

## Policy – Sale of unallocated water in unregulated systems

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### Policy

SRW will progressively sell unallocated surface water and groundwater in regions where demand is identified and water is available.

The sale must align with <sup>1</sup>state policy i.e.:

- There has been an independent resource assessment that has quantified the water in excess of current allocation that could be sustainably taken;
- Making excess water available through expressions of interest, tenders and/or auctions;
- The state has identified an area as a priority for selling water; and
- The process has appropriate probity controls.

Management will prepare an annual plan for water sales, for approval by the board.

### Probity

- SRW will develop an annual plan for water sales for approval by the board. The plan will be available on SRW's website;
- The process is accountable, transparent, not conflicted, confidential, fair and competitive;
- SRW staff and related parties who are involved in the sale process are prohibited from participating as purchasers;
- SRW staff involved in the sale process must sign Conflict of Interest declarations. A register of these declarations will be maintained by SRW;
- SRW staff will be required to acknowledge they understand their confidentiality obligations and confirm they will keep all confidential information regarding the process confidential;
- SRW staff will be reminded of their obligations under Gifts, Benefits and Hospitality policy; and
- An annual probity assessment on the sale process will be undertaken by an independent person and received by management and the board.

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<sup>1</sup> Western Region Sustainable Water Strategy 2011 - Action 3.15 "Staged release of unallocated water" and Action 4.8 "Auctioning water where groundwater systems have additional capacity"

#### Volume available for sale

- The volume available for sale will be limited to the permissible consumptive volume (or equivalent) less the volume already allocated, less any volume subject to an outstanding application.

#### Process

- SRW will make a public notification of its decision to sell water, nominating the volumes available for sale;
- Interested parties will be required to make a licence application;
- SRW will assess their eligibility prior to the sale and advise applicants of the outcome prior to a sale process. Only eligible applicants may participate in the sale;
- Licences will be sold by auction, tender or 'off the shelf'; the method will be determined by the Managing Director;
- A reserve price at least equal to the published cost of application fees (including the cost of SRW funded technical studies related to the allocation), but not more than the fair market price will apply. The Managing Director will approve the determination of reserve price; and
- Unsold water from an auction or tender will be made available at a shelf price equal to the highest value from the sale for a period at the completion of the sale process, until six months prior to the next sale from the same stream or groundwater area.

#### Use of revenue

As a non-prescribed activity, the revenue will be used as follows:

- In line with State government policy, revenue raised through these sales would be used by Southern Rural Water to cover the cost of the sales (including application fees) and to undertake future resource appraisals; and
- If the State government agrees, SRW will use revenue to fund other strategic water projects to increase economic activity, employment and protect the water resource.

#### Promote market

- Noting privacy limitations, as soon as practical, price and volume information will be publicised.
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| <b>Effective date</b>    | <p>This revised policy takes effect on 7 December 2016.</p> <p>It is due for review by December 2019.</p>  |
| <b>Who is affected</b>   | <p>This policy applies to all staff at SRW.</p>  |
| <b>Rationale</b>         | <p>The policy contributes to two objectives within the SRW strategy:</p> <ul style="list-style-type: none"><li>• More water for production; and</li><li>• New revenue.</li></ul> <p>The policy also seeks to manage SRW's risks and ensure procedural fairness in the process.</p>               |
| <b>Contact</b>           | <p>For more information on this policy, contact General Manager Customer Service.</p>  |
| <b>Related documents</b> | <ul style="list-style-type: none"><li>• Privacy Act 1988</li><li>• Privacy Policy</li><li>• Code of Conduct for Victorian Public Sector Employees</li><li>• Water Trading by Directors, Employees &amp; Related Parties Policy</li><li>• Disclosure of Water Market Information Policy</li></ul> |
| <b>Communications</b>    | <p>This policy will be made available on SRW's website.</p>  |

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