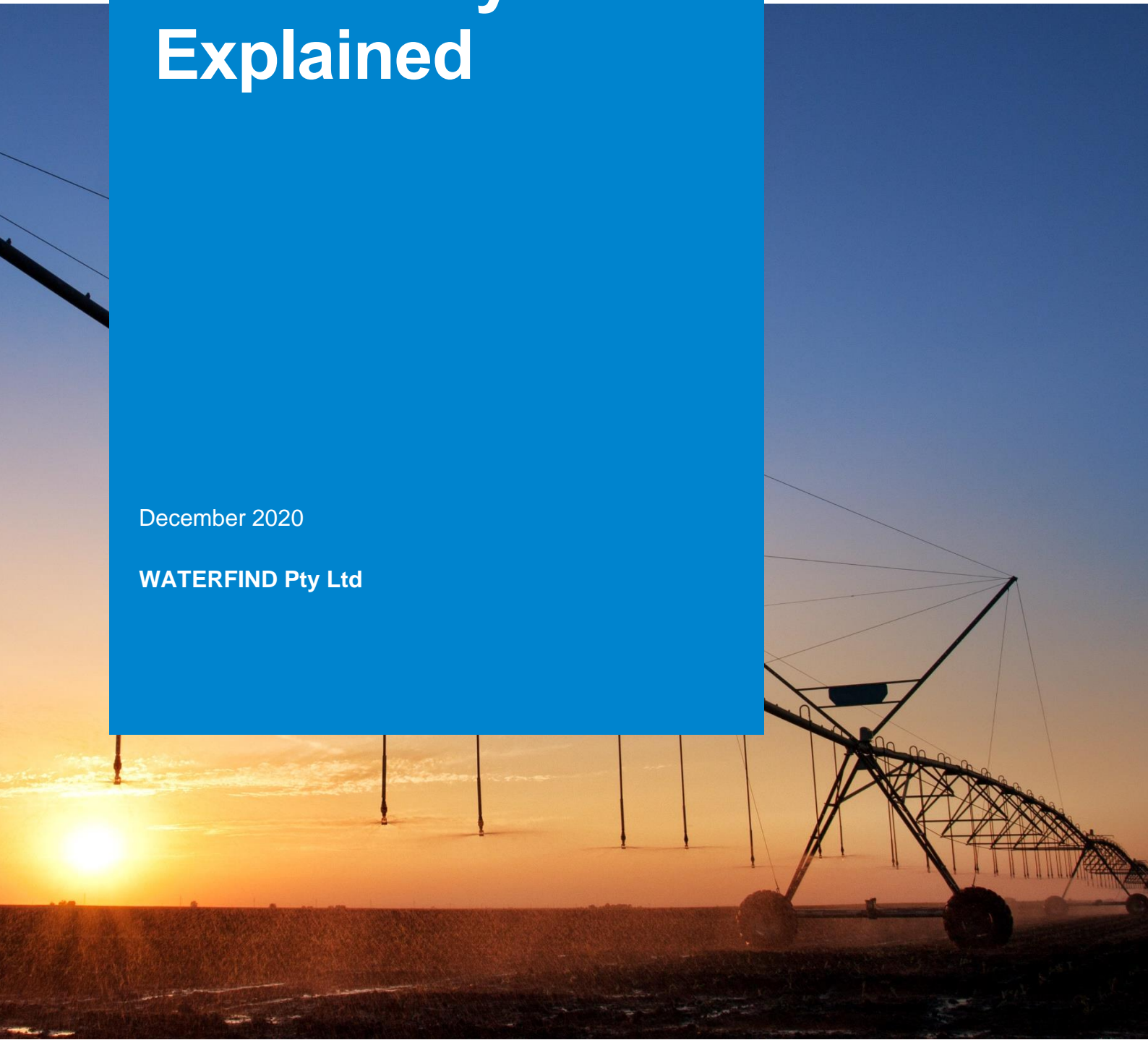


Murrumbidgee Inter-Valley Trade Explained

December 2020

WATERFIND Pty Ltd



1. How does the Murrumbidgee IVT work?

The IVT account reflects the volume of undelivered Murray water in the Murrumbidgee, essentially water that is in the Murrumbidgee but is owed to the Murray and transferable when desired. Trade between the two zones can affect the IVT balance the following ways:

- Trading out of the Murrumbidgee increases the balance and vice versa
- When water is physically delivered from the Murrumbidgee to the Murray the IVT reduces. The delivery volume is measured at Balranald.
 - Water is very occasionally physically delivered from the Murray to the Murrumbidgee (into Billabong Creek) using Murray Irrigation Limited infrastructure, subject to agreement. This increases the IVT balance.
- Water can be physically transferred between the Murray and Murrumbidgee systems through the Snowy Scheme.
 - Conditions are rarely suitable and cooperation from Snowy Hydro Limited is required.
 - Depending on the direction of the transfer this will increase or decrease the IVT.

2. Current balance of the Murrumbidgee IVT

On 3 December 2020 the balance of the Murrumbidgee IVT was at 108.6GL, with transfers between the Murrumbidgee to the Murray closed with the capacity being at -8.6GL; trades from the Murray to Murrumbidgee were open with a capacity of 108.6GL being able to be transferred.

On 19 November 2020 WaterNSW announced that deliveries of the Murrumbidgee IVT from Balranald would commence from the first week of December 2020, with a subsequent announcement on 9 December 2020 stating that the deliveries have been extended until the end of January. These deliveries will result in a total of 78GL being delivered in the system by the end of January 2020. On the day of the announcement the IVT balance was at 102.1GL, since the announcement the balance increased to a maximum 109.4GL on December 2, before decreasing by approximately 1GL per day since December 3rd.

3. 'Grandfather' Tags

One potential reason behind this increase in the IVT balance since the announcement could be due to license holders with 'grandfather' tags transferring water out of the Murrumbidgee. 'Grandfather' tags are tagged licenses that were acquired prior to 22 October 2010 (Clause 12.23(2) of the Basin Plan) and are exempt from certain water trading rules, including rules set by the Murrumbidgee IVT.

Tagged trading complicates trading within the IVT as tagged trades deal with licence holders within valleys that nominate to extract their allocation under their entitlement in a different water source.

E.g. A licence in the Murrumbidgee may establish a tag to a pump in the Murray, such that Murray water is used but the Murrumbidgee account is debited. Water ordered under tagged licenses count towards the IVT balance, in a similar way to temporary trade between two locations. Under Clause 12.23 of the Basin Plan, water ordered under a tagged 'water access entitlement' is subject to the same restrictions as temporary trade and subject to the restrictions of the upper and lower IVT limits. As stated above the only exemption to this are 'grandfather' tags, meaning that some orders may legally be allowed to push the IVT account outside its upper and lower limits, potentially impacting Murrumbidgee water users.

4. Pricing Analysis

When the announcement of the IVT delivery was made prices in the Murrumbidgee increased by 5% (compared to the previous trading day), from \$66 per ML to \$70 per ML. The next trading day saw a 33% price increase in the Murrumbidgee with water trading at an average \$103 per ML. In the same time water users saw a decrease in the price of NSW Murray water from \$204 per ML to \$197 per ML, with prices dropping a further 3% the next trading day to \$191 per ML.

In comparison to the 2019/20 season, the first Murrumbidgee IVT delivery occurred in mid-October 2019, 2 months earlier than the 2020/21 season. Upon the initial announcement in 2019 prices in the Murrumbidgee saw a 5% increase from \$565 per ML to \$595 per ML within the first days of the announcement. Along with this temporary water prices in the Murray saw an 10% increase in price, from \$725 per ML to \$794 per ML, and continuously increased until the IVT opened 47 days later.

The day before the Murrumbidgee IVT opened in the 2019/20 season, temporary water prices in the Murrumbidgee were at \$727 per ML, whilst the prices in the Murray were at \$891 per ML resulting in a difference of \$164 per ML between the two regions. On the day the Murrumbidgee IVT opened Murrumbidgee license holders saw prices increase by 1% to \$738 per ML, whereas Murray license holders saw the price of temporary water drop by 10% to \$805 per ML, a difference of \$67 per ML. However, once the IVT closed again prices reverted back to near 'pre-IVT-opening' prices with Murrumbidgee temporary water trading at \$694 per ML and Murray temporary water trading at \$780 per ML, a difference of \$86 per ML between the Murrumbidgee and the Murray. The dramatic price difference between the two markets illustrates the motivation behind Murrumbidgee license holders desire to shift their water to the Murray.

5. How your Broker can help

Due to price discrepancy between the Murrumbidgee and below choke Murray market we anticipate that once the Murrumbidgee IVT reaches 85GL, 15GL of Murrumbidgee temporary water will leave the valley, and the IVT will close as quickly as applications can be sent.

Waterfind and your dedicated account manager can assist in giving you the highest chance of success in moving your water out of the Murrumbidgee valley and into the NSW Murray market, to realise your water asset's highest return potential.

**Interested in moving
your Murrumbidgee
Temporary water?
Contact Waterfind Today**



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