

Water allocation trading by local water utilities

Application requirements and the assessment process

In NSW, a water access licence is required to take water from a water source, such as a river, lake or aquifer.

A water access licence permits the licence holder to take the volume of water allocated to the licence in accordance with the licence conditions.

Water allocations are credited to water access licences on 1 July each year,¹ based on the amount of water available for extraction in the water source and each licence's share in the available water.

Water access licence holders, including local water utilities, can make an application to WaterNSW to trade water allocations from their water access licence to another water access licence.

These applications are granted subject to rules in the *Water Management Act 2000*, the Access Licence Dealing Principles Order 2004 and water sharing plans.

Rules for trading water allocations

There are general rules that apply to every applicant. The purpose of these rules is to avoid or minimise effects from the trade of water allocations on other water users and the environment.

There is also a specific rule that applies to local water utilities. Its purpose is to ensure the utility retains sufficient water allocations to meet demand by all NSW towns that the utility supplies with water.

The Department of Planning, Industry and Environment assesses compliance with these specific rules for local water utilities during the application process. If any of the rules do not permit the trade then the department advises WaterNSW not to grant the application.

Rule for local water utilities to trade water allocations

The trade of water allocations by a local water utility is not permitted if:

- the reduction of water allocations credited to the utility's water access licence would put at risk the utility's capacity to provide sufficient water supplies to all of the NSW towns the utility supplies with water.²

This rule does not replace local water utilities' responsibility for managing their water allocations to ensure they can meet demand by the NSW towns they supply with water.

Application of this rule

This rule applies to applications to trade of water allocations from the following categories of access licences:

- local water utility access licences
- access licences with the subcategory 'town water supply'.

¹ Water access licences in regulated water sources may also be credited with additional water allocations during the year, depending on water availability.

² Access Licence Dealing Principles Order 2004, clause 17(5) and clause 19(5).

Assessment of this rule

WaterNSW refers the application to the department for specialist advice about whether the trade is permitted.

The department considers the following factors when assessing this rule:

1. purpose of the trade
For example, whether the utility commonly has surplus water allocations, or manages water availability and demand by transferring water allocations between its access licences.
2. whether the trade is consistent with the following plans in any integrated water cycle management strategy applying to the NSW towns that the utility provides with water supplies:
 - demand management planning
 - drought contingency and emergency response plan
3. whether the utility has retained sufficient water allocations to meet projected demand for water by the NSW towns that the utility provides with water supplies until the next water allocations are made.

Considerations include:

- historic maximum annual extraction under the licence
- history of total annual extractions under the licence
- total extraction under the licence for the current year since 1 July
- predicted water demand for the remainder of the current year to 1 July
- climate outlook (in hotter and drier conditions, water demand may be higher)
- safety margin above predicted water demand.

Climate outlook

For information about the climate outlook, visit:

- our department's website. Go to www.industry.nsw.gov.au/water > Allocations and availability > Allocations > Water allocation statements
- Bureau of Meteorology. Go to www.bom.gov.au > Climate > Climate outlooks and monitoring.

Safety margin

The department recommends utilities retain more water allocations than the predicted water demand until 1 July to provide a safety margin. The recommended safety margin depends on:

- length of time remaining until 1 July when new water allocations are credited—for a longer time, we recommend a larger safety margin
- climate outlook until 1 July when new water allocations are credited—for hotter and drier conditions, we recommend a larger safety margin.

Table 1 shows the department's recommended safety margins. Applicants may propose using a different safety margin, and should provide reasons to support their proposal.

Table 1. Recommended safety margin for retained water allocations as a percentage of predicted water demand for the remainder of the water year

Date application is made	Jul–Oct	Nov–Feb	Mar–Jun
Recommended safety margin	50%	40%	25%

Application and information requirements

All applicants need to complete WaterNSW's application form.

When the application is to trade water allocations from a local water utility access licence or an access licence with the subcategory 'town water supply', the applicant should also provide additional information to help the department assess if the trade is permitted under the specific rule for local water utilities.

Applicants can provide this additional information by completing the department's form *Additional information for application to assign (trade) water allocations by local water utilities*. To download a copy of this form, go to www.industry.nsw.gov.au/water > Licensing & trade > Trade.

Providing this additional information with your application form helps the department assess your application more quickly.

Who to contact for help

For help with lodging an application form to trade water allocations, contact WaterNSW.

Call 1300 662 077 during business hours
Email Customer.Helpdesk@waternsw.com.au

For help with providing additional information using the department's form, contact us.

Call (02) 9338 6600 during business hours
Complete our online form: www.industry.nsw.gov.au/contact-us-email

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