

Water allocation trading strategy 2023-24

July 2023

Acknowledgement of Traditional Owners

The Victorian Environmental Water Holder (VEWH) proudly acknowledges Victoria's Traditional Owners and their rich culture and pays our respect to Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

We acknowledge and respect Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it.

We are committed to genuinely partner, and meaningfully engage, with Victoria's Traditional Owners and Aboriginal communities to support the protection of Country, the maintenance of spiritual and cultural practices and their broader aspirations in the 21st century and beyond.

The VEWH sees the meaningful intersection between the aims of the environmental watering program – healthy waterways, healthy communities – and the deep and enduring obligations Traditional Owners have to Country and to Aboriginal people. We deeply value the ongoing contribution that Traditional Owners and Aboriginal knowledge systems are making to planning and managing water for the environment. We recognise that this contribution is largely through frameworks and processes that have not been determined by Traditional Owners, and contribution does not imply endorsement of those frameworks and processes. More can be done to increase Traditional Owners' power and agency and enable progress towards self-determination within the environmental watering program.

Adequately recognising and strengthening the rights of Traditional Owners in water management is critical for achieving self-determination and healthy waterways into the future. The VEWH is committed to an active role in supporting and enabling this within its power and capability.

collaboration

integrity

commitment

initiative

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Cover photo: Lower Broken Creek, by Keith Ward, Goulburn Broken Catchment Management Authority

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Executive summary

The VEWH's water allocation trading strategy 2023-24 provides a high-level overview of the types of water trading activities that the VEWH may undertake across Victoria and interstate in 2023-24.

Water allocation trade is one of the tools the VEWH uses to effectively manage environmental water. Water trading allows the VEWH to move water to the systems where it is most needed, and to smooth out some of the variability in water availability across systems and across years.

This strategy covers both commercial water allocation trade (selling and purchasing water allocation), and administrative water transfers ('internal' transfers of VEWH allocation or transfers between the VEWH and other water holders).

Environmental water availability is expected to be high across the Gippsland, central, western and northern regions in 2023-24. Opportunities to purchase allocation may be considered in the Maribyrnong and Werribee systems depending upon assessment of seasonal conditions and environmental need, particularly if dry conditions occur in 2023-24. Water purchase may also be considered in the Broken system, if the VEWH cannot trade existing allocation from other systems into the Broken system.

The VEWH may consider selling part of its allocation in northern region systems during 2023-24 if foreseeable environmental demands can be met. High water allocations are expected in the first half of 2023-24 in most northern Victorian systems, therefore the VEWH may consider a commercial trade at any time from spring 2023 onwards if there is high confidence that forecast environmental demands can be met. The VEWH can also sell water to invest in complementary works, measures, technical studies or other priorities, where these projects optimise environmental watering outcomes for enduring benefit.

In 2023-24, the VEWH will implement a range of administrative transfers to facilitate the delivery of environmental water across Victoria, make return flows available to environmental water managers for delivery in South Australia, receive water donations and to manage carryover requirements for 2023-24. These transfers may include water held by other environmental water holders and other entities who may choose to partner with the environmental watering program for delivery of water. Administrative transfers will also be undertaken to transfer allocation available for use in the Snowy River.

For further information on environmental water trade, as well as where, when, how and why environmental water is being released in Victoria, visit www.vewh.vic.gov.au.

1 Purpose

The VEWH's 2023-24 water trading strategy provides a high-level overview of the types of water trading activities that the VEWH may undertake across Victoria in 2023-24. All information in this document relates to the trade of VEWH's environmental water allocation (i.e., the volume of water that is allocated to water entitlements in a given year and available for use) rather than trade of environmental water entitlements (i.e., the ongoing legal right to take or use water in a particular system).

Water allocation trade is one of the tools the VEWH uses to effectively manage water for the environment. Water trading allows the VEWH to move water to the systems where it is most needed, and to smooth out some of the variability in water availability across systems and across years.

As a public sector organisation, the VEWH takes its trade responsibilities seriously. In undertaking any water trading, the VEWH aims to avoid negatively impacting on other market participants, while ensuring environmental outcomes are achieved. The VEWH ensures its trading activities are carried out in a manner that is consistent with trading rules under the *Victorian Water Act 1989* and the Basin Plan water trading rules under the *Water Act 2007* for the Victorian part of the Murray-Darling Basin.

The Murray-Darling Basin Plan water trading rules place obligations on government agencies, including environmental water holders, regarding the management of water market sensitive information (known as a 'water announcement' under the trading rules – see Chapter 12, Part 5, Division 5 of the Basin Plan). The intent of these rules is to ensure that persons or organisations with prior knowledge of market sensitive information that will be publicly announced, do not have an unfair market advantage over other water market participants. Under these rules, persons or organisations may be prevented from trading when they have knowledge of water market sensitive information before it is made public.

Some of the decisions and actions the VEWH may take in relation to water allocation trade (including its administrative transfers) may be considered a 'water announcement' within the meaning of the Basin Plan trading rules. The rules allow that such information is not considered a water announcement if it is consistent with a publicly-available trading strategy. This document forms the VEWH's trading strategy.

2 Trade types

This trade strategy covers water allocation (i.e., temporary water) trade only. The VEWH can trade its water entitlements, however, this has not occurred to date. Entitlement trade requires the approval of the Minister for Water and would be assessed on a case-by-case basis.

This strategy covers the following types of allocation trade that may be used by the VEWH:

- commercial water allocation trade (selling and purchasing water allocation, including forward allocation trading)
- carryover parking (leasing or renting carryover space to carryover water)
- administrative water transfers, including:
 - 'internal' transfers of VEWH allocation between VEWH entitlements for carryover or water delivery
 - transfers with other water holders or entities without financial consideration (e.g. transfers with the Commonwealth Environmental Water Holder [CEWH]).

The VEWH supports the commitment of the Victorian Government to Traditional Owner self-determination for water, most recently articulated in the Department of Energy, Environment and Climate Action (DEECA) policy *Water Is Life: Traditional Owner Access to Water Roadmap*. The policy envisages the transfer of water allocation from the VEWH to Traditional Owners for environmental watering purposes. We look forward to working with Traditional Owners and DEECA to help implement the policy where possible under water for the environment legislative requirements.

Trade of allocation can be facilitated via established water markets, or by agreement between entitlement holders. Water markets in the irrigation supply systems in the northern region and the Murray-Darling Basin are well established and are commonly used by entitlement holders to manage water for irrigation, towns and the environment. In other regions in Victoria, while trade is possible, there are not always well-established processes. The Victorian water grid, which connects water sources within and across different regions, can provide opportunities that enable transfer or exchange of water allocation between systems.

The primary focus of VEWH operations is the delivery of environmental water to meet environmental outcomes. Carryover and trade are important tools that help the VEWH manage seasonal water availability and maximise benefits to the environment. The VEWH Office implements administrative trades as part of VEWH's standard portfolio management practice.

The VEWH can also sell water or lease carryover space to fund complementary works, measures, technical studies or other strategic priorities, where these projects optimise environmental watering outcomes for enduring benefit. The VEWH consults with the DEECA where these projects have Government policy or program implications. The VEWH can also buy water to avoid environmental water deficits. Decisions on commercial trade of environmental water or carryover space are made by the VEWH Commission and implemented by the VEWH Office.

The VEWH regularly assesses its environmental demand and supply position throughout the year, considering factors such as environmental condition and demand, current and forecast

climate conditions and water availability, carryover capacity and market conditions. Figure 1 shows the key considerations that guide the VEWH’s use, carryover and trade decisions.



Figure 1 - Considerations guiding use, carryover and trade decisions

The following sections detail trade actions that the VEWH may take in 2023-24 based on current water availability assessments and seasonal forecasts. Decisions to undertake the actions identified in this strategy will depend on unfolding seasonal conditions and environmental water demands in 2023-24 and into 2024-25.

3 Northern Region

Water markets in the irrigation supply systems in the northern region and the Murray-Darling Basin are well established and are commonly used by entitlement holders to manage water for irrigation, towns and the environment. This section covers VEWH trading activities in the following systems:

- (Victorian) Murray
- Goulburn
- Campaspe
- Loddon
- Broken
- Ovens.

The VEWH coordinates with other environmental water holders in northern Victoria, New South Wales and South Australia to deliver environmental outcomes in Victoria and at the broader Murray-Darling Basin scale. The VEWH liaises with the Murray-Darling Basin Authority (Living Murray program) and the CEWH to maximise the benefits of environmental water delivery in Victorian systems. When Commonwealth water is to be delivered in Victoria, in most cases the CEWH transfers the agreed amount of water to the VEWH. That water is held by the VEWH until used or transferred back. Excluding trade application fees there is no financial consideration with such transfers.

Transfers between environmental water holders occurs to:

- facilitate the efficient and coordinated delivery of environmental water
- maximise availability across the whole environmental water portfolio
- return unused water to the source environmental water holder
- account for delivery of water to South Australia.

Further information about Commonwealth environmental water priorities, including its Annual Water Use Options and commitments can be found here:

www.environment.gov.au/water/cewo

3.1 Expected water availability in 2023-24

Rainfall across most of northern Victoria in 2022-23 was very much above the long-term average and caused severe flooding in the Murray, Goulburn, Campaspe and Loddon systems in spring. Seasonal determinations for high-reliability entitlements and low reliability entitlements reached 100 percent for all systems.

The allocation outlook provided by the Northern Victorian Resource Manager on 15 May 2023 indicated all systems will reach 100 percent high reliability allocation in 2023-24 under dry to wet climate scenarios. The Campaspe system holds sufficient water to allocate 100 percent at the beginning of July. Under average to wet conditions allocations are expected to reach 100 percent by mid-August in the Goulburn, Loddon and Murray systems, and by mid-October in the Broken system. In an extreme dry climate scenario, allocations in the larger Goulburn, Loddon and Murray systems are forecast to reach 80 percent or more, while the smaller Broken and Bullarook systems are likely to receive 15 percent and zero allocation, respectively. The risk of spill estimate published by the Northern Victorian

Resource Manager on 13 June 2023 forecast a greater than 90 percent spill risk in the Murray and Goulburn systems and a greater than 80 percent spill risk in the Campaspe system during 2023-24. This risk of spill forecast reduces the value of carrying over water into 2023-24 especially since high allocations early in 2023-24 are likely to meet demands for planned environmental watering actions in winter and spring.

The Bureau of Meteorology is predicting *El Nino* conditions forming in 2023 and has forecast below median rainfall across northern Victoria between June and August 2023. Despite the forecast for dry conditions, unregulated flows may still occur in winter or spring because storages are full and require relatively little inflow to spill.

Water supply is expected to exceed demand for the northern region in 2023-24, but restrictions on the ability to move (trade or transfer) water between systems may limit environmental watering actions in the Broken, Campaspe and Loddon systems.

3.2 Commercial allocation trade

The VEWH can buy or sell water allocation where it is in line with the VEWH's statutory objectives: that is, if it benefits the environment.

The VEWH may consider purchasing allocation where deficits exist for critical environmental needs in 2023-24 or 2024-25. For example, a purchase may occur to meet a deficit within a system where held environmental water cannot be traded in from another system. The volume of any purchase to address a deficit is likely to be relatively small (less than ~1,000 ML) and will only be used to meet a high-priority need. The most likely system where a purchase may be considered to meet a deficit in 2023-24 is the Broken system. The VEWH has only undertaken two purchases in northern Victoria to date: 300 ML in the Loddon system in 2013-14 and 600 ML in the Broken system in 2022-23.

The VEWH may sell allocation in 2023-24 in the Murray (trading zone 6 and/or 7), Goulburn (trading zone 1A) and/or Campaspe (trading zone 4A) systems if water availability exceeds the expected environmental demand. When selling temporary allocation, the VEWH is able to enter contracts to sell forward allocation, whereby temporary allocation is sold at a set price but transferred to the buyer at a later date.

Environmental water demand is highest in winter and spring, therefore decisions to sell allocation to date have typically taken place from late November onwards after the peak demand period has passed. Forecast high allocations in 2023-24 may increase the possibility that VEWH will decide to sell some allocation earlier in the year if forecast demands can be met.

Revenue from the sale of water can be used to invest in a project that optimises environmental outcomes for enduring benefit. If a critical project is identified then sale of water may occur under any scenario at any time of year, if the environmental benefit of the investment is considered greater than environmental benefit of delivering or carrying over an equivalent volume of water to a river or wetland.

Decisions to sell allocation in the northern region in 2023-24 will generally be announced via the VEWH website [here](#) (see Section 7.2). The VEWH's commercial trade announcements will cover the system in which the trade will take place, the volume, timing and mechanism

(e.g. brokers, online exchange) of the allocation trade. For example, see our 2022-23 allocation trade announcement [here](#).

3.3 Carryover parking

Carryover parking is a form of commercial trade whereby parties with unused carryover space lease it to other entitlement holders. In circumstances when VEWH estimates it has low carryover requirements for the next year, or if due to use or trade it will carryover less than entitlements allow, the VEWH Commission may decide to lease some unused carryover space under contract with other parties.

Carryover parking contracts are mostly made late in the water year when renters are seeking space for their unused water. There is likely to be more demand for carryover parking in years when water availability is high. The VEWH may decide to lease carryover space in 2023-24, particularly if it estimates there to be low requirement for carryover into 2024-25 or opportunistically has available carryover space.

3.4 Administrative water transfers

Administrative water transfers are trades of water allocation that have no financial consideration and there is usually no requirement to publicly announce administrative trades. These are the most common trades the VEWH undertakes. VEWH uses administrative transfers between VEWH entitlements (or accounts) to move water to where it is most needed for delivery or carryover purposes.

3.4.1 Administrative transfers between VEWH accounts for environmental water delivery

The VEWH can transfer water between its accounts to ensure water is available to deliver watering actions. These transfers are undertaken on an as-needs basis to optimise use of the VEWH's portfolio. For example, in 2022-23 the VEWH transferred 1,600 ML of environmental water from the Goulburn system (trading zone 1A) to the Broken system (trading zone 2) to deliver low flows in the upper Broken Creek and the Broken River.

During 2023-24 administrative transfers to enable delivery are likely to occur in the Broken system and may occur in the Loddon system.

3.4.2 Administrative transfers to maximise carryover opportunity

Carryover is an important tool the VEWH uses to help ensure environmental water can be delivered at a time that is of the greatest value to the environment. For example, environmental water demand is often highest in winter and spring, and so carryover can help ensure those demands can be met, particularly when there is a risk there will be a low seasonal determination at the beginning of the season.

At the end of each year, the VEWH may undertake administrative transfers between VEWH accounts to maximise carryover opportunity. Such transfers may occur within systems or

trading zones, or across systems or trading zones (subject to system trade limits). Carryover decisions will be undertaken to maximise benefit to the environment, and are informed by:

- priority environmental demands identified for 2024-25
- the seasonal outlook for 2024-25 (e.g. Bureau of Meteorology climate and streamflow forecasts and Northern Victoria Resource Manager seasonal determination outlooks)
- carryover limits (i.e. entitlement volume and entitlement rules)
- spill risk
- carryover costs.

Administrative transfers to facilitate carryover are likely to be undertaken in June 2024, to optimise environmental water availability for the new season opening on 1 July 2024.

3.4.3 Administrative water transfers to enable reuse of return flows

Trade is the mechanism used to ‘shepherd’ environmental water that flows along the Murray River and across the border from Victoria to South Australia.

This reuse policy, known as ‘return flows’, is available for environmental water delivered from VEWH’s Goulburn, Murray, Campaspe and Loddon entitlements in the northern region. It increases the efficiency of environmental water use and helps reduce the volume of water needed to be recovered for the environment.

For example, environmental water is delivered in the Goulburn River to provide environmental benefits such as stimulating fish to breed and promoting the growth of vegetation on river banks. The water flows down the Goulburn River and into the Murray River. The VEWH can apply to the storage manager (Goulburn-Murray Water) to have the volume of environmental water that reached the Murray River re-credited in VEWH Murray accounts as a return flow. This water can then be re-used at priority environmental sites further downstream in Victoria (such as Gunbower Forest or Hattah Lakes) and then used again for environmental outcomes in the Murray River in South Australia.

If the water is to be re-used in South Australia, the VEWH trades the re-credited return flow volume to environmental water managers in South Australia. This may include return flow transfers to South Australia for the CEWH and Living Murray program, when the VEWH delivers water on their behalf.

During the season, the VEWH makes regular transfers of environmental return flows to South Australia to account for the water that flowed into South Australia. In 2022-23, the VEWH transferred 482,221 ML of environmental return flows to South Australia (progressively traded over the year). Excluding application fees there is no financial consideration for these transfers.

The conditions of VEWH’s access to return flows are in the VEWH’s Campaspe, Goulburn, Loddon and Murray entitlements. These entitlements can be viewed online at:

waterregister.vic.gov.au/water-entitlements/bulk-entitlements.

3.4.4 Administrative transfers for the Snowy River

Water from the Snowy hydro-electric scheme is made available to the Murray system to support consumptive water deliveries.

The VEWH holds entitlements in the Murray, Goulburn and Loddon systems that form part of the Victorian government's commitment under the Snowy Water Inquiry Outcomes Implementation Deed to recover water for the Snowy and Murray rivers. The water recovery project aimed to increase environmental water availability to the Snowy and Murray rivers by recovering water in the Murray and its tributaries that can be substituted for Snowy water to supply Murray water users.

A substitution arrangement is in place to enable the VEWH entitlements in the Murray, Goulburn and Loddon to increase environmental flows in the Snowy River (Snowy River Increased Flows) and Murray River (Murray River Increased Flows) Allocation trade is the mechanism used to give effect to the substitution arrangement.

Each year, water is allocated to entitlements held by VEWH in the Murray, Loddon and Goulburn systems in line with seasonal determinations in those systems. At the end of each Victorian water year (the end of June), any water allocated to these entitlements between 1 February the previous year and 31 January of that year (minus spills) must be traded by the VEWH to a holding account for the Snowy. Similar arrangements are in place for the New South Wales Murray and Murrumbidgee systems.

The volume of water the Snowy 'owes' the Murray for consumptive purposes is reduced by the equivalent amount of the transfers. This offsets the volume of water that must be supplied from the Snowy system to the Murray and Murrumbidgee rivers, thereby freeing up water for environmental flows in the Snowy River and Murray River, while ensuring the equivalent amount of consumptive water is available in the Murray.

In 2022-23, the VEWH traded the following volumes from each system to the Snowy holding account:

- Murray system – 50,883 ML
- Goulburn system – 64,581 ML
- Loddon system – 470 ML.

As the Snowy transfers are required annually and have no financial consideration, the transfers will not be publicly announced.

3.4.5 Commonwealth Environmental Water Holder transfers

Environmental water committed by the CEWH to a Victorian environmental watering action in the northern region is transferred to the VEWH for delivery once the environmental water demand and water availability is confirmed. Unused Commonwealth environmental water is transferred back to CEWH accounts if it is not needed for delivery in Victoria before the end of the water year.

Such transfers may occur within a particular system or trading zone, or across connected systems or trading zones. The transfer of water between environmental water holders in Victoria is subject to the same allocation trade opportunities and limits as consumptive water users, in accordance with Victorian trading rules.

In 2023-24, transfers between the VEWH and CEWH are likely to occur in the Goulburn, Murray, Campaspe, Loddon, Broken and Ovens systems to facilitate environmental water delivery. Due to the large size of environmental watering activities in the Murray and Goulburn systems, volumes transferred from CEWH to VEWH can be large (i.e. greater than 100 gigalitres) but will vary depending on CEWH commitments and water availability. In the Ovens, Broken, Loddon and Campaspe systems, transfers are generally smaller (i.e. less than 10 gigalitres). Potential transfers are assessed for their impact on any trade limits that apply, to avoid significant impact on other water market users when possible.

VEWH transfers to CEWH are generally relatively small in volume, as they are associated with returning unused water held by the VEWH at the end of the water year (June).

For information regarding CEWH water commitments and portfolio management activities, see www.environment.gov.au/water/cewo

3.4.6 Living Murray program water

VEWH environmental water entitlements held on behalf of Living Murray may only be used to deliver environmental water to Living Murray icon sites. Trade of Living Murray environmental water cannot be conducted for financial gain.

Further information regarding Living Murray's trading activities can be found on the Murray-Darling Basin Authority website at www.mdba.gov.au.

4 Western Region

The VEWH holds an environmental entitlement for the Wimmera-Glenelg supply system, which is used to meet demands across the Wimmera and Glenelg rivers systems, and to supply small wetlands in the region via the Wimmera Mallee pipeline.

There is no mature water market in the western region, however, allocation trades can be conducted between entitlement holders within the Wimmera-Glenelg supply system with the permission of the Minister for Water (or their delegate).

4.1 Expected water availability in 2023-24

Wet conditions during winter-spring 2022 contributed to well above average inflows to storages in the western region. Allocations to the VEWH's Wimmera-Glenelg entitlement for the Wimmera and Glenelg rivers and Wimmera-Mallee wetlands reached 100 percent in 2022-23. Allocations to the CEWH also reached 100 percent in 2022-23. Water available to the CEWH can be delivered to the Wimmera River system.

The Bureau of Meteorology has forecast below median rainfall across the western region between June and August 2023. The Grampians Wimmera Mallee Water storage manager has indicated that by September 2023 VEWH can expect allocations for the combined *Wimmera and Glenelg Rivers Environmental Entitlement 2010* to be between 37 percent under a dry scenario, to 81 percent under an average inflow scenario. VEWH carryover from 2022-23 will help support environmental watering actions in 2023-24 and subsequent years if dry conditions develop and persist. The CEWH is not likely to receive any allocation in 2023-24 unless storage inflows are significantly above the long-term average but will have substantial carryover volume available to support watering actions in 2023-24.

The Storage Manager's outlook for the VEWH's Wimmera-Mallee pipeline wetlands environmental entitlement indicates that new allocations by September 2023 are only likely under an average or wet scenario. Carryover from 2022-23 will be sufficient to meet critical environmental needs for Wimmera-Mallee wetlands over the next three or more years.

4.2 Trade opportunities

Allocation trade is not currently planned to increase supply for the Wimmera, Glenelg or Wimmera Mallee pipeline wetlands systems in 2023-24.

5 Central Region

This section covers potential VEWH trading activities in the following systems:

- Yarra
- Tarago
- Maribyrnong
- Werribee
- Moorabool
- Barwon.

There are a range of trade opportunities in the central region, including through established water markets in the Werribee and Bacchus Marsh irrigation districts, or through commercial or substitution arrangements with other bulk water entitlement holders (such as urban water corporations).

5.1 Expected water availability in 2023-24

The Bureau of Meteorology has forecast below median rainfall between June and August 2023 across the central region.

Most storages in the central region are full or nearly full and therefore the VEWH is likely to have high water availability in most central systems where it holds environmental entitlements. One exception is the Werribee system where storage spills in 2022-23 reduced the VEWH's carryover volume. Further allocation in the Werribee system will be proportional to system inflows and therefore if forecast dry conditions occur the VEWH may have less water than needed to meet planned environmental watering actions. High carryover is available in the Moorabool system. However, entitlement rules disallow use of more than 7,500 ML of environmental water over three consecutive years, therefore use in 2023-24 will be restricted to 2,500 ML to ensure sufficient water can be delivered in subsequent years.

The VEWH doesn't have an environmental entitlement in the Maribyrnong system but may purchase water from other entitlement holders to deliver environmental flows in Jacksons Creek (Maribyrnong system).

5.2 Trade opportunities

Allocation trade is not currently planned to increase supply for the Yarra, Tarago, Werribee Moorabool and Barwon systems in 2023-24.

Under a proposed direction of the *Central and Gippsland Region Sustainable Water Strategy* within 5 years the Victorian Government proposes to improve water management in the Moorabool and Barwon systems through temporary transfers to the VEWH when conditions allow. It is currently unknown what impact this may have on environmental water trades in 2023-24.

Trade may be considered in the Werribee system in 2023-24 if there is low availability of environmental water and critical environmental need. Potential trade opportunities are yet to be investigated and a decision to trade will be dependent on ongoing assessments of seasonal conditions and environmental need.

The VEWH does not hold an environmental entitlement in the Maribyrnong system, but as was the case in 2022-23 and previous years, the VEWH may work with Melbourne Water to explore options to purchase unused licence allocation to support environmental values by delivering water to Jacksons Creek. This arrangement will only occur in 2023-24 with the agreement of all parties involved if there is sufficient supply available and an environmental need for the water.

6 Gippsland Region

This section covers potential VEWH trading activities in the following systems:

- Latrobe
- Thomson
- Macalister
- Snowy.

Opportunities to trade in the Gippsland region exist through the established water markets (e.g. Macalister Irrigation District), or through commercial or substitution arrangements with other water entitlement holders (such as urban water corporations).

6.1 Expected water availability in 2023-24

Water for the environment for the Latrobe, Thomson and Macalister systems is held in Blue Rock Reservoir, Thomson Reservoir and Lake Glenmaggie respectively. High carryover into 2023-24 is expected in the Latrobe and Macalister systems, but the VEWH lost some carryover in the Thomson system when Thomson Reservoir spilled. Environmental water supply in all system in 2023-24 is expected to be high, which should enable high priority watering actions to be delivered in winter and spring without compromising the ability to meet critical demands later in the year.

Environmental water availability and delivery for the Snowy River is determined through interstate agreements: Victoria's contribution to Snowy environmental water availability comes from entitlements held in the Murray, Goulburn and Loddon systems. This water is made available for environmental flows in the Snowy River via a substitution method, whereby Victorian environmental water replaces water that was earmarked for transfer from the Snowy to Victoria to support irrigation demands in the Murray. Further information about this process is presented in section 3.4.4.

6.2 Trade opportunities

Commercial allocation trade (buying or selling) is not currently planned in the Gippsland region in 2023-24. Options to deliver water for the environment to the Latrobe River via the Tyers River may be investigated in 2023-24. These options include a physical transfer of water from Blue Rock Reservoir to Moondarra Reservoir via existing infrastructure operated by Gippsland Water or a temporary administrative transfer arrangement.

7 Frequently asked questions

7.1 Where can I find out more about this year's plans for environmental watering in Victoria?

Information about the environmental watering in Victoria can be found in the VEWH's *Seasonal Watering Plan 2023-24* at www.vewh.vic.gov.au.

The plan previews the potential environmental watering that could be implemented using water available under all environmental water entitlements held in Victoria. This includes water available under the VEWH's environmental water entitlements and water held by other environmental water holders, such as the CEWH.

Decisions to implement environmental watering actions in Victoria, including commitments of CEWH and Living Murray water, are published via seasonal watering statements on the VEWH website.

7.2 Will VEWH announce its trade decisions?

VEWH will announce commercial trade decisions on its website.

Commercial trade announcements will cover the system in which the trade will take place, the volume, timing and mechanism (e.g. brokers, online exchange) of the allocation trade.

There may be circumstances when a trade decision would not be announced, for example if the action was urgently required (e.g. purchase of a small volume to ensure a watering action could continue), if the announcement could have a potentially adverse impact on the market, or if there is no established market that can be affected by trade activities. However, large purchases or sales of allocation (for example 1,000 ML or greater and assessed relative to the size of the available market) will always be announced by VEWH.

The VEWH will also place notice of a trade decision on the VEWH website if it is:

- related to a water system covered by this trading strategy; and
- not consistent with the activities covered by this trading strategy; and
- may have an adverse impact on the water market if it is not publicly announced.

As there is no financial consideration associated with administrative water transfers, decisions to undertake these transfers are not publicised when they occur. The VEWH reports all water transfers, including those with other environmental water holders, in its corporate annual report at the end of each financial year.

The VEWH reports annually on the management and use of environmental water in Victoria, including carryover and trade, through its annual reports and *Reflections*. These are available at <http://www.vewh.vic.gov.au/>.

7.3 Has the VEWH bought or sold allocation in the past?

Since its commencement, the VEWH has bought and sold water allocation in water systems around Victoria, including the Murray, Goulburn, Broken, Loddon, Wimmera-Glenelg, Werribee and Maribyrnong systems.

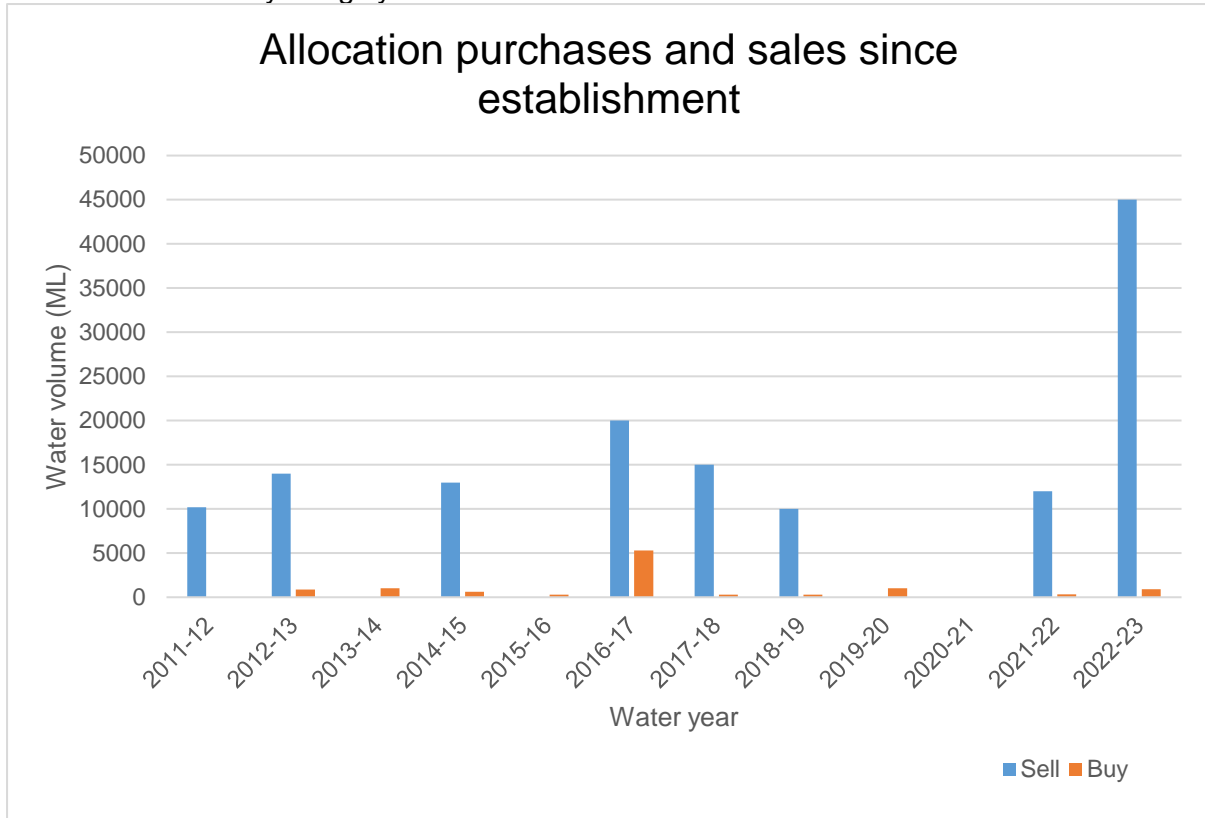


Figure 2 shows the relative volumes of allocation bought and sold each year.

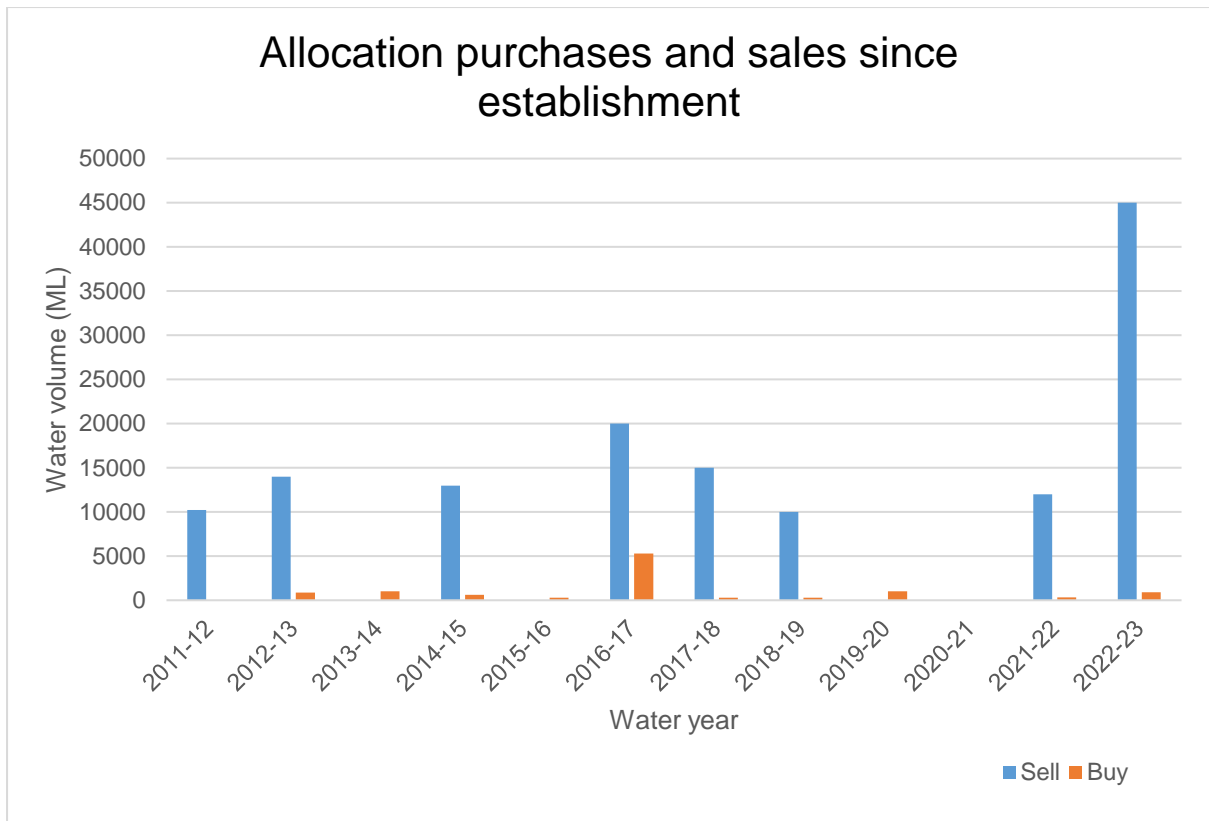


Figure 2 – VEWH commercial trade activity 2011-12 to 2022-23

7.4 How does the VEWH participate in the market?

VEWH’s selected mechanism for participating in the market will vary depending on different factors. These may include whether the VEWH is buying or selling allocation, whether there is an established market, the size of the market, the system in which the trade is to occur, or the volume of water VEWH is buying or selling. Different mechanisms will suit different circumstances.

In the past, when trading in the northern region where there are large and established water markets, the VEWH has used a mixture of brokers and web-based water exchanges to conduct its trade activity. Brokers selected by VEWH must be members of the Australian Water Brokers Association to help ensure they are operating with a high standard of ethics and business practices.

7.5 Does the VEWH take steps to ensure market prices are not affected by VEWH trading?

As a public sector organisation, the VEWH seeks to ensure it is operating in the public interest and is not causing impacts to market participants. When considering the volumes of water to sell or purchase, the method of market participation, and the prices considered, the VEWH undertakes an assessment of potential market impacts and takes steps to minimise those impacts.

VEWH activity in the water market, including its choice of market intermediaries and mechanisms, is guided by the following considerations:

- Ensuring adequate information is provided to the marketplace
- Ensuring no positive or negative discrimination against potential buyers and sellers or intermediaries
- Minimising any real or perceived impacts on the market from trading activity
- Ensuring efficient transaction costs and management fees
- Ensuring systems and contractual arrangements are in place to guarantee transactions are executed in a timely, accountable and efficient manner.

In addition, the Victorian Government has set Ministerial rules around how the VEWB can make decisions, including about water trade. In setting these rules, the government has ensured that the VEWB is trading only in the public interest, to protect environmental values without adverse community impacts.

7.6 Can the VEWB donate water?

The VEWB is unable to donate water. The VEWB must manage the Water Holdings to meet its statutory objectives; in short, the VEWB's water must be used for environmental outcomes, or any revenue generated from water sales must be used for environmental outcomes. The VEWB can accept donations of water.

7.7 Can the VEWB consult with people before deciding to trade water?

There are rules which restrict how market participants communicate before a trade is publicly announced. The rules aim to ensure all market participants have access to relevant information equitably.

The VEWB publicly releases this allocation trade strategy to outline decisions that might be made during the year. While advance notification of trade decisions cannot be given ahead of public announcements, there is opportunity to influence how water for the environment is used, both through the annual Seasonal Watering Plan process, and through variations to the Plan through the year.

The VEWB aims to increasingly work with Traditional Owners either directly or via waterway managers toward delivering self-determination where possible under water for the environment legislative requirements, and as guided by the Department of Energy, Environment and Climate Action policy *Water is Life: Traditional Owner Access to Water Roadmap*.

7.8 Additional questions?

If you have any queries or would like to contact us, please do and one of our friendly staff will get back to you shortly.

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