

WATER SHARING PLAN

Lower Lachlan Groundwater Source

Information for groundwater licence holders on
the commencement of the Water Sharing Plan



Contents

1. Commencement of the Water Sharing Plan	1
2. Establishment of water accounts	1
Access licence share components	1
Available Water Determinations (AWD)	2
Opening account balances	2
3. Operation of water accounts	2
Account limits	2
Take limit	2
Carry-over	2
Sequence of debits	3
Supplementary access licences accounts	3
Example water allocation accounts	3
4. Dealings (Transfers)	4
Permanent transfers (Assignment of share component)	4
Temporary transfers (assignment of allocation)	5
Term transfers, subdivision and consolidation of licences and a change of the works which may be used to extract water allocations	6
Hydrogeological assessment of dealings	6
Appendix 1	7
Scenario 1	7
Scenario 2	9

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1. Commencement of the Water Sharing Plan

With the commencement of the *Water Sharing Plan for the Lower Lachlan Groundwater Source* on February 1, 2008, the Lower Lachlan is now being managed under the *Water Management Act 2000* (WMA 2000). The Water Sharing Plan (WSP) sets the framework for groundwater management in Lower Lachlan until the end of the 2017– 2018 water year. The Plan can be viewed and downloaded from the NSW legislation website at:

www.legislation.nsw.gov.au (under 'Regulations in force' > W)

This document is provided to groundwater licence holders in the Lower Lachlan to explain the basic working of the new management framework, and to allow licence holders to manage their water access licences and water accounts in an effective and informed way. Information is provided in three parts:

1. the establishment of water allocation accounts for all water access licenses, including the starting volumes;
2. the rules for operating water allocation accounts considering account and usage limits and carry-over rules (including examples);
3. water access licence and allocation "dealings" (trade/transfers) which are now permitted under the WSP.

The WSP also contains provisions relating to bores for the supply of domestic and stock requirement of individual landholders. While a works approval is required for these bores, a water access licence is not. Water may only be extracted from these bores to meet the reasonable domestic and stock requirements of individual landholders.

2. Establishment of water accounts

Access licence share components

There are three categories of groundwater access licences held in the Lower Lachlan area. These are Local Water Utility Access Licences, Aquifer Access Licences and Supplementary Water Access Licences.

On commencement of the WSP, licences held under the former Water Act were replaced with Aquifer Access Licences and in many cases Supplementary Water Access Licences (SWAL). All groundwater licence holders have received correspondence from the Department of Water and Energy (DWE) providing details on their new licences including individual share components. These were determined by the formulae contained in the WSP.

Local Water Utility Access Licences have been provided to Carrathool and Central Darling Shire Councils. The Plan provides specific rules for dealings and the management of the accounts for these licences. These are not covered in this document and Councils should contact the DWE Licensing Unit at Forbes on (02) 6850 2800 for specific information relating to these licences.

Available Water Determinations (AWD)

An Available Water Determination (AWD) is made at the start of each water year which sets the allocation per share unit for the different groundwater licence categories. As advised in recent correspondence from DWE, the AWD for the period 1 February to 30 June 2008 has been announced as **1 ML per unit share** for both Aquifer and Supplementary Water Access Licences.

Opening account balances

A water allocation account has been created for each water access licence. The opening water allocation balance includes any “frozen” carry-over water brought forward from the 2003/04 water year for aquifer access licences. All licence accounts were then credited with the allocation for the 2007/08 water year, provided for by the AWD (1 ML per unit share).

3. Operation of water accounts

The operating rules for water allocation accounts are set-out in detail in Section 34 of the WSP, and a summary of those rules is provided below. To help further explain how these rules come together and may affect your water management, two scenarios are also stepped through as examples to demonstrate how the rules work.

Account limits

The total water in an Aquifer Access Licence account cannot exceed a volume that is equal to 2 ML per unit of the aquifer access licence share component (ie. 200%), **plus** any allocation transferred (assigned) in from another access licence in that water year, **minus** any allocation assigned out to another access licence in that water year.

The total water in a Supplementary Water Access Licence account cannot at any time exceed the volume credited to the account at the start of the year as a result of the AWD.

Take limit

In any water year, the water taken (or used) under an aquifer access licence may not exceed a volume that is 1.5 ML per unit of access licence share component (i.e. 150%) **plus** any allocation transferred (assigned) in from another access licence, **minus** any allocation assigned out to another access licence.

For a supplementary water access licence account the water taken in any one year is limited to the volume credited to the account in that year.

Carry-over

Unused water allocations in an access licence water allocation account may be carried over from one water year to the next (subject to the account limit restrictions outlined above).

Unused water allocations in a supplementary water access licence water allocation account cannot be carried over from one year to the next (Section 34 (9) of the WSP).

Sequence of debits

Where both an aquifer access licence and a supplementary water access licence nominate the same water supply works and use approvals, water taken will be debited from supplementary water access licence account before water is debited from an aquifer access licence account.

Supplementary Water Access Licence accounts

The AWD made at the commencement of each water year after 2007/08 for supplementary water access licences will be reduced by 0.1 ML per unit share component, and will be reduced to 0 ML per share at the commencement of the 2017/18 water year (Section 29 of the WSP) after which the licence will be cancelled.

Supplementary Water Access Licence allocations are not tradeable to any other licence accounts, and nominated works to extract the supplementary water cannot change. However ownership can be transferred.

Example water allocation accounts

Two scenarios are outlined in Appendix 1 to demonstrate the operation of water allocation accounts considering water usage, transfers and the effect of any limits on water use and account balances.

4. Dealings (Transfers)

Under the *Water Management Act (2000)* and the WSP, a range of **dealings** (water transfers) are now permitted within Lower Lachlan. The dealing rules are provided in the Water Management Act, the WSP and the Access Licence Dealings Principles Order 2004.

Dealings which are permitted in the Lower Lachlan Groundwater Source include:

1. Transfer of an access licence to a new owner (permanent transfer) under section 71M of the WMA Act.
2. Term transfer of entitlements under an access licence (leasing licence) under section 71N of the WMA Act.
3. Subdivision and consolidation of licences under section 71P of the WMA Act.
4. Assignment of rights (or share component) under an access licence (permanent transfer) under section 71Q of the WMA Act.
5. Assignment of water allocations between licences (temporary transfer) under section 71T of the WMA Act.
6. Change of the works which may be used to extract water allocations under an access licence under section 71W of the WMA Act.

The majority of dealings require registration on the licences by the Department of Lands, Land Titles Office.

Any dealing which changes the location at which water is extracted or the volume extracted at any location requires the approval of the Department of Water and Energy. State Water will process the assignments of water allocations on the Department's behalf.

Permanent transfers (assignment of share component)

Permanent transfers take effect by either changing the ownership of a licence or by assigning part or the entire share component of a licence.

1. **Transfer of an access licence:** The ownership of entire Aquifer Access licences and Supplementary Water Access licences may be permanently transferred to a new owner. This method of transferring a licence is also applicable where the property together with the water licence is sold. The Department of Lands, Land Titles Office administers this type of dealing.
2. **Assignment of rights (or share component):** Some or all of the share units of an Aquifer Access licence entitlement, (but not Supplementary Water Access licences) may be transferred permanently from one water access licence to another licence. This entails the simultaneous reduction of a share component of one licence, and an increase of a share component by the same amount of another licence. In this case the original owner retains his licence with the remaining shares, if any. This method of transferring entitlement is applicable where only part of the entitlement is being transferred or where the original owner wishes to retain the licence for future use. Department of Water and Energy administers this type of dealing.

Detailed hydrogeological assessment/s will be required when there is an increase in the volume that can be extracted from any nominated works.

Please note:

Any licence holders undertaking permanent transfers, and their solicitors, should be aware that:

Any water in the seller's water access allocation account is not automatically transferred with an assignment of rights. The water in the water access allocation account may be transferred separately using a temporary transfer (assignment of allocation).

At the time of the permanent transfer the seller's Water Access Allocation Account Limit will be reduced based on the remaining share component, and any volume of water in excess of the new Account Limit will be lost.

Likewise the buyer's Water Access Allocation Account will be increased at the time of the permanent transfer.

The works nominated on the licences for the extraction of entitlement are not changed by these dealings.

Temporary transfers (assignment of allocation)

Temporary transfers take effect by an **assignment of water allocation** under section 71T of the WMA 2000. This entails the simultaneous reduction in the balance of the water allocation account for one licence, and an increase by the same amount in the water allocation account for another licence. It does not change the ownership of the entitlement (share units) of either licence.

An allocation assignment plus any water extracted from the account in the year of transfer must not exceed the '**Take limit**' for the Aquifer Access Licence from which water is assigned OUT (or transferred out) of.

Assignment of groundwater allocations can only be made within the Lower Lachlan Groundwater Source and are not permitted to or from any other groundwater source. They are also prohibited between Aquifer Access Licences and Supplementary Water Access Licences.

Assignments of groundwater allocations are processed by State Water. The fee for a temporary transfer is **\$50.00, plus \$0.50 per ML of transfer, up to a maximum fee of \$150.00.**

Term transfers, subdivision and consolidation of licences and a change of the works which may be used to extract water allocations

These types of dealings are not expected to be common and further information is available from the DWE Licensing Unit at Forbes on (02) 6850 2800.

Any application to change the works which may be used to extract water allocations requires an assessment if there is likely to be unacceptable impacts on other groundwater users or the aquifer as described above.

Hydrogeological assessment of dealings

State Water will refer an application to DWE for a hydrogeological assessment when the volume is greater than 10% of an Aquifer Access Licence Share Component (AAL), or greater than 500 ML, (whichever is the lesser of the two); or when the assignment is into a **Zero Share Component Licences**, irrespective of volumes assigned.

DWE will assess the proposed assignment against the criteria in the WSP and the Dealing Principles Order (eg. interference and water quality) to determine if there is likely to be unacceptable impacts on other groundwater users or the aquifer. It may reject or approve the assignment with conditions, such as extraction rate conditions, or impact mitigation plan with neighbouring properties.

If the proponent does not accept the DWE's decision, they may engage a consultant to provide an assessment of the likely impact of the proposed assignment. The consultants report submission should include the following:

- An assessment of the likely total drawdown resulting from the extraction of the proposed assignment volume plus the licensed volume for the bore(s) from which the assignment is to be extracted, using aquifer parameters derived from a pumping test, and the potential impact on neighbouring bores of pumping of the proposed assignment volume, using aquifer parameters derived from a pumping test. The pumping test should be for a minimum of 24 hours with water levels measured in both the pumping bore and at least 2 other nearby bores screened in the same productive aquifer from which the proposed volume is to be pumped.
- Identification of all bores (stock, domestic and irrigation) that have an additional drawdown impact of more than 5% of the aquifer's available drawdown, as a result of the extraction of the proposed assignment volume.
- An agreed mitigation plans signed by all property owners that have bores identified as having a potential impact of more than 5% of the aquifer's available drawdown.

Appendix 1

Table 1: Water allocation accounting example – Scenario 1

	Aquifer Access Licence (AAL)			Supplementary Water Access Licence (SWAL)	
Access Licence Share Components	1000			150	
Transactions	Transaction volume (ML)	Account balance	Take limit	Transaction volume (ML)	Account balance
Previous Carry over brought forward	200	200	200		
AWD of 1 ML per unit share	1000	1200	1200	150	150
Metered Extractions = 1100 ML	950	250	250	150*	0
Allocation Assignment IN	600	850	850	Not permitted	
Allocation Assignment OUT	100	750	750	Not permitted	
Year 1 Closing Balance		750	750		0
Year 1 Carry forward balance		750			
Year 2 AWD (1 ML AAL, 0.9 ML SWAL)	1000	1750	1500	135	135
Metered Extractions = 0 ML	0	1750	1500	0	135
Year 2 Closing Balance		1750			135
Year 2 Carry forward balance		1750			0 **
Year 3 AWD (1 ML AAL, 0.8 ML SWAL)	1000	2750	1500	120	120
Account Limit Excess Forfeited	-750	2000 ***	1500		120

* The supplementary water access licence account is debited first until exhausted.

** Water in the supplementary water access licence allocation account cannot be carried forward.

*** The maximum account balance is 2000 ML.

Scenario 1

The licence holder holds an Aquifer Access Licence (AAL) with 1000 units Share Component. The Licence holder also holds a Supplementary Water Access Licence (SWAL) with 150 units Share Component.

A carry over amount of 200 ML was credited to the aquifer access licence account on commencement of the WSP.

At the same time allocations were made to both accounts in accordance with the AWD on commencement of the WSP of 1 ML per share. These allocations were 1000 ML for the Aquifer Access Licence account and 150 ML for the supplementary water access licence account. Therefore, the volume in the AAL account was 1200 ML; and 150 ML in the SWAL account.

At the beginning of the Year 1 the account balance of 1200 ML in the aquifer access licence account is less than the 'Take Limit' of 1.5 ML per share unit or 1500 ML. Therefore all of the water in the account can be extracted and/or traded out of this account. If the licence holder wishes to extract more than 1200 ML they will be required to trade in more water to top up the account balance prior to extraction.

During the first year the licensee extracted 1100 ML from his bores, and assigned 600 ML into and 100 ML out of the aquifer access licence account.

At the end of first year, the licensee had 750 ML in the aquifer access licence account. This volume would be carried over to next year's account.

At the beginning of year 2 allocations were made to both accounts in accordance with the AWD made on the 1 July of 1 ML per share for the aquifer access licence and 0.9 ML per share for the supplementary water access licence. These allocations were 1000 ML for the Aquifer Access Licence account and 135 ML for the supplementary water access licence account. Therefore, the volume in the AAL account was 1750 ML; and 135 ML in the SWAL account.

At beginning of year 2, the account balance (1750 ML) is more than the 'Take Limit', so water can only be used up to the Take Limit of 1500 ML. If the licensee had wished to extract additional water he would have needed to trade it in.

The licensee did not extract any water in year 2, and there were no allocation assignments (IN or OUT). Therefore, the carry forward balance at end of year 2 was 1750 ML.

The SWAL account balance of 135 ML cannot be carried forward, and had to be forfeited.

At the beginning of year 3 allocations were made to both accounts in accordance with the AWD made on the 1 July of 1 ML per share for the aquifer access licence and 0.8 ML per share for the supplementary water access licence. These allocations were 1000 ML for the Aquifer Access Licence account and 120 ML for the supplementary water access licence account. Therefore, the volume in the AAL account became 2750 ML; and 120 ML in the SWAL account. However, an AAL account balance of 2000 ML is allowed; therefore 750 ML had to be forfeited.

Table 2: Water allocation accounting example – Scenario 2

Access Licence Share Components	Aquifer Access Licence (AAL)			Supplementary Water Access Licence (SWAL)	
	1000			80	
Transactions	Transaction volume (ML)	Account balance	Take limit	Transaction volume (ML)	Account balance
Previous Carry over brought forward	1000	1000	1000		
AWD of 1 ML per unit share AAL and 0.9 ML per share SWAL	1000	2000	1500	80	80
Metered Extractions = 330 ML	250	1750	1250	80*	0
Allocation Assignment OUT	600	1150	650	Not permitted	
Year 1 Closing Balance		1150	650		0
Year 1 Carry forward balance		1150			
Year 2 AWD (1 ML AAL, 0.9 ML SWAL)	1000	2150	1500	72	72
Account Limit Excess Forfeited	-150	2000 **	1500		72

* Supplementary water is debited first until exhausted.

** The maximum account balance is 2000 ML.

Scenario 2

The licence holder holds an Aquifer Access Licence (AAL) with 1000 units Share Component. The Licence holder also holds a Supplementary Water Access Licence (SWAL) with 80 units Share Component.

A carry over amount of 1000 ML was credited to the aquifer access licence account on commencement of the WSP.

At the same time allocations were made to both accounts in accordance with the AWD on commencement of the WSP of 1 ML per share. These allocations were 1000 ML for the Aquifer Access Licence account and 80 ML for the supplementary water access licence account. Therefore, the volume in the AAL account was 2000 ML; and 80 ML in the SWAL account.

At the beginning of the Year 1 the account balance of 2000 ML in the aquifer access licence account is greater than the 'Take Limit' of 1.5 ML per share unit or 1500 ML. Therefore the licence holder may only extract/trade out a maximum of 1500 ML, despite there being 2000 ML in the account. If the licence holder wishes to extract out more than 1500 ML they will be required to trade in some more water first.

As the account balance at the beginning of the season is 500 ML more than the take limit, this 500 ML is inaccessible this year. This 500 ML is not lost, but will remain in the water account and will carryover to the subsequent season; up to the maximum account limit of 2 ML per share unit or 2000 ML, inclusive of year 1 balance and year 2 AWD; i.e. 2000ML.

During the first year the licensee extracted 330 ML from his bores, and assigned 600ML out of the aquifer access licence account.

Therefore since the sum of year 1 carry forward balance and year 2 AWD is 2150 ML, 150 ML will be forfeited.