



# Trading Water Licences

*For groundwater and unregulated surface water in Southern Victoria*



DEPARTMENT OF  
PRIMARY INDUSTRIES

farm  
services

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# Introduction

## *A guide for trading water in groundwater and unregulated surface water systems*

This booklet provides an introduction into groundwater and unregulated surface water licence trading for Southern Victoria. It is not applicable to trading of regulated surface water shares and licences which includes irrigation districts and rivers that have dams or weirs that regulate flow. This booklet also applies to licensing of Southern Victoria's groundwater systems.

Water trading is necessary when the water resource available for commercial or intensive use (including irrigation, dairy shed, horticulture) is fully allocated. This means a cap has been reached which prevents new entitlements from being issued. Entitlements are held as a licence, also referred to as a 'take and use' or a 'section 51 licence'.

Water trading may be useful or necessary for people who:

- are wanting to start a new business that uses water for a commercial purpose such as dairy shed, irrigation, piggeries, feedlots or horticultural enterprises;
- have a licence but no longer need all or part of it, and are therefore able to realise the value of their entitlement;
- intend to expand and require more water for commercial purposes;
- have an existing licence and require more water to get through a dry season; and
- have improved water use efficiency, and wish to sell their savings either permanently or temporarily.

There is a list of publications and websites at the end of this booklet for further water information and also a glossary of terms.



# Background to water licensing

## What is a section 51 take and use licence?

A section 51 take and use licence authorises the holder to take and use water for a specific purpose. The water licence includes the details of the location for where the water can be taken and land where the water can be used.

A section 51 take and use licence does not allow the physical construction of works such as dams, bores, pumps and weirs to take place. These may require an additional construction licence issued by the water corporation. All works and activities within the bed of designated waterways will also require a works on waterways permit which are issued by catchment management authorities. See Further information on page 10.

## Why do I need a licence?

Under the *Water Act 1989*, both surface or groundwater used for irrigation, commercial or intensive purposes require a water entitlement. A section 51 take and use licence is the most common type of licence in unregulated surface and groundwater systems that allows use of water for specific purposes.

Water used exclusively for domestic and stock purposes is a private right under the Water Act if the water source, such as a river, dam or bore, is located on your title. You can use this water for domestic and stock purposes without a licence. Domestic and stock use includes water used for the household, kitchen garden, watering pets and stock. It also includes fire-fighting, only if taken from a spring, soak or a dam.

If water is to be taken from a water source that is not on your title, then you may need a licence for domestic and stock use. For example, a licence may be required for creeks and rivers where there is a crown frontage or reserve (crown land) between your property boundary and the water source which you don't hold the lease for. Consult your water corporation.

## Who is responsible for water licensing?

Water corporations are the government organisations responsible for licensing of surface and groundwater. They manage the resource to protect existing users and the environment. Refer to Figure 2 to determine which water corporation covers your area. Alternatively, visit [www.water.vic.gov.au](http://www.water.vic.gov.au) and search 'Water Corporations'.

The Victorian Department of Sustainability and Environment administers water policy which governs water corporations and users. See Further information *Water Act* on page 10.

## Assessment process for licences

Water trades, as with new section 51 take and use licences, must be assessed and approved by the water corporation. The assessment process for groundwater and unregulated surface water can vary depending upon the extraction point, volume, length of the trade and intended use of the water. A professionally prepared hydrogeological report or a water use plan may be required with the application. This is at a cost to the applicant.

A public notification process may also be needed before or after the submission of the application.

The water corporation will assess each application individually to ensure there aren't any adverse impacts on other users or the environment. The time taken to assess an application will vary and an application will not necessarily be approved. A meter may also be required to be installed at a cost to the water user.

## Fees and costs associated with licences

Water corporations administer a yearly on-going fee for section 51 take and use licences. Fees are usually made up of two or three parts:

- i. Fixed annual administration fee
- ii. Volumetric fee (this applies to the licenced volume, not the volume used)
- iii. Intensive management fee (associated with some Water Supply Protection Areas)

Please note: registration licences have no annual fees. Fees also apply for new and traded licences. For more details on the assessment process ask your water corporation.

## Why is water trading needed?

For most groundwater and surface water systems a cap has been put in place which limits how much water can be allocated for use. The State Government put these caps in place to protect the resource and prevent it being depleted or causing adverse impacts such as; loss of water supply, reduced base flows in rivers and streams or changes to water quality/saline intrusion. Once the cap is reached, no new licences can be issued. When this cap has been reached in surface and groundwater systems, to obtain a licence people need to permanently or temporarily transfer a licence from an existing licence holder. These are the processes for water trading in groundwater and unregulated surface water systems. To determine when water trading is needed please see Figure 2 on page 5.

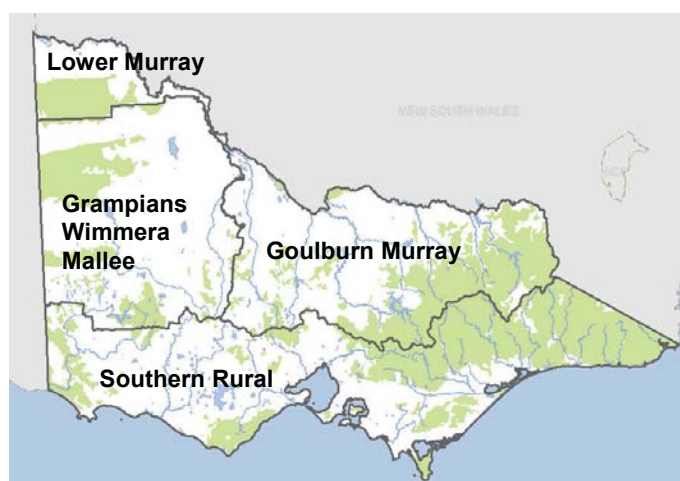


Figure 1. Water corporation boundaries

**Note:** Although not represented on the map Melbourne Water manage the licensing of surface water from the Yarra and Lower Maribyrnong River and Western tributary catchments.

# Do I need to trade?

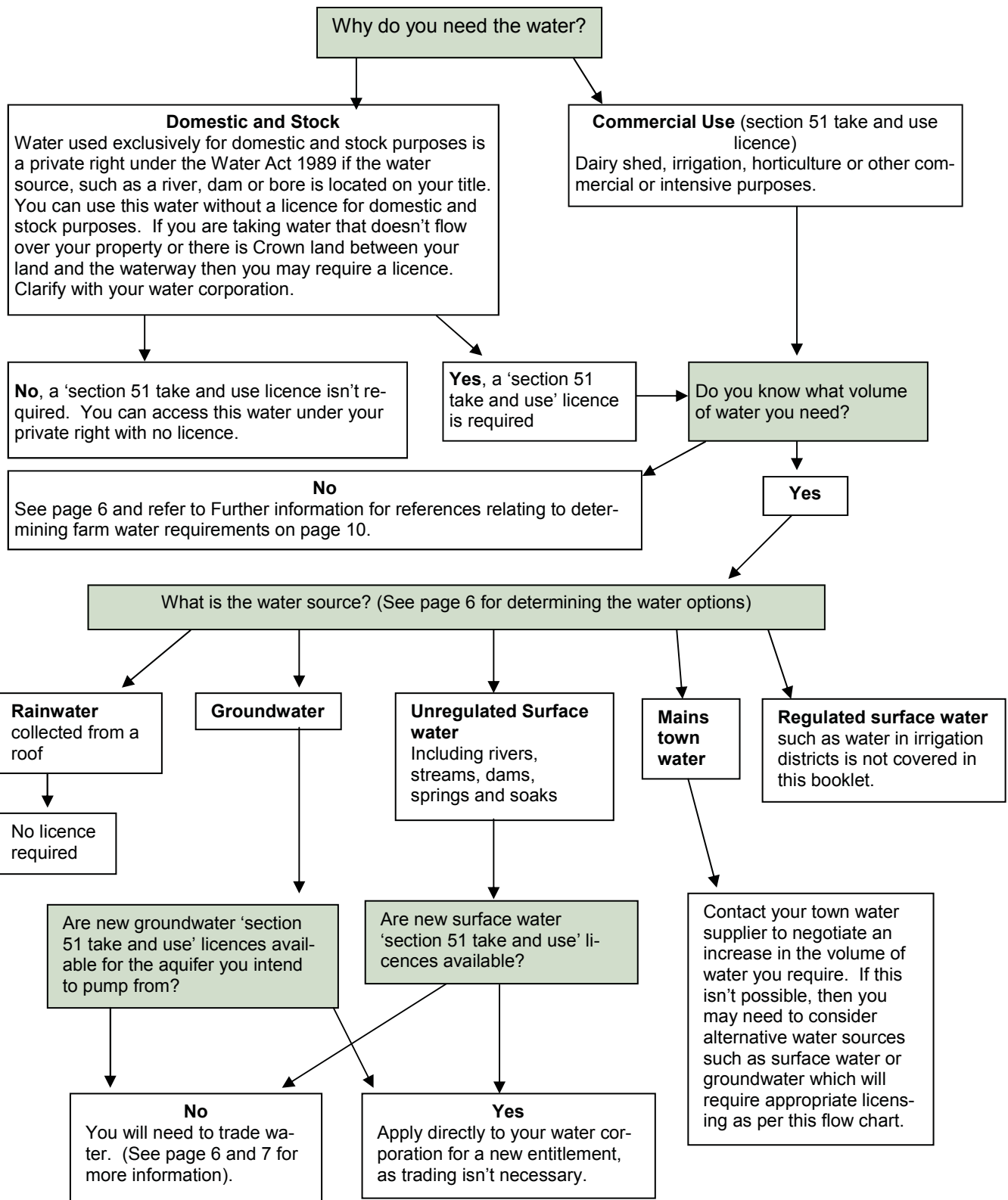


Figure 2. Flow chart to determine when water trading is needed

# Determining your water options

## How much water you will need?

Determine how much water you will require for the licence. Refer to Further information on page 10 for references on how to determine this.

## Discuss your needs with the water corporation

Determine if licences are available or if you are in a fully allocated area (for surface water or groundwater). You will need to contact the water corporation for this.

## What the water corporation needs to know:-

It is important during this initial contact to:

- Explain why you need the water and what you intend to use it for to establish or verify whether you require a section 51 take and use licence.
- Provide details of the property location, and where you plan to take and use the water particularly if this is in separate titles.

## What you need to find out (from the water corporation):-

- If you have any existing licences and for what volume and use (if you don't already know).
- If there is unallocated water available for either surface or groundwater in your area (this means a new licence can be issued without trading).
- The application process and cost. These may also be available from your water corporation's website.
- Metering requirements and cost.

## Additionally, if you need to trade:

- Clarify the geographic area you are able to trade from; the boundaries will differ for surface and groundwater.
- For groundwater check the depth and the name of the aquifer you are likely to trade within.
- Clarify if there are any other conditions you need to be aware of, such as winter fill licensing.
- Establish if there are any alternative options.

## Consider your options

### 1. Alternative water supplies

If surface water section 51 take and use licences are already fully allocated there may be groundwater available or vice versa.

### 2. Improve water use efficiency

Becoming more efficient with the existing resources may be an alternative to trading water. Increasing water use efficiency could allow for expansion of a business without the need to acquire additional water, alleviating the need to build a dam or construct a bore. For example, opportunities to increase water use efficiency in the dairy could include; recycling effluent for yard washing, recycling plate cooler water or dry scraping the yards prior to washing.

### 3. Rely on rainwater

#### ***How to calculate the volume of rainfall collected from a roof***

$$\text{Volume (litres)} = \text{Area (m}^2\text{)} \times \text{Rainfall (mm)} \times 0.95^*$$

\*to account for evaporation/overflowing gutters

Rainwater collected on a roof, doesn't require a section 51 take and use licence. Maximising the use of rainwater by upgrading gutters or installing a tank could be an alternative option.

### 4. Trade water to obtain a licence

If there is no water available from your preferred water source, then you may need to consider trading a licence from an existing licence holder.

# How to trade water

If you are in a position where you need to trade water the process can involve:

- Determining the volume of water to sell or acquire through trade;
- Determining the type of trade either permanent or temporary;
- Finding a buyer or seller that satisfies the trade rules for either groundwater or surface water;
- Negotiating a price for the licence;
- Applying through the water corporation to have the licence permanently or temporarily transferred;
- The water corporation approves/rejects the trade and
- Water use begins or ends based on the trade.

## Volume of water to trade

Licence holders can trade all or part of their licence volume. Sellers should plan carefully and retain sufficient water to meet current and future needs. Buyers also need to ensure they obtain enough water to meet their needs. Please refer to page 6, or Further information on page 10 for more detail.

## Types of trades

Licence holders and buyers can trade water on a permanent or temporary basis. As the name suggests, a permanent transfer is when a licence holder permanently transfers all or part of their licence to another person.

A temporary licence is issued when an application is made for a temporary transfer from an existing licence holder. Temporary transfers are limited to one year in most areas and conclude at the end of a water season (June 30). There are some areas where a transfer can be longer than one year, but please consult your water corporation for this information.

## Finding a buyer or seller

When seeking to find a buyer or seller of a licence be mindful that the trade also needs to adhere to specific trade rules. Page 8 of this document outlines the surface water trading rules and page 9 outlines the groundwater trading rules.

There are many ways to find buyers and sellers of water. Advertising in the local paper, talking to a neighbour or using a water broker are a few options. Water brokers link buyers and sellers to assist with trading water. They charge a fee for the service.

## Negotiate the price for the licence

Trading water entitlements remains a private negotiation between the buyer and seller. Prices are determined through negotiation and are therefore set by the open market and the influences of supply and demand.

### Things to include when creating an advertisement for local papers

- The surface water area or creek/river or groundwater area that you need to buy or sell water within.
- The volume of water you're interested in buying or selling.
- An indication of interest in either a temporary or permanent trade or both.
- Your contact details.
- Some sellers/buyers list the price they are willing to pay, or this can be negotiated when someone contacts you.

The Victorian Water Register or water broker websites may be a useful source of information for a rough guide to prices. You may also want to seek professional advice regarding pricing and the financial implications for your business.

## Water corporation application and approval processes

Water trades must be assessed and approved by the water corporation. Please refer to page 4 of this document which provides more detail on the assessment process.

### Dam registration licences

Dam registration licences were issued in 2002. They are no longer available and cannot be traded. However, a dam registration licence can be converted to a section 51 take and use licence which can then be traded.

Note: Dam registration licences don't attract ongoing yearly fees, however once they are converted to a section 51 take and use licence, yearly fees apply. Section 51 take and use licences also require renewing. This will depend on the licence, they can be issued for any term up to a maximum of 15 years.

# Surface water trading explained

Surface water refers to water from creeks, rivers and water collected from catchment run-off into dams, springs and soaks.

## How is surface water capped?

Surface water is capped according to the Permissible Consumptive Volume (PCV) cap in an area or water system.

Sustainable Diversion Limits (SDLs) relate to the maximum amount of water that can be taken during the winter period (1st of July to 31st of October) for a discrete catchment area. Trades of surface water need to occur within the same Sustainable Diversion Limit catchment.

Sustainable Diversion Limit catchments can be viewed:

- In Figure 3 below
- In more detail with an interactive mapping program available at <http://go.vic.gov.au/405jUw>
- From your water corporation

Some waterways also have a Stream Flow Management Plan (SFMP) or local management rules in place which are used to determine water allocations and manage water resources. These plans include conditions under which licences can be traded or transferred.

## Which surface water systems still have new entitlements available?

A small number of surface water systems in Southern Victoria have unallocated entitlements available for users. Contact your water corporation to find out if your property is located in one of these systems.

## Surface water trade rules

Certain restrictions may apply when transferring a licence from an existing licence holder so you need to clarify where you can buy water from with your water corporation.

Typical restrictions can include:

**Catchment specific** - The water needs to be transferred within the same sustainable diversion limit catchment.

**Downstream transfers** - Only downstream transfers are allowed for all-year licences. This means as a buyer you need to find a licence up stream from your property and vice versa for sellers. Upstream refers to higher up in the overall sustainable diversion limit catchment if you are located on a tributary of a waterway.

**Winter-fill** - The water can only be extracted during winter and stored in a dam for use for the rest of the year. This is commonly called 'winter-fill licence' which means water can only be taken from July 1 to October 31. This is also a condition for all newly-allocated licences irrespective of trading. Consequently, storage dams may be needed to supply this water to the property outside the winter-fill period.

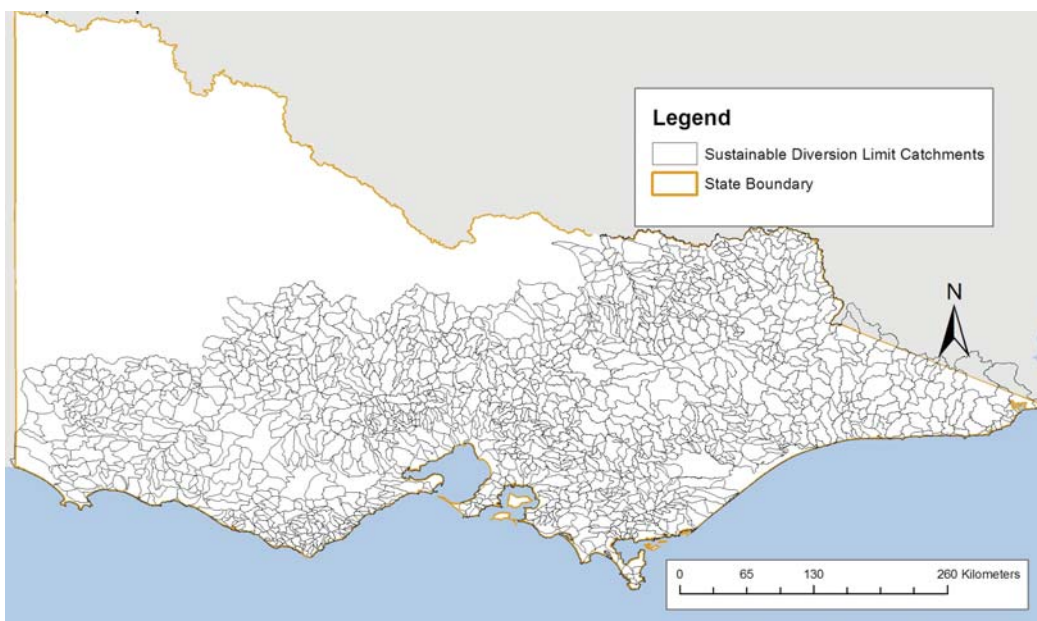


Figure 3. Sustainable diversion limit catchment boundaries relevant to surface water trading



# Groundwater trading explained

Groundwater refers to water that has seeped into the ground and collects within the spaces between the layers of sands, gravels and fractured rock. Many aquifers can occur at various depths under the one property.

## How is groundwater use managed?

Licensing of groundwater entitlements from Victoria's aquifers is managed by water corporations according to a groundwater management framework.

Groundwater Management Units have been established as part of the framework for managing groundwater reserves. These management units (which only cover 24% of the State) have been classed as either Groundwater Management Areas (GMAs) or Water Supply Protection Areas (WSPAs). The area outside of a WSPA or GMAs is called the unincorporated area. The potential for groundwater use in the unincorporated area can sometimes be limited due to poor water quality or low yield.

Management plans may be in place for WSPA or GMAs, which helps to determine water allocations and manage water resources. These plans include conditions under which licences can be traded or transferred. The trading rules vary according to the type of management unit and the nature of the plans that may have been established for each unit.

The groundwater management framework is being reviewed, by the Secure Allocations, Future Entitlements (SAFE) Project. The SAFE project has been funded by the Commonwealth Government to progress the management of groundwater in Victoria. The SAFE project will ensure all of Victoria's groundwater is included in an appropriate management area and that there is consistency in the way groundwater is managed across the state. This includes developing:

- new management boundaries that cover all groundwater in the state instead of only part of it;
- guidelines for better determining the volume of groundwater available for use, and
- the approach to moving from the current management framework to the new framework.

The proposed new boundaries may assist with trading groundwater over a wider area, therefore giving users a greater chance to buy and sell groundwater. The SAFE project will be completed by mid 2012. For more information see web link [www.water.vic.gov.au](http://www.water.vic.gov.au) search SAFE.

Groundwater resource locations can also be found using an online mapping tool called 'Groundwater Online' which is available at <http://groundwater.geomatic.com.au/Main.aspx>

Southern Rural Water has a groundwater atlas available at [www.srw.com.au](http://www.srw.com.au) then search 'groundwater mapping'. The atlas illustrates the aquifers in Southern Victoria in a three dimensional model.

## Groundwater caps

Water available for consumptive use in WSPAs and GMAs is capped. The cap is set as a permissible consumptive volume. Once reached no new entitlements can be issued. Most areas are already fully allocated.

Caps haven't been established for unincorporated areas, consequently trading isn't necessary as new licences can be issued. Apply directly to your water corporation for a section 51 take and use licence in an unincorporated area.

## Which groundwater systems still have new entitlements available?

Availability of groundwater resources can also be determined by contacting your water corporation.

## Trade rules for groundwater

Certain restrictions may apply when transferring a licence, so you need to clarify where you can trade water to and from with your water corporation. The following restrictions may apply:

- Licences cannot be traded between management areas.
- Permanent trade is not permitted in a WSPA until the management plan is complete.
- Management plans and local management plans may set out conditions or restrictions on trade within the management area. Management plans and local management plans are available from water corporation websites.

## Conditions for groundwater

Conditions might include limits to annual and daily extraction rates. Usually, groundwater section 51 take and use licences allow water to be extracted on an annual basis from July 1 to June 30.

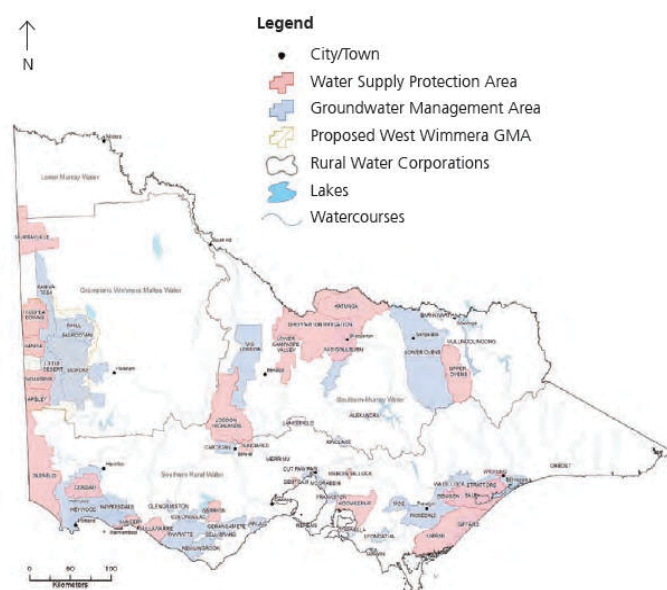


Figure 4. Victorian groundwater units prior to the SAFE project

# Further information

## Determining farm water requirements

### **Farm Water Solutions—Department of Primary Industries**

Farm water planning resources and an online farm water calculator can be found at [www.dpi.vic.gov.au/farmwatersolutions](http://www.dpi.vic.gov.au/farmwatersolutions)

Department of Primary Industries Information Notes and publications

- AG1406 How much water do I need? (includes a formula for calculating evaporation)
- AG1434 Measuring water use in the dairy
- Dairy shed water how much do you use?

Available at [www.dpi.vic.gov.au](http://www.dpi.vic.gov.au)

## Licensing resources

### **Victorian Water Register**

The water register is a public register of water related entitlements in Victoria. It also provides general licensing information.

Web: [www.waterregister.vic.gov.au](http://www.waterregister.vic.gov.au)

### **Water Act 1989**

Ministerial policies are the basis for the issuing of licences. The Act is administered by the Department of Sustainability and Environment.

Web: [www.waterregister.vic.gov.au/Public/TakeAndUseLicences.aspx](http://www.waterregister.vic.gov.au/Public/TakeAndUseLicences.aspx)

### **Victorian Water Accounts**

An annual summary of Victoria's water resources reporting on water availability.

Web: [www.water.vic.gov.au/monitoring/accounts](http://www.water.vic.gov.au/monitoring/accounts)

### **Sustainable Water Strategies**

Regional plans for long term water security across Victoria. Plans have been developed for Northern, Central, Western and Gippsland regions.

Web: [www.water.vic.gov.au/programs/sws](http://www.water.vic.gov.au/programs/sws)

### **Department of Sustainability and Environment**

Groundwater licensing and trading in Victoria, 2009

Web: [www.water.vic.gov.au/environment/groundwater/access](http://www.water.vic.gov.au/environment/groundwater/access)

## Licensing organisations

### **Water corporations**

Water corporations manage rural water. They deliver water to irrigators in irrigation districts, harvest bulk water for rural and urban use, and licence and monitor extractions from most surface and groundwater systems. They also licence the construction of farm dams and groundwater bores across the region.

For a list of all Victorian water corporations go to [www.water.vic.gov.au](http://www.water.vic.gov.au) search 'water corporations'

### **Catchment management authorities**

Catchment management authorities (CMAs) are responsible for catchment and waterway management. Contact your regional CMA to obtain a works on waterways permit prior to undertaking any earthmoving or construction in and around a waterway.

For a list of catchment management authorities go to [www.water.vic.gov.au](http://www.water.vic.gov.au) search 'catchment management authority'

### **Water brokers**

Can help link buyers and sellers to facilitate a trade. Water corporations may be able to provide information on water brokers, or search the internet or phone books directly.

## Other water trading publications

### **Trading water in the MID**

Relevant to Macalister Irrigation District  
Department of Primary Industries, 2010,  
Web: [www.srw.com.au](http://www.srw.com.au) search 'trading water in the MID'

### **Melbourne Water trading and transfers**

Relevant to surface water in the Yarra River, Lower Maribyrnong and Western tributaries of Melbourne.

[www.melbournewater.com.au/content/rivers\\_and\\_creeks/](http://www.melbournewater.com.au/content/rivers_and_creeks/)  
then 'waterway diverters' then 'water trading and transfers'

# Glossary

**All-year licence** Permits a person to take (including by harvesting in a catchment dam) surface water at any time during the year.

**Aquifer** A layer of underground sediments which holds water and allows water to flow through it.

**Cap** An upper limit for the diversion of water away from a waterway, catchment or basin.

**Catchment** An area of land where run-off from rainfall goes into one river system.

**Domestic and stock purposes** Is defined by the *Water Act 1989* as water used for household purposes, watering of animals kept as pets, watering of cattle or other stock, irrigation of a kitchen garden up to 0.1 hectares. It does not include use for dairies, piggeries, feedlots, poultry or any other intensive or commercial use.

**Entitlement** To access a share or volume of water. This is influenced by where and how water is taken, and what it is then used for, as different entitlement types are required. Aside from water shares (which only exist in regulated water systems), the most common entitlement types are section 51 take and use licences and registration licenses.

**Groundwater** Occurs when rain infiltrates the soil into aquifers.

**Groundwater Management Area** An area underlain by useable groundwater, where some development of the groundwater has occurred or is likely to occur.

**Permanent trade** When a licence holder transfers all or part of their licence to another person on a permanent basis.

**Permissible Consumptive Volume (PCV)** The volume of water permitted to be taken in an area or water system.

**Private Right** When a landowner has private rights to water, they have the right to take and use water each year without a licence and free of charge, for domestic and/or stock purposes only.

**Regulated water system** A water system where the flow of the river is regulated through the operation of major storages or weirs to secure water supplies.

**Surface water** Is created by the rain that falls on river catchments and flows into rivers, reservoirs and receiving estuaries.

**Sustainable Diversion Limit (SDL)** The upper limit on winter-fill diversions within an unregulated river sub-catchment, beyond which there is an unacceptable risk to the environment.

**Temporary transfer** Transfer of a licence for a defined term.

**Take and use licence** Is a fixed term entitlement to take and use water from a waterway, catchment dam, spring, soak or aquifer. Each licence is subject to conditions set by the Minister and specified on the licence. It may also be called a section 51 licence.

**Unincorporated area** Any groundwater resource area outside a groundwater management area or a Water Supply Protection Area.

**Unregulated systems** A river system where no major weirs or structures have been built to assist in the supply of water.

**Water Supply Protection Area (WSPA)** An area declared under the *Water Act 1989* to protect groundwater and/or surface water resources in the area. Once an area has been declared, a water management plan is prepared.

**Winter-fill licence** A licence which permits taking water from a waterway only during the winter months (July 1 to October 31).

