minimises administrative burden and is cost-effective for governments and water market participants alike

HAVE YOUR SAY

Do the draft framework principles provide a comprehensive and clear way to consider options for improving the equity and efficiency of accessing intervalley and interzone trade?

INVESTIGATING IMPROVEMENT OPTIONS

In 2025 and 2026, once the draft framework has been finalised on the basis of community input, WaterNSW and DEECA will assess different options to improve access to trade opportunities for the Goulburn River, Murrumbidgee River and for Barmah trade openings. In the short-term this assessment will focus on larger trade openings that are highly competitive. Longer-term future work could also consider more incremental market-based openings.

The types of options proposed to be initially considered for providing market participants with access to IVT opportunities may include:

- 'First in, first served' approach to determine application order for assessment (including refinements to current arrangements)
- Randomisation of applications to determine order for assessment
- Auctioning trade opportunities

The detailed development of options for consultation may also include other refinements that can improve outcomes against the framework, including:

- IT system improvements that could improve the reliability of access to trade openings, or consistency between jurisdictions
- Improved transparency and market information on how and when IVT opportunities occur
- Improved consistency in trade application processes for all types of water market participants

HAVE YOUR SAY

Are there any specific options that should be considered for the next stage of this project to apply to all intervalley trade limits, or one limit in particular?

Applying the framework to assess options

Once the framework has been finalised following engagement, the assessment of options will be undertaken using a set of evaluation criteria to draw out how the option performs against the key principles.

After an initial assessment against the first principle – to confirm alignment to water market objectives – each option would be assessed against the framework.

The assessment is proposed to use evaluation criteria to develop the analysis and evidence how the option performs against each principle, resulting in a 'traffic light' outcome. This approach will enable WaterNSW and DEECA to consider all relevant data and analysis relevant to the option, as well as mix of qualitative and quantitative evidence, resulting in a holistic, transparent and repeatable assessment process that can inform community engagement.

The proposed assessment approach is outlined in Appendix 1. While the focus of the current engagement is on confirming the draft framework principles, WaterNSW and DEECA are also seeking any initial feedback on gaps or opportunities for the proposed assessment approach and evaluation criteria.

HAVE YOUR SAY

Do you think the draft evaluation criteria will support a comprehensive outline of how each option meets the principles of the framework?

Are there any gaps in the proposed assessment approach outlined in Appendix 1, or areas that could be improved?

Have your say

WaterNSW and DEECA invite water market participants and the broader community to comment on the draft framework. Stakeholders are invited to provide their feedback and to participate in a joint consultation between state agencies. Submissions can be made to either WaterNSW or DEECA via the channels below **by 17 August 2025** and will be shared between the agencies unless requested otherwise so you only need to submit once**.**

Submissions to WaterNSW

- Online at Trading water - WaterNSW
- Email to Customer.Helpdesk@waternsw.com.au
- Post to *Water markets: access to intervalley trade*

  WaterNSW (C/O Ben Arabin)

  PO Box 398, Parramatta, NSW 2124

Submissions to DEECA

- Online at Engage Victoria
- Email to water.markets@delwp.vic.gov.au
- Post to *Water markets: access to intervalley trade*

  Department of Energy, Environment and Climate Action (C/O Penny Clark)

  PO Box 500, East Melbourne Vic 8002

Submissions received by WaterNSW and DEECA will be made available on the WaterNSW website and Engage Victoria websites respectively, except where individuals clearly state that they do not wish to make their comments public.

HAVE YOUR SAY QUESTIONS:

1. What other challenges are causing issues for the efficiency and equity of allocation trade between zones?
2. Do the draft framework principles provide a comprehensive and clear way to consider options for improving the equity and efficiency of accessing intervalley and interzone trade?
3. Are there any specific options that should be considered for the next stage of this project to apply to all intervalley trade limits, or one limit in particular?
4. Do you think the draft evaluation criteria will support a comprehensive outline of how each option meets the principles of the draft framework?
5. Are there any gaps in the proposed assessment approach outlined, or areas that could be improved?

Next steps

WaterNSW and DEECA will prepare a joint ‘What We Heard’ report summarising the feedback received and how we will address it. This report will be published on both agencies’ websites with the final framework and options proposed to be assessed in Stage 2 of this project.

APPENDIX 1 – DRAFT THREE-PHASE ASSESSMENT FRAMEWORK

NSW and Victoria have developed a draft framework to assess options to improve the efficiency and equity of access to IVT opportunities.

To apply to framework to assessing options for change, the framework is broken into three phases, as shown in Table 3 below.

Table 3: Proposed three-phase assessment framework approach

Phase of assessment	Principle	Means of assessment
1. Preliminary assessment	Alignment to water market objectives	Yes/No with short justification and Red-amber-green (RAG) assessment
2. Full assessment	Efficient distribution of water	Assessment against evaluation criteria using available evidence and qualitative analysis. Assessment informs overall traffic light assessment
	Equity of access	
	Transparency of information	
	Practical to implement	
	Practical to operate and maintain	
3. Conclusion assessment	Conclusion considering all principles	Summary of assessment outcomes for each framework principle.

1. Preliminary assessment

A **preliminary assessment** against the first draft principle will ensure alignment with the water market objectives under the Commonwealth *Water Act 2007*, **followed by a full assessment if the preliminary assessment is passed**. No further analysis is performed if the option fails to demonstrate alignment with the water market objectives.

2. Full assessment

To undertake the full assessment, each option will be evaluated against a set of evaluation criteria. The evaluation criteria expand upon the framework principles and will be used to assess the option in detail.

Each of the evaluation criteria require analysis which may draw on available data, analysis and/or policy considerations.

Evaluation against each of the criteria will inform a summary of how the option performs against the relevant principle, using a traffic light rating.

The draft evaluation criteria are listed in Table 4 below.

Table 4: Draft framework evaluation criteria

Principle	Evaluation Criteria
Alignment to water market objectives	1. Does the option contradict any of the agreed water market objectives in Schedule 3 of the *Water Act 2007*? i.e., does the option: • Facilitate the operation of efficient water markets and trading opportunities within and between Basin States? • Minimise the transaction costs of water trades, • Enable the appropriate mix of water products, and • Recognise and protect the needs of the environment, and • Appropriately protect third party impacts?
Efficient distribution of water	2. Does the option supports the distribution of water to meet the needs of water market participants? 3. Is timely access to trade opportunities facilitated? 4. Does the option maximise allocative efficiency between water users? 5. How effectively does the option minimise transaction costs for market participants?
Equity of access	6. Does the option provide equal opportunities to access trade to all market participants? 7. Are there any barriers in place for some market participants and not others? 8. If applicable (e.g. Barmah), is access to trade opportunity provided equitably to market participants in VIC and NSW?
Transparency of information	9. Can the option be communicated/ explained in a way that a representative water market participant can easily understand? 10. Will the option support informed decision making by all water market participants? 11. Does the option promote easy and timely access to information about available trade opportunities? 12. Does the option promote easy and timely access to information about the application status and/or outcome?
Practical to establish	13. How long is the option likely to take to establish? 14. What are the estimated costs of establishing the option? 15. What are the change management impacts that agencies would need to consider for this transition? 16. How would water market participants be impacted from a change management perspective? 17. What are the estimated costs to water market participants to transition? 18. Does the option support practical alignment and coordination of establishment across state borders? 19. Would establishment of the option require changes to State or Federal legislation or regulatory frameworks?
Practical to operate and maintain	20. How practical is the option for agencies to operate and maintain? (for example: technical and business systems, resource capability and availability) 21. How much will it cost to operate and maintain? 22. How practical is the option for water market participants to use? 23. How much will it cost water management agencies and water market participants to operate and maintain? 24. If applicable, describe whether the option will allow for practical alignment and coordination of operations across state borders?

3. Conclusion assessment

Once the preliminary and full assessments are complete, the final step is to develop an overall conclusion for the option.

The overall conclusion will indicate whether the option is feasible or not with regard to its performance against the evaluation criteria. The overall conclusion will determine whether the option can proceed to final comparison with other options, including relevant existing arrangements.

This overall conclusion will form the basis of consultation with the community on feasible options, and decision making on the preferred approach for implementation.