

Rules and Policies of CICL

The following information provides a summary of the major amendments to the Rules approved by Members at the November 2010 AGM. Existing and intending members should read this document in conjunction with the new consolidated set of Rules.

The document also provides information relative to water delivery, pricing and trading. Issues covered include:

- Water Sharing Plan Conditions
- Permanent Trading of Water Entitlements
- Water Entitlement Register
- Registration of Encumbrances
- Linkage of CICL's Water Register with the National Irrigation Corporations Water Entitlement Register (NICWER)
- Temporary (annual) Trading of Available Water
- Water charges and billing
- Single Farming Units
- Delivery Entitlements
- Services to Non-member customers

Membership Issues

Qualifications for membership – Rule 10

In accordance with the Rules of the Co-operative, a person wishing to take up membership must meet the following qualifications:

- (a) Own a Landholding that can accept delivery of water from the Co-operative's irrigation infrastructure,
- (b) Contribute or have applied to contribute a minimum of 10 Megalitres of Nominal Water Entitlements,
- (c) Contribute or have been issued a minimum of 10 ML of Delivery Entitlements to be attached to the person's landholding, and
- (d) Be an active member of the Co-operative (meet the Active Membership Provisions)

Active Membership Provisions – Rule 15

To meet the Active Membership Provisions of the Rules of the Co-operative, a member must continue to:

- (a) Own a Landholding that can accept delivery of water from the Co-operative's irrigation infrastructure,
- (b) Hold a minimum of 10 ML of Nominal Water Entitlements, Shares and Delivery Entitlements,
- (c) Use or trade a minimum of 10 ML of water per year,
- (d) Pay the annual charges levied by CICL and CIMCL,
- (e) Not be in breach of any provision of the Water Supply Rules, and
- (f) Be an active member of the Mutual (CIMCL)

Forfeiture and Cancellation of Membership – Rule 16

The Board must declare the membership of a member cancelled if:

- (a) The member’s whereabouts are not known and have not been known for a period of 2 years, and/or
- (b) The member is not presently and has not been an active member at anytime during the past two years.

Membership Facts

1. The member is the registered owner of the Landholding (i.e. George & Mildred Green)
2. The member must nominate a voting member
3. The voting member has one vote only
4. If the member (George & Mildred Green) own more than 1 Landholding, they only qualify for one membership if both Landholdings are in identical ownership.
5. However if between George and Mildred they owned 2 Landholdings, 1 in the name of George Green and the other in the name of George and Mildred Green, they effectively own 2 Landholdings in 2 distinctive ownerships and each ownership qualifies for membership in its own right.
6. Each ownership in the example must nominate a voting member (but remember a voting member can only exercise one vote).

Water Issues

Water Sharing Plan Conditions

Available Water	<ul style="list-style-type: none">• includes Available Water Determination (AWD) or announced allocation + carryover + non-debit supplementary• cannot exceed 100% of your Water Entitlements
Carryover	<ul style="list-style-type: none">• the unused available water carried over from one irrigation year to the following year• available to General Security Water Entitlement holders only• set at 30% of GS entitlement• Carryover incrementally forfeited as Available Water exceeds 100%
Supplementary Water <i>(previously known as Off Allocation)</i>	<ul style="list-style-type: none">• only available to General Security Entitlement holders• divided into two components being:<ul style="list-style-type: none">• Non-debit Supplementary• Licence Supplementary
Non-debit Supplementary	<ul style="list-style-type: none">• available to all General Security entitlement holders when availability is declared• Non-debit Supplementary use is incrementally forfeited when the AWD + carryover exceeds 100%
Licence Su Supplementary	<ul style="list-style-type: none">• CICL has been issued with a Supplementary Licence for 25,995.5 ML or Units• Those with access to Supplementary Licence water will find it recorded on the Farm water statement as “HOU Allocation”• This is an entitlement and gives the Farm the right to access an equivalent volume of water over and above 100% of General Security, if and when access to Supplementary Water is declared by the NSW Office of Water.

Permanent Trade of Water Entitlements

There are three types of permanent trades of Water Entitlement, being:

1. **Within** the CACL licence – both parties with CACL licensed area
2. Trade **out** of the CACL licence – also referred to as Transformation
3. Trade **into** the CACL licence from a party outside of the Licence.

Any permanent trade of Water Entitlement has implications for the associated Shares and Delivery Entitlements.

The following conditions apply to all trades:

- All metered use on any farm or SFU (Single Farming Unit) that exceeds the total of Delivery Entitlements will be levied a Fixed Charge Equivalent Charge.
- Distributions of Water Savings are currently allocated proportionate to the number of Water Entitlements and Delivery Entitlements whichever is the lesser but not less than 10.

1. Trading of Water Entitlement WITHIN the CACL licence

- The Seller and Purchaser must:
 - Complete a Form 2 “*Application to Transfer Water Entitlement WITHIN the Licence*”
 - Pay a \$50.00 fee for the issue of new certificates
 - Agree and nominate:
 - Whether the Seller will retain the associated Delivery Entitlement and continue to pay the Fixed charges, OR
 - Whether the associated Delivery Entitlements will be transferred to the Purchaser with the water entitlements, with the Purchaser paying the associated Fixed charges, OR
 - Whether the Seller will terminate the Delivery Entitlement and pay the Termination Fee
 - How the associated allocation, carryover and distributions will be allocated.

Note: Shares and Water Entitlements are stapled. When Water Entitlement is traded within the licence the associated Shares are automatically traded to the Purchaser

2. Trading of Water Entitlement OUT of the CACL Licence (also referred to as transformation)

- The Seller and Purchaser must:
 - Complete Form 4 “*Application to Transfer Water Entitlement OUT of the Licence*” and pay an application fee of \$350.00 which covers all transactions to change the CACL licence
 - Pay a \$50.00 fee if the transaction involves the issue of new certificates
- The Seller has to nominate:
 - Whether they will terminate the associated Delivery Entitlements and pay the Termination Fee, OR
 - Retain the associated Delivery Entitlements and continue to pay annual Fixed Charges (CACL Access Fee + Compliance Levy + CIMCL Infrastructure charge).

You should note that:

- The Termination Fee is 10 times the annual Fixed Charges
- The Termination Fee is set each year (effective 1 July to 30 June the following year) and published by CICL with the annual water charges
- For the current year (1 July 2010 to 30 June 2011), the Termination fee for General Security is \$164.56/ML and \$252.67 ML for High Security (both inclusive of GST)
- Shares and Water Entitlements are stapled (they must remain equal). When Water Entitlement is traded out of the licence the associated Shares are cancelled.

3. Trading of Water Entitlement INTO the CICL licence

- The Purchaser and the Seller must complete a Form 5 “*Application to Transfer Water Entitlement INTO the Licence*” and pay a \$50.00 fee for the issue of new certificates.
- The Purchaser must apply to CICL for the following:
 - Shares equivalent to the volume of Water Entitlements, and
 - Delivery Entitlements if there is an expectation of water delivery to the property being acquiredNote: Shares and Water Entitlements are stapled. When Water Entitlement is traded into the licence the Purchaser must apply to CICL for an equivalent number of Shares.

Water Entitlement Register Transactions

- CICL maintains a register of all members’ Shares, Nominal Water Entitlements and Delivery Entitlements attached to each landholding.
- Every permanent transaction to or from the landholding requires Board approval and is logged and each transactions results in the cancellation and reissue of certificates.
- **Registration of an Encumbrance** - Financial Institutions and others (herein referred to as the “Mortgagee”) can register an encumbrance against the Landholding, Shares, Nominal Water Entitlements and Delivery Entitlements or in any combination of the aforementioned products.
- To register an encumbrance the Mortgagee is required to forward a written request together with a copy of documentation supporting the application to the Company Secretary.
- All encumbrances are registered on the date of receipt.
- CICL’s register is linked with the National Irrigation Corporation Water Entitlement Register which is a publically searchable register similar to a Lands Title search.
- For a small fee, a Mortgagee can search this register to verify the registration of their encumbrance and that of any others.
- This register can be used by any other members of the public to verify the ownership of entitlements and the registration of any encumbrances against those entitlements.
- However to undertake a search the searching party must enter the appropriate Water Entitlement Number (WEN) or Delivery Entitlement Number (DEN). **The only person from whom that information can be obtained is the irrigator/owner.**
- If there is an encumbrance registered against a landholding, it is important to understand that no transactions can be undertaken involving the entitlements without the written authorisation of the Mortgagee.
- To ensure that the register always accurate, it is important that the Mortgagee inform CICL in writing of the application or discharge of an encumbrance.

Temporary Trade of Available Water

The Temporary trade of available water can be undertaken two ways:

1. OFF-MARKET

- whereby the buyers and sellers are responsible for all aspects of the trade other than lodging a temporary transfer application for approval with CICL.
- The application will be either a WM-05 or WM-08 as detailed below:

Trade Type & Application Form	Fee Type	Fee Value	Payment Buyer : Seller
Both in CICL WM-05 form	CICL Authority Fee State Water Fee	\$55.00 Nil	Seller
One party from CICL and the other party from outside CICL WM-08 form State Water Form 71	CICL Application Fee CICL Processing Fee State Water Fee State Water Usage *	\$55.00 \$75.00 \$50.00 + \$0.50/ML to max \$150.00 \$5.16/ML	Lodging Party Lodging Party Lodging Party Lodging Party

2. ON-MARKET

- Using WaterMart the electronic water trading platform – a subsidiary of CICL.
- On the platform you lodge your buy or sell offers and they are automatically matched as a buy/sell trade at that \$/ML value becomes available.
- WaterMart manages the documentation and financial transactions via a direct debit/credit process.
- The following outlines the processes involved:

Trading Parties	Fee Type	Fee Value	Payment Buyer : Seller
Both in CICL WM-06	CICL Authority Fee WaterMart Brokerage	\$75.00 2.5%(min \$50)	50:50 Total
CICL to/from MI WM-06	CICL Authority Fee WaterMart Brokerage State Water Fee MI Fee	\$75.00 2.5% \$50.00 + \$0.50/ML to max \$150.00 Contact MI	50:50 Total 50:50 MI customer
CICL to/from SA WM-06	CICL Authority Fee WaterMart Brokerage State Water Fee SA Fee State Water Usage *	\$75.00 2.5%(min \$50) 50.00 + \$0.50/ML to max \$150.00 \$212.00 \$5.16/ML	50:50 Total 50:50 50:50 Buyer
CICL to/from Murray WM-06	CICL Authority Fee WaterMart Brokerage State Water Fee Murray Fee State Water Usage *	75.00 2.5%(min \$50) 50.00 + \$0.50/ML to max \$150.00 \$56.00 \$5.16/ML	50:50 Total 50:50 50:50 Buyer

* Note – the State Water Usage Fee is only applicable when the buyer is without a NSW State Water account or licenced works and is based on the Valley of Use.

Water Charges and Billing

General

- All CICAL water charges are levied against Delivery Entitlement, billed annually and sent to whoever is the property owner as at 15 June each year.
- CIMCL member contribution for the future replacement of the irrigation infrastructure is levied against Delivery Entitlement.
- CICAL no longer has a variable charge.
- CICAL also has a meter fee and a peak flow fee for each meter.
- Government Fixed charges are levied against Water Entitlement and billed quarterly.
- Government Variable charges are levied against metered use and billed annually.
- CICAL sets the annual water charges each year and these are effective from 1 July to 30 June the following year.
- CICAL charges are available on the website at www.colyirr.com.au

Fixed Charge Equivalent

- A charge against all metered use exceeding the Delivery Entitlements of an individual farm.
- Metered usage includes the usage associated with annual available water (allocation) against water entitlement, carryover, non-debit supplementary, licensed supplementary, distributions and temporary transfer allocation.
- This charge is set annually as part of the annual water charges and is charged so that all users of the infrastructure contribute to the maintenance and future replacement of the irrigation infrastructure.
- The charge is at least equal to the annual Fixed Charges.

Disconnection Fee

- When there is no longer any water entitlement and delivery entitlement held against a landholding, the owner may:
 - elect for the landholding to remain connected to CICAL's irrigation infrastructure and continue to pay the annual meter and peak flow charges, thereby retaining the right to receive irrigation services, or
 - request the disconnection of the meter, thus terminating access to any irrigation services and thereby being released from any future water/meter charges associated with the property.
- A disconnection fee will be charged.
- At any future point in time should the landholder apply for re-connection, this will be undertaken at a cost to the landholder.

Termination Fee

- A termination fee is payable when a Delivery Entitlement is terminated – e.g. when a member Transforms or permanently sells water entitlement the member has to choose whether he/she will continue to retain the associated Delivery Entitlement, transfer them with the Water Entitlements (only if transferred within CICAL licence) or terminate the Delivery Entitlement.
- The Termination Fee is equivalent to 10 times the annual fixed charges of both CICAL and CIMCL, set annually and effective as of 1 July to 30 June the following year.

- Termination Fees were introduced for two purposes:
 - To eliminate any third party impact e.g. to ensure that the remaining irrigator/members are not be subjected to any increase in charges as a result of a diminishing billing base, and
 - So the Irrigation Infrastructure Operator (CICL/CIMCL) would have a 10 year period within which it could reconfigure its water delivery infrastructure to take account of the loss of water from its area and of decreased demand for its services.
- The component of the Termination Fee collected by CICL is used to offset any increase in water charges to remaining members n.b. CICL's Billing base was set in July 2007 when Delivery Entitlements were first issued. All annual charges are levied against that same billing base and termination fees paid to CICL are drawn upon annually to offset the impact of any reduction in DE/CICL's billing base.
- The CIMCL levy is retained to be applied for the future reconfiguration of water delivery infrastructure.

Other Water Related Issues

Single Farming Unit (SFU)

- Where a farming enterprise owns more than one farm and complies with SFU policy, its owners can apply to register the related properties as a SFU, whereby the available water against all farms will be pooled into one. This eliminates the requirement for temporary transfer of available water between farms within the SFU.

Delivery Entitlement (DE)

- Delivery entitlement associated with irrigation water entitlement can only be transferred to another property within the CICL licence area of operations as it pertains to the right a member has to delivery of water onto his/her property that is serviced by CICL's irrigation infrastructure.
- CICL issues two classes of Delivery Entitlement – General Security DE against General Security Water Entitlement and High Security DE against High Security Water Entitlement. Both have different conditions of deliverability assigned to them.
 - General Security DE – delivery of water is restricted to the official irrigation season – usually commencing in August and ceasing at the end of April/early May.
 - High Security DE – delivery of water can be taken throughout the calendar year.
- Delivery of High Security water is restricted to the Horticulture Farms (1000 series).
- Delivery of High Security Stock & Tankfill is restricted to West Coleambally Channel (8000 series).
- Delivery of High Security water cannot be guaranteed on a General Security channel.
- If your farm is situated on a General Security channel and you purchase High Security Water Entitlement you will be either allocated General Security DE, or if you purchase the entitlement within CICL with associated High Security DE the DE will be converted to General Security DE e.g. if you purchase 300 ML of High Security Water Entitlement you will receive 545 ML General Security DE.
- As all CICL and CIMCL fixed charges are levied against DE this does result in some differential in water charges.

Delivery of water services to Non-Member Customers

A non-member customer can be any landholder who can take delivery of water from the CICL infrastructure that does not qualify for membership. This individual could be:

- A former member who has transformed or transferred all water entitlements from the farm but retained the associated Delivery Entitlements,
- An individual who has purchased a farm which still retains connected to the CICL irrigation infrastructure but does not have any water or delivery entitlements,
- An individual who is not connected to the irrigation infrastructure but wishes to take delivery of water on his property. The individual would be responsible for all costs associated with the connection and installation of the meter and the payment of all associated annual costs (meter fee and peak flow fee). The individual would be responsible for accessing water allocation via the temporary transfer market and the metered use to the property would attract the Fixed Charge Equivalent.

Supply of water delivery services would be under a Non-Member Customer Contract.

On application, CICL would give consideration to the following:

- the delivery system's capacity to deliver the nominated volume of water as and when required
- whether or not the application would, if approved, restrict supply to supply to existing customers on the nominated supply channel

For further information or clarification please ring the Company Secretary on 02 6950 2819. A copy of the Rules can be obtained from the CICL website www.colyirr.com.au