

## **MDBA Water Trading Rules (Chapter 12)**

Chapter 12 of the Murray-Darling Basin Plan specifies some new arrangements and obligations in relation to water trading throughout the Murray-Darling Basin and these arrangements came into effect as at 1 July 2014. The MDBA has stated that the purpose of Chapter 12 is “to contribute to an effective and efficient water market in the Murray Darling Basin, consistent with the National Water Initiative (NWI) objectives for water markets...” Should you wish to read Chapter 12 in its entirety, go to <http://www.mdba.gov.au/sites/default/files/Basin-Plan/Basin-Plan-Nov2012.pdf>

Chapter 12 does not impose significant obligations on irrigators other than the requirement for them to declare the sale price of any water they trade (and CICL is seeking more information on that requirement) but it does on Basin States and Irrigation Corporations. It specifically requires CICL, and other Irrigation Corporations, to:

- provide advice to parties seeking to trade (buy or sell) a water delivery right if CICL decides to restrict that trade
- specify the water delivery rights available to each person who holds a delivery right within CICL and the terms and conditions attached to those rights
- specify the irrigation rights available to each person who holds an irrigation right within CICL
- specify any change to water delivery and irrigation rights
- publish its water trading rules

Chapter 12 does however not require such matters to be specified or provided by an Irrigation Corporation if they have already been specified or provided and there is no change to the related matters. CICL’s current arrangements in respect of water delivery rights, irrigation rights and water trading have previously been advised to Members and there are no new changes to the arrangements envisaged at this time. That said, CICL thinks it appropriate that it provide the following summary of its related arrangements:

- Trading of Water Delivery Rights:
  - water delivery rights in CICL are referred to as Delivery Entitlement (DE)
  - DE can be traded by Members within CICL but cannot be leased or rented i.e. trades represent a permanent not an annual exchange
  - trades of DE are subject to a capacity check (to ensure that constrained channels do not become further constrained); security checks designed to ensure that a Member can meet their future obligations to CICL (as allowed for by the ACCC and under Chapter 12) and Board approval (because they involve a change to share certificates)

CICL again reminds Members who are contemplating the purchase or disposal of DE, farms, and/or WE to discuss their intentions with CICL’s GM Operations (Austin Evans) and Company Secretary (Anne Rzeszkowski) before they act in order to ensure they have an understanding of procedures, policies and/or rules that may impact on their plans

- Specification of Water Delivery Rights:
  - water delivery rights in CICL are referred to as Delivery Entitlement (DE)
  - DE constitutes a Member’s share of CICL’s delivery system capacity

- the amount of DE held by a Member is recorded by way of Delivery Entitlement certificates issued by CICL to members
  - DE must be assigned to a farm but it may be reassigned to another farm by way of a permanent trade subject to capacity checks and Board approval
  - in the event of a supply or channel restriction, a Member's share of the available supply or system capacity is pro-rated according to the amount of DE they hold
  - an irrigator who is not a Member of CICL is entitled to the delivery of water, but under terms specified in CICL's Non Member Customer Service Contract
  - CICL may withhold the delivery of water to a Member and a Customer if the Member or Customer is in breach of CICL's Rules or Non Member Customer Contract respectively
  - Members whose usage exceeds their DE by more than 10% are required to pay a Fixed Charge Equivalent (FCE) for the excess usage
  - Non Member Customers who do not own DE must pay the FCE for all usage
- Water Trading Rules
    - CICL imposes no limits on the trade of water entitlement (permanent sale of WE) or on the trade of annual allocations (temporary trade) either into, within, or out of the CIA
    - Members may trade on or off market and/or through brokers of their choice
    - CICL must be a party to all such trades because:
      - it is the approving authority for temporary trades within the CIA
      - it is required to provide State Water with documentation to facilitate the temporary trades out of and into CICL's licence and to NOW in respect of permanent trades
    - Some inter-valley trades are subject to restrictions described in the Murrumbidgee Valley Water Sharing Plan
- Specification of Irrigation Rights
    - An irrigation right as referred to in Chapter 12 is described as a right to receive water from an Irrigation Corporation that is "not a water access right or a water delivery right" – in CICL, this is deemed to be the amount of WE owned by a Member but held on CICL's bulk licence.
    - Each CICL's Member's irrigation right is specified in volumetric terms on CICL's Water Entitlement Register.
    - CICL Members may permanently trade their irrigation rights or acquire additional rights but the trades are conditional upon Board approval (because such trades may have a bearing on a Member being able to meet their security undertakings to CICL and because they necessitate an amendment to the Water Entitlement Register)

CICL Point of Contact: Should you wish to seek clarification on any of the information on matters arising from the above discussion on the MDBA's Water Trading Rules, please contact Anne Rzeszkowski on 6950 2819 or at [ARzeszkowski@colyirr.com.au](mailto:ARzeszkowski@colyirr.com.au)