



PERMANENT TRADE OF WATER ENTITLEMENT

In April 2009, CICL forwarded a document to every shareholder entitled “Major Changes to Water Charges and Water Market Rules” providing an overview of the impacts of two new pieces of legislation (the “*Water Market Rules 2009*” and “*Water Charge (Termination Fees) Rules 2009*”). Both pieces of legislation are now in place and compliance with these rules will be monitored by the ACCC. The purpose of the document is to incorporate the requirements of the new legislation into a simple document as the business of trade in water entitlements is complex.

The following provides a description of terms used throughout the document:

- CICL, as the licence holder, holds a **Water access right** which permits it to hold or take water from a water resource. This right is held on behalf of CICL’s members/shareholders and it covers water that might be held or taken against stock and domestic rights, riparian rights, a water access entitlement (A, B or G class water within our licences) a water allocation and any other right relating to the taking or use of water. CICL’s water access right comes to it in the form of a **Water Access License (WAL)**.
- An **Irrigation right** is the right that each member has against CICL as the Irrigation Infrastructure Operator to receive water that is not a water access entitlement or a water delivery entitlement. This right is represented by the Water Entitlement Certificates issued to you by CICL.

The new legislation requires CICL to issue you with a Water delivery right which recognises your right to have water delivered to you by CICL. This has already been provided you in the form of **Delivery Entitlements**.

- The Commonwealth requires that water entitlement and allocation be able to be freely traded in an open and transparent market and CICL has been moving in this direction for some time. For example, the rule that required that each property retain 4 ML/ha, and the rule that entitlement could only be traded within the licence (seen as barriers to trade) have been removed from the Rules. Further legislative changes have been made to the Tax Act in regard to the treatment of CGT issues related to the permanent transactions involving water entitlement. Further information is available at www.ato.gov

The summary below indicates key matters that now have to be taken into account in the event that water entitlement is traded out of, into, or within CICL’s Licence:

(a) Trading of Water Entitlement OUT of the CICL Licence

- 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 licence
 - Pay a \$50.00 fee if the transaction involves the issue of new certificates
- The Seller must 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 (CICL Access Fee + Compliance Levy + CIMCL Infrastructure charges).

- 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
 - Shares and Water Entitlements are stapled (they must remain equal). When Water Entitlement is traded out of the licence the associated Shares are cancelled.
 - 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.
 - CICL's water distributions (from Water Savings) are currently allocated against the volume where Water Entitlement and Delivery Entitlement are of equal value and held within the CICL licence.
 - CICL's water distributions are treated as an annual temporary trade and as such are not part of the calculation of your Available Water

(b) Trading of Water Entitlement WITHIN the CICL 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
 - The associated Delivery Entitlements will be transferred to the Purchaser with the water entitlements, with the Purchaser paying the associated Fixed charges, OR
 - The Seller will terminate the Delivery Entitlement and pay the Termination Fee
 - Agree and nominate 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
 - 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 against the volume where Water Entitlement and Delivery Entitlement are of equal value and held within the CICL licence.

(c) 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
 - If requiring delivery of water to the Purchaser's farm, apply to CICL for Delivery Entitlements.
- Note:
 - 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.
 - 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 against the volume where Water Entitlement and Delivery Entitlement are of equal value and held within the CICAL licence.
- (d) Transformation of a member's Water Entitlements from CICAL's licence to another licence held by the transforming member (e.g. another WAL held in the member's own name).**
 - The applicant for Transformation must
 - Complete a Form 8 "*Application to Transfer Water Entitlements OUT OF the CICAL Licence*"
 - Pay an application fee of \$350.00 which covers all transactions to change the licence
 - Pay a \$50.00 fee if the transaction involves the issue of new certificates.
 - When transforming water entitlement out of the licence, the applicant 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 an annual Fixed Charges (CICAL Access Fee + Compliance Levy + CIMCL Infrastructure charges)
 - Whether the associated allocation, carryover and distributions will be transferred with the Water Entitlement.
 - Note:
 - Shares and Water Entitlements are stapled. When Water Entitlement is transformed out of the licence the associated Shares are cancelled.
 - 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 against the volume where Water Entitlement and Delivery Entitlement are of equal value and held within the CICAL licence.
 - Additional information relating to the basis of CICAL's charges is included at Appendix 1.

APPENDIX 1:**Fixed Charge Equivalent**

- A charge against all metered use exceeding the total Delivery Entitlement of an individual farm or the total for a Single Farming Unit (SFU).
- Metered usage includes the usage associated with annual allocation against water entitlement, carryover, supplementary events, 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.

Single Farming Unit (SFU)

- Where a farming enterprise owns more than one farm and comply with SFU policy, they can apply to register 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

- 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 property that CICL's irrigation infrastructure can service. All transfers of Delivery Entitlement must comply with the rules set out in the Delivery Entitlement policy.

Billing

- All CICL water charges are levied against Delivery Entitlement.
- CIMCL member contribution for the future replacement of the irrigation infrastructure is levied against Delivery Entitlement.
- CICL no longer has a variable charge.
- CICL also has a meter fee and a peak flow fee for each meter.
- CICL water charges are billed annually
- Government Fixed charges are levied against Water Entitlement and charged quarterly
- Government Variable charges are levied against metered use.

Disconnection Fee

- When a landholding no longer holds water entitlement and delivery entitlement the owner may:
 - elect for the landholding to remain connected to the CICL 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, no long have access to any irrigation services and will not be responsible for any charges.
- A disconnection fee charged will be charged.
- At any future point in time should the landholder apply for re-connection this will be undertaken at a cost.