

NORTH EAST WATER

urbanwatertrading  
information pack



preserving  
community assets



NORTH EAST WATER



# what is urban water trading?

Due to the current drought, North East Water is permitted to use only 36% (as of 1 February 2008) of our bulk water entitlement on the Murray River system. As a result, we have had to introduce water restrictions to ensure there is enough of the resource for all our customers.

North East Water is ever mindful of the negative impacts of these restrictions on community facilities, including sporting grounds. We are also aware that they can cause losses for businesses that rely on our water supply to operate.

With these issues in mind, we have developed the Urban Water Trading Project to provide some relief from the prevailing water restrictions.

Urban water trading allows community groups and businesses that meet our criteria to purchase additional water on the open water market. This water is separate to that available under North East Water's allocation, and as such does not take water away from other customers. To account for water used in treatment and distribution, urban water trading customers will receive 80% of the volume purchased.

Urban water trading involves the purchase of a temporary water allocation. In other words, the entitlement to the purchased water is not ongoing, and expires at the end of the financial year.



## policy statement

North East Water is committed to the development of water trading mechanisms to enable urban customers to participate in moving water to higher value uses.

Water trading is a valuable instrument to empower the custodians of community assets and businesses to access additional water as an equitable means of obtaining exemptions to prevailing restrictions.

Access to additional water through the market is a means of easing the severity of restrictions. All participants are required to abide by the appropriate efficient water usage practices. The Corporation will make water trading available to groups or individuals who manage community-use assets such as sporting grounds, and to businesses for which the prevailing restrictions would cause demonstrable business losses. For businesses, the watering of lawns will not be considered an appropriate reason for an exemption unless there is a significant safety issue.

In their current form, the water trading mechanisms cannot be made available to residential customers for private purposes due to the considerable manual administrative processes required to establish and monitor the trade.

The provision of this service will be on full 'cost recovery' basis, so as to meet both competitive neutrality obligations and to avoid disadvantaging any other Corporation customer.

All applications will be considered on their merit for consistency with policy intentions.

# am i eligible?

## Community Groups

- The water must be used for the protection of assets that are used by the community
- The community group must agree to abide by efficient water use practices
- Watering of lawns is prohibited, unless the group can demonstrate that the lawn must be maintained for safety purposes
- The facility must currently be connected to North East Water's urban network, and
- One megalitre is the minimum purchase volume

## Businesses

- Must be able to demonstrate the financial loss or threat of financial loss due the prevailing restrictions
- Must have an Australian Business Number (ABN).
- Must provide North East Water with an overview of the nature of the business
- Must have a commercial property and provide the address of this property
- Watering of lawns is prohibited, unless it can be demonstrated that the lawn must be maintained for safety purposes, and
- One megalitre is the minimum purchase volume

## process

| Step   | Paperwork required   | Financial cost  | Water availability  |
|--|--|---|---|
| 1. Lodge an application form with North East Water.  | <i>Urban Water Trading Application Form</i>  | Nil   | Prevailing water restrictions apply   |
| 2. Arrange a meeting with North East Water to enter into an Urban Water Sale Agreement.  | <i>Urban Water Sale Agreement</i>  | - \$250 application fee<br>- \$50 annual account maintenance fee.           | Prevailing water restrictions apply   |
| 3. Secure Water. If you have not secured a temporary water allocation you need to use a broker. Water Exchange has a list of registered brokers on its website <a href="http://www.waterexchange.com.au">http://www.waterexchange.com.au</a> . Simply click on the "education" tab, then scroll down to "Find a Broker". | If using a broker: North East Water need to fill in an <i>Authority to Act</i> form. This allows the broker to purchase water using North East Water's Allocation Bank Account. North East Water needs to fill out a <i>Participation Agreement</i> with Water Exchange. | The market price for the temporary water allocation, plus the broker's fee. | Prevailing water restrictions apply   |
| 4. Restriction lifted. Provide North East Water with evidence that you have secured water.   | An invoice from either the broker or the person selling their temporary water allocation will be sufficient to establish proof of purchase.  | Nil   | Restrictions lifted until the temporary water allocation has been exhausted, or until the end of the financial year |
| 5. Transfer Water to North East Water. This will allow the temporary water allocation you have purchased to be transferred to our water Allocation Bank Account.   | Either North East Water or the broker will lodge an <i>Application to Trade a Water Allocation</i> (Form 39) with Goulburn Murray Water. This form must be accompanied by an <i>Authorisation to Trade Water Allocation</i> (Form 2).                                    | \$60  |   |
| 6. Provide North East Water with meter readings.   | Email or phone North East Water with meter readings, no less than monthly.   | Telephone charges (if applicable)   |   |
| 7. Pay for metered delivery of water.  | North East Water will invoice each customer.   | The price of metered delivery for the volume of water used.                 |   |

# frequently asked questions

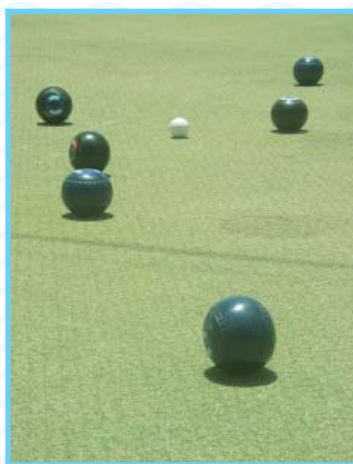
## How do I secure water?

Most customers will need to secure water from the water trading market. This will normally involve finding a water broker and placing an order for the required temporary water allocation. The broker will then locate a willing seller who is offering a temporary water allocation of this size. The Water Exchange website <http://www.waterexchange.com.au> has a list of registered brokers.

Water can also be transferred from a 'seller' whom you have already identified without the use of a water broker.

## What is an ABA?

An ABA is an Allocation Bank Account. It is a number held by those with permanent water entitlements. Goulburn-Murray Water (the manager of the wholesale water market) uses ABAs to monitor how much water is drawn from the system and how much each ABA holder is entitled to use. North East Water has an ABA, but our individual customers do not. Each year, ABA holders are allocated a percentage of their entitlement to draw from the river; which is like their account balance. As this water is used, the water available in their ABA decreases. ABA holders can purchase or sell temporary water allocations on the open water market.



## What is the difference between permanent and temporary water entitlements?

A **permanent water entitlement** is where someone owns the right to annually draw an amount of water from the system. However, they may not be able to use their full entitlement every year – for example, this year entitlement holders are currently allowed to use only 28% of their annual entitlement. The size of the annual water allocation depends on how much water is available in the system.

A **temporary entitlement** is where someone purchases the right to use a specific volume of water over the financial year. If this water is not used in the financial year, the individual has no claims on the remaining volume of water.

## What if I don't use all of the water I purchase?

If you do not use the volume of water you purchase there are no refunds and the volume will not be carried over into the next financial year. North East Water recommends that you carefully assess how much water you require, and potentially purchase temporary water allocations in increments.

## What is a reasonable price to pay?

As a result of the drought, water is becoming increasingly scarce. Consequently, prices for temporary water allocations are volatile and often increase far above their 'normal' price. Customers must make their own decisions about how much they are willing to pay to obtain a level of water above what would be available under restrictions.

## Am I paying twice?

It may appear that customers are paying for the same water twice, but the price that is paid for the temporary water allocation is actually a scarcity premium. It is the price paid to have access to water currently allocated to someone else, but who is willing to sell his or her allocation.

Under normal conditions, the price of purchasing bulk water makes up a very small component of the price that North East Water charges. Therefore the major proportion of the metered delivery charge actually comprises our costs to treat and deliver the water to our customers

## How is the water tracked?

When the temporary water allocation is purchased, North East Water applies to Goulburn-Murray Water to have it transferred from the seller's ABA to our own. The purchaser of the additional water (the business or community group) is required to supply North East Water with meter readings on no less than a monthly basis so that we can maintain a record of how much water is used.

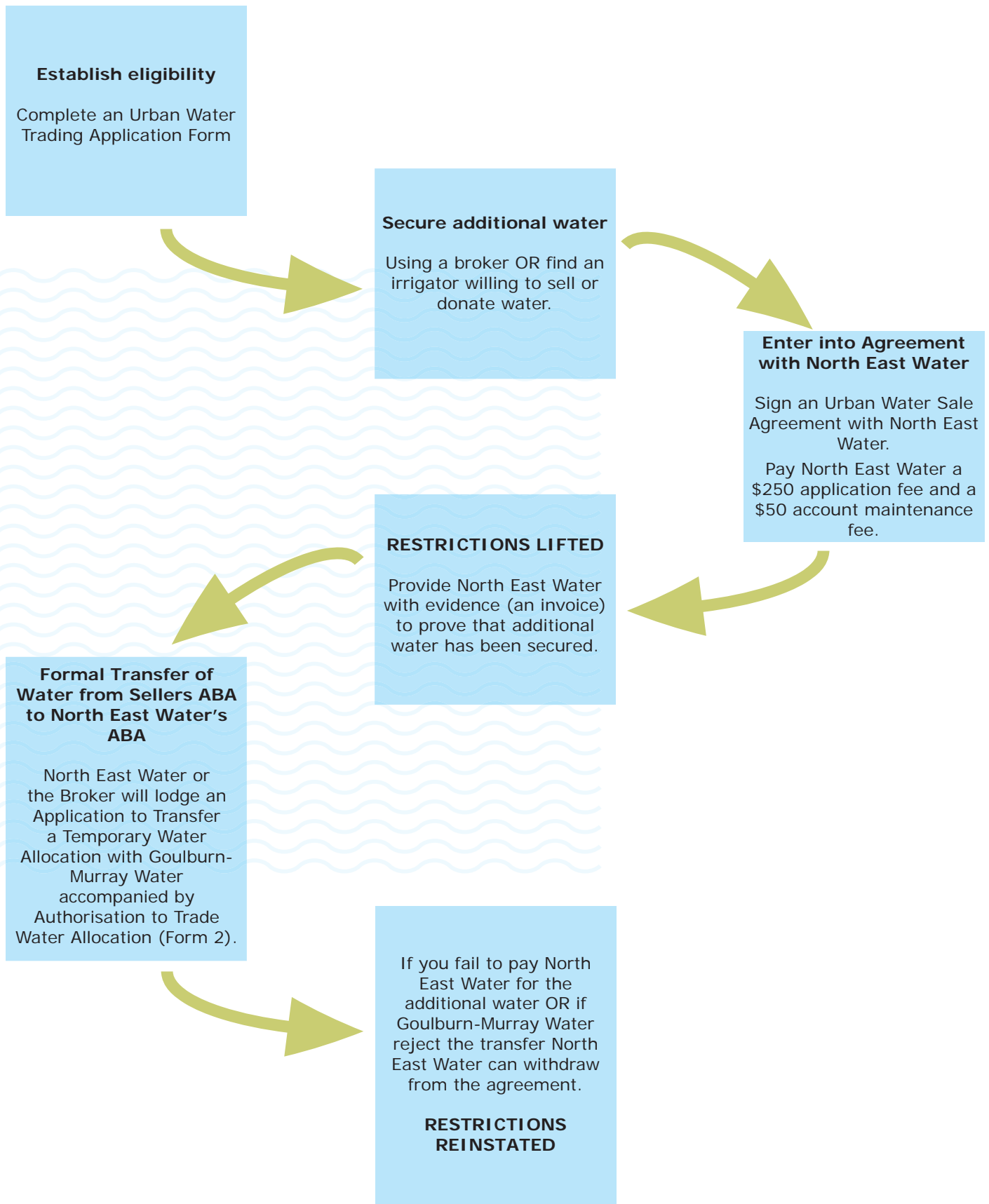
## How does the water trading market work?

For some irrigators, the reduced allocations this season mean that temporarily selling some of their water allocations will yield a greater profit than can be made by carrying on their business as usual. The open water market works like a normal market: brokers match willing sellers to buyers and the temporary water allocation is exchanged in return for the market price.

## When can I start using the water?

North East Water will lift restrictions as soon as the customer can prove that they have purchased a temporary water allocation.

# application flowchart



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## how do i find out **more?**

You can find out more by calling North East Water on **1300 361 622**, or by emailing [nerwa@nerwa.vic.gov.au](mailto:nerwa@nerwa.vic.gov.au).