

Buying and Selling Water Shares – Irrigation Areas

September 2011

GOULBURN-MURRAY
WATER



G-MW regularly receives questions from irrigation customers in relation to their options for trading water allocation, water shares and how this relates to their property transfers and delivery share obligations.

The following information should be considered before you make any decisions about buying or selling entitlements.

Water rights to water shares - a brief history

Before July 2007

Your water right was linked to your property and included both the water entitlement and your right to have water delivered to your property using the channel or pipe network (delivery entitlement). This meant if you sold your property the water entitlement and the delivery entitlement transferred with the property. It also meant if you sold your water right the delivery entitlement went with the water.

Since July 2007

Victoria's water entitlement framework and trading rules changed and as a result you may now separately own:

- water share
- delivery share
- water allocation
- water-use licence

You can:

- buy and sell water and delivery entitlements separately to land
- buy and sell water entitlements separately to delivery entitlements

Buying a water share

Buying property with a water share

The sale of a property often involves the buyer purchasing the water share as well as the land. In this case:

- If you intend to have water delivered to your land (including domestic and stock) and the property does not have a delivery share you can purchase delivery share from another local customer or you can apply to G-MW. G-MW's ability to issue delivery share will depend on whether there is spare delivery capacity on the channel or pipeline.
- You will receive allocation from when the water share transfer is recorded in the Water Register but the allocation already made during the season does not automatically transfer from the seller. If you want to purchase water allocation already made against the water share a separate application is required.

Buying an additional water share to use on your existing property

If you buy a water share to use on an existing property in an Irrigation Area you can link them to your existing water-use licence and allocation bank account (ABA) by nominating this on the water share application form.

- You will receive allocation increases from when the water share transfer is recorded in the Water Register but the allocation already made during the season does not automatically transfer from the seller. If you want to purchase water allocation already made against the water share a separate application is required.

Buying property without a water share

Sometimes water shares and land are not purchased together, for example if the new buyer doesn't want to run the farm as an irrigation property. In this case:

- If the property has existing delivery share it will automatically transfer to the new owner. When you purchase the property you will receive a bill from G-MW for your access to the delivery network even if you don't choose to have water delivered.
- You can reduce or remove the delivery share from the property by selling it to another local customer

or by applying to G-MW to terminate the delivery share. If you apply to terminate the delivery share a termination fee usually applies.

Does allocation transfer with the water share?

No, allocation already made during the season remains with the original owner in their allocation bank account. The purchase of the allocation is a separate transaction.

Is there a limit to how much water share I can link to my land?

Yes, this limit is determined by your water-use licence.

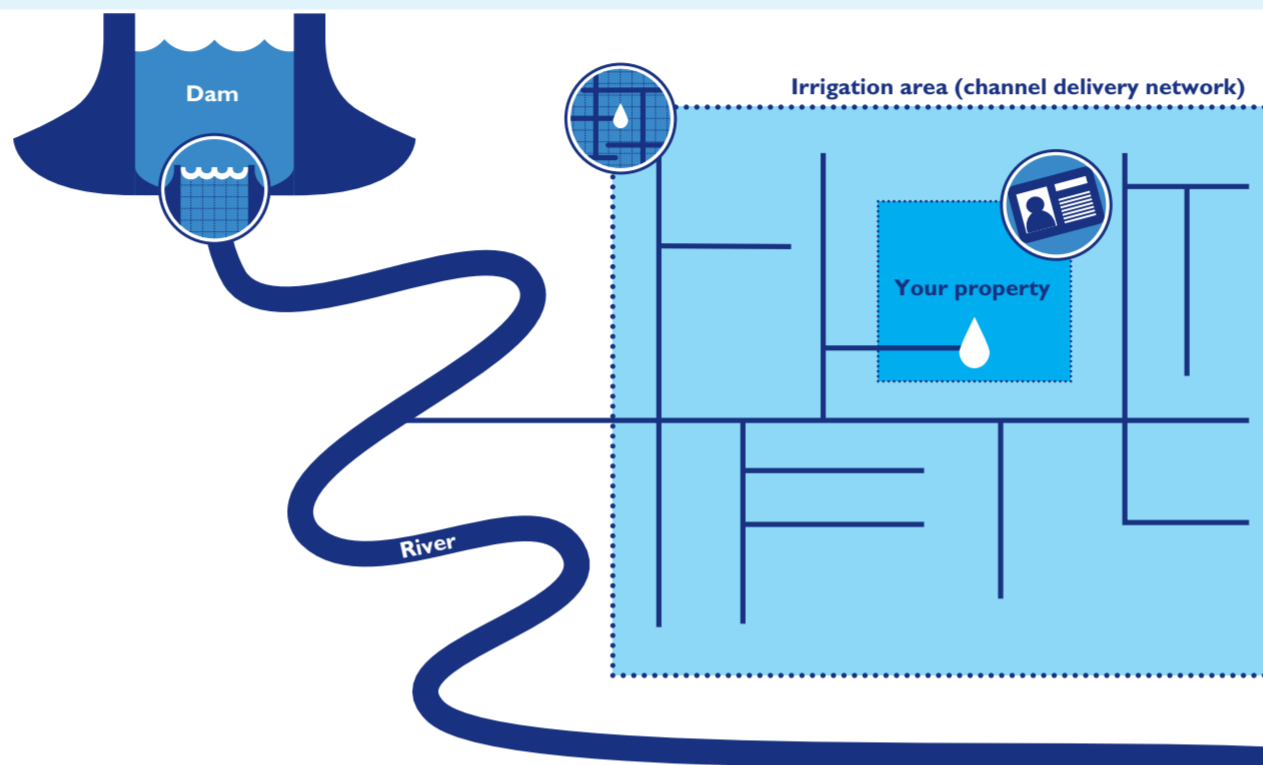
How do I know if the water share I want to buy is impacted by carry over?

It's essential you or your adviser confirm how carryover may impact on your access to allocation in the current season before you agree to purchase the water share. The original owner's carryover balance may affect how much allocation you can access for the remainder of the year and whether you will receive a bill for the water returned from a spillable water account.

Request an Information Statement

Before you buy a property in an Irrigation Area make sure you or your solicitor contacts G-MW to request an information statement. The information statement details the water entitlements and delivery related services and charges that will transfer to you when you purchase the property including:

- Delivery share annual fees as well as termination fees that may apply if you seek to terminate the delivery share.
- Service point fees for each supply outlet servicing your property.
- Drainage fees.
- Water share fees for water shares currently linked to a property.



Water Share

Your water share is an ongoing entitlement to a share of the available water resources.

- A water share is the basis for calculating seasonal allocations. The available resources are shared so that everyone receives the same percentage of their water share.
- Your water share is linked to an allocation bank account which holds your allocation.
- A water share defines the volume of 'storage space' you 'own' in the dams.



Water-use Licence

A water-use licence defines the conditions for using water for irrigation on your property.

- The annual use limit is a condition within your water-use licence.
- The annual use limit defines
 - how much water you can use on your land.
 - the volume of water share you can link to your land. This is called your holding limit and is usually twice your annual use limit.
 - much allocation can be traded into your ABA.
 - If you sell your property the water-use licence automatically transfers to the new owner.



Delivery Share

Your delivery share is an entitlement to have water delivered to your land through the channel or piped network in an Irrigation Area.

- If you sell your property the delivery share automatically transfers to the new owner.
- A delivery share remains with your property even if you sell your water share.
- Delivery share can be traded between customers on the same channel or you can apply for it to be terminated and a termination fee usually applies.

Allocation Bank Account

An allocation bank account (ABA) holds your allocation and can be linked to water shares and/or water use licences. Your usage will also be recorded in your ABA. If you sell your water shares the ABA does not transfer to the new owner. If you purchase water share you can use your existing ABA if you already have one or request a new one.

Water Trading – Who does what?

Who sets the water trading rules?

Victoria's trading rules have been developed by the Department of Sustainability and Environment (DSE) and are set by the Minister for Water. Water corporations like G-MW process applications to trade water shares and allocation in accordance with the rules but do not have authority to change them.

Other states set their own water trading rules and the Murray-Darling Basin Authority plays a role in setting protocols for trading between the states.

The Victorian Water Registrar records changes to the ownership of water shares in the Water Register. G-MW also processes applications relating to water-use licences and registrations and delivery shares.

Neither the Water Register nor G-MW are involved in negotiating prices between buyers and sellers of

water shares, delivery shares and seasonal allocation; the price is negotiated between the seller and buyer (often by a solicitor or water broker).

The Victorian Water Register

The Water Register holds the records for all water entitlements in Victoria – in a similar way that land title records are held in the Victorian Land Register. Once approved by G-MW, the transfer of a water share does not take effect until it is actually recorded in the Water Register.

- G-MW's approval of a transfer will lapse if it is not lodged with the Water Registrar within 60 days and the entire transfer process must be repeated.
- G-MW approves and processes the transfer application transaction but cannot lodge the change of ownership on your behalf with the Water Registrar.

Selling a water share

Selling a water share without selling my property

- If you sell all of your water share and no longer intend to have water delivered to your property you can trade or terminate your delivery shares. If you do this G-MW will no longer have an obligation to provide water delivery services to your property. In most cases a termination fee will apply. The termination fee is set by law at a maximum of 10 times the Infrastructure Access fee. If terminating your delivery shares also results in a reduction in G-MW infrastructure then G-MW may be able to reduce the termination fee accordingly.
- Any allocation in your ABA remains in your ownership and can be traded separately.
- If you only sell part of your water share your remaining water share stays linked to your ABA.

Selling a water share with my property

- The delivery share and water-use licence transfer to the new owner once you or your solicitor advises G-MW of the transfer of the property.
- The transfer of a water share is separate to a property transfer and you will need to apply to G-MW for the water share transfer. Once the transfer is recorded in the water register future allocation will go to the new owner of the water share.
- The transfer of allocation already issued this season is separate to both the property and the water share transfers and you will need to submit a separate application.

If I sell my water share will I still get an account from G-MW?

You will continue to receive accounts from G-MW for:

- delivery services, if your property has a delivery share.

- any other property based charges that remain with the land including drainage fees and service point fees.
- your water share storage fees until the transfer has been recorded in the Water Register.

What happens to my allocation, carryover and spillable water if I sell my water share?

Allocation, carryover and spillable water are all part of your allocation balance in your ABA – carryover is allocation you held over from last season and spillable water is simply allocation that you cannot trade or use until a declaration is made that there is a low risk of the storage spilling. For this reason they are treated the same – if you sell your water share they do not transfer and remain in your allocation bank account.

Does selling a water share affect my eligibility for carryover?

If there are no water shares linked to your allocation bank account at 30 June then you cannot carry over unused allocation into the next season. Only unused allocation in an allocation bank account linked to a water share or limited term transfer is eligible for carryover.

Does the 4% limit apply to my water share trade?

There is an annual limit on the volume of high and of low reliability water shares that can be traded out of each Irrigation Area. The limit is set at 4% of water shares in each Irrigation Area.

- If you trade water share with a property or within the same Irrigation Area the 4% limit does not apply.
- If you trade water between Irrigation Areas or out of your Irrigation Area, for example to a river diverter or the Commonwealth Government the trade is subject to the 4% limit.