



# Report on SunWater's Compliance with the Water Trading Code of Conduct

November 2014

## Contents

<b>1.</b>	<b>Introduction .....</b>	<b>1</b>
1.1	Scope of Review .....	1
1.2	Code of Conduct.....	1
1.3	National Water Initiative .....	2
1.4	Water Trading.....	5
1.5	Queensland Government Policy Proposals .....	7
<b>2.</b>	<b>Water Trading Roles and Procedures.....</b>	<b>8</b>
2.1	Announcement of Allocations.....	8
2.2	Water Broker Role.....	8
2.3	SunWater’s Approval Process .....	9
2.4	Potential Conflicts .....	9
2.5	Complaints.....	10
<b>3.</b>	<b>Findings and Recommendations .....</b>	<b>11</b>
3.1	Findings .....	11
3.2	Recommendations.....	11
	Appendix 1: Code of Conduct.....	12
	Appendix 2: Application for Temporary Transfer.....	18

# 1. Introduction

SunWater has commissioned BDO to carry out an independent review (termed an 'audit') of its water trading activities. This report is on SunWater's water trading in 2013-14.

## 1.1 Scope of Review

The objective of the review was to independently assess whether SunWater's water trading activities and arrangements comply with its obligations under the Water Trading Code of Conduct.

Our report has been prepared for SunWater, solely for the purpose of meeting this objective. It is not to be used for any other purpose. The review was not a financial audit, and relied on information provided by SunWater and other parties.

## 1.2 Code of Conduct

In January 2007, SunWater issued a *Water Trading Code of Conduct* to give buyers confidence that it is acting with integrity and thereby helping to ensure an effective water market, including in relation to its own water allocations. The Code was re-issued in October 2010 with revisions mainly reflecting SunWater's outsourcing of the Water Trader function. In February 2014, the Code was updated with some minor changes.

The objectives of the Code of Conduct are to:

- Ensure open and transparent access to a water trading market for buyers seeking to purchase water;
- Set out to market participants how SunWater will go about trading its water allocations;
- Provide an auditable process and policies to ensure market participants have confidence that SunWater is complying with its Code;
- Develop and grow water markets for the benefit of all water allocation holders and water users; and
- Assure integrity within the water trading market.

The Code's key features are:

- **Market Facilitation and Education**
  - provision of timely and relevant information on allocations, new or augmented infrastructure, volumes and prices, through the SunWater website or that of the Department of Energy and Water Supply.
- **Transparent Trading Processes**
  - publication of the volume and timing of water allocations that SunWater will trade and whether they will be released by permanent transfer, term allocation or temporary transfer.
- **Pricing**
  - trading can take place through a public exchange, by tender or auction or through direct negotiation with customers through the SunWater broker.
  - no price discrimination for the same product delivered at the same time.
- **Approval of Trades** – for seasonal assignments:
  - no discrimination between those involving customers and SunWater.

- approved in accordance with criteria in temporary trade application forms on SunWater's website.
- **Disclosure** – standard water delivery and trading contracts to be on SunWater's website.
- **Compliance**
  - SunWater to maintain procedures to ensure compliance with the Code.
  - an annual audit by an independent external party to report on SunWater's compliance.
- **Ring-fencing** – ensuring the water trader only has access to market information that is available to every other market participant.
- **Dispute Resolution** - customer access to a binding process.
- **Breaches** – to be reported immediately to Queensland Treasury, investigated by an independent body, and, if the Code has been breached, the nature and resolution of the breach to be disclosed in SunWater's annual report.

A copy of the current Code of Conduct is at Appendix 1.

### 1.3 National Water Initiative

The 2006 *National Water Initiative Water Trading Study* conducted for the Department of the Prime Minister and Cabinet assessed the need for market supervision and the enforcement of trading rules in the emerging water market in Australia.

The study recommended that:

Processes for managing trades and the entitlement registers should be subject to a regular audit program to ensure the internal controls around these processes are adequate to [ensure] compliance with trading and entitlement rules.

For example, arrangements should be introduced to ensure the operational staff who manage trade are appropriately 'ring-fenced' from decisions that are likely to impact market process and are unable to use any 'inside information' for personal gain.

Tools that govern the conduct of market intermediaries, such as codes of conduct, accreditation or licensing in the sector, are not required at the present time. However their need should be reviewed periodically.

The National Water Commission has since carried out assessments of progress in implementing the National Water Initiative.

The most recent assessment, in 2011, reported that:

Efficient market operation requires that water access entitlements be clearly specified, and that requires robust and transparent methods and processes for determining and announcing annual allocations of water. There is also a need for all market participants to have equivalent opportunity of access to market-sensitive information at the same time, to guard against insider trading or other situations in which some traders gain a market advantage by having prior access to allocation decisions.

The Commission's *Strengthening Australia's water markets 2011* report assessed the factors potentially hindering the further development and efficient operation of water markets. One of its findings was that:

With the exception of SunWater, the infrastructure operators reviewed above have not taken comprehensive steps to ring-fence their water trading activities from their other activities. In

particular, there does not appear to be separation of information (for example, market-sensitive information) and decision-making processes (such as appointing an independent person or committee to trade). There is also an absence of protocols for trading that prescribe when to trade, the price to trade at and the mechanism for trade.

Only partial measures have been taken to manage the conflicts of interest that may arise from actively trading water in the market.

Some operators have implemented protocols for approving their own trades. There have been partial efforts to separate trading from other business activities and to require brokers to conduct trades or place trades on exchanges at pool prices. In some instances, entitlement holdings and associated trade volumes are listed in annual reports.

In other cases, protocols require water authorities to declare trading activities, which are subject to audit. For example, in Victoria, water authorities must make a declaration to the Department of Sustainability and Environment when they approve their own trade applications, and this must be noted in their annual reports. This may deter actions that contribute to, or occur with, inappropriate conduct.

In the case of SunWater, a much more rigorous and comprehensive approach has been taken to guard against potential conflicts of interest. In collaboration with the Queensland Government, SunWater has established a voluntary water trading code of conduct and has adopted ring-fencing arrangements to put its trading activities at arm's length from its operational and regulatory activities.

Nevertheless, the report noted that SunWater performs a number of roles that may give rise to conflicts of interest, given its commercial interests associated with holding or selling water entitlements and allocations. Specifically, the report noted that:

- *System operation.* SunWater operates, maintains and develops infrastructure within the irrigation area. It may therefore use commercial or market-sensitive information to inform its own trading activities.
- *Determination of announced allocations.* SunWater determines announced allocations for supplemented (regulated) entitlements in each scheme and may therefore use that information to inform its own trading activities.
- *Approval of temporary trades.* SunWater has a role in approving seasonal assignment trades and could give preferential treatment to its own trades.

The Commission also noted that SunWater had implemented ring-fencing of its trading and regulatory functions by outsourcing the trading function. The manner in which these potential conflicts are dealt with by SunWater, and the consequent risks to the effective operation of the water market, are reviewed in section 2 of this report.

The Commission was due to report on its next assessment in the second half of 2014. This assessment was to take account of feedback received in response to an Issues Paper released in September 2013, which sought feedback on whether:

... water goes to [its] highest economic value through open markets that are not distorted by barriers to trading or unnecessary regulatory constraints.

The 2014 assessment has not been released following the announcement in the Commonwealth's 2014-15 Budget that the Commission was to be abolished, with its core functions assigned to other agencies, including:

1. Assessments of progress in the implementation of the National Water Initiative – to the Productivity Commission;
2. Monitoring and reporting on water markets – to the Australian Bureau of Agricultural and Resource Economics and Sciences.

In addition to the National Water Commission's assessments, a related development has been the Murray Darling Basin Authority's issuance of Water Trading Rules under the *Water Act 2007* (Cwlth) and their inclusion as Chapter 12 of the *Murray Darling Basin Plan*.

These Rules commenced from 1 July 2014 and potentially affect SunWater's Macintyre Brook, St George, Upper Condamine, Chinchilla Weir, Maranoa River and Cunnamulla schemes, which continue to be subject to Queensland's own requirements for water trading.

The main implications of the Rules for SunWater's water trading are in Parts 4 and 5 of Chapter 12. These are summarized in the *Implementation Agreement* for the Plan that has been agreed between the Authority and the 'Basin States'. The *Basin States Schedule to the Implementation Agreement* contains obligations on Approval Authorities such as SunWater. For SunWater, the main requirements of the *Implementation Agreement* that are additional to those in its own Code of Conduct are:

<b>Task</b>	<b>Timing</b>	<b>Strategies and processes for delivering tasks</b>
30.1 Disclose interests, give reasons if restricting trade, provide notice and publish on website.	When a trade is proposed and when it has been finalized.	An approval authority must disclose to each party to a proposed trade any legal or commercial interest it, or a related party, has in the water access right to be traded and any commercial interest it has in the activities of any water market intermediary involved in the trade before the trade occurs, as soon as practicable.
	Within 30 days after the decision to restrict the trade	An approval authority who has restricted a trade of a water access right for any reason must give notice of the decision and the reasons for the decision as soon as is practicable but in any case within 30 days after the decision to restrict the trade.
31.2 Report trade prices	From 1 July 2014, either at, or before, the time the approval or registration is sought.	If a trade requires approval by an approval authority, or requires registration, the seller must notify the approval authority, or the registration authority, of the price in writing.

In relation to Task 30.1, SunWater is aware that it will need to ensure that potential buyers are aware that a trade is from itself rather than from a private seller.

For Task 31.2, the requirement for mandatory price disclosure has been built into SunWater's Orion customer information system. This system also carries out automatic validation checks for approval of a trade (see section 2.3), except for schemes such as Dawson Valley and Upper Condamine where the local scheme operator needs to be consulted about the timing of trades so that, for efficiency reasons, the associated releases can 'piggy-back' on bulk releases.

## 1.4 Water Trading

In Queensland, there are three types of water trading:

1. permanent trades of water allocations and interim water allocations
2. leases of water allocations
3. seasonal assignments of water available under a water entitlement (also called temporary allocations or trades).

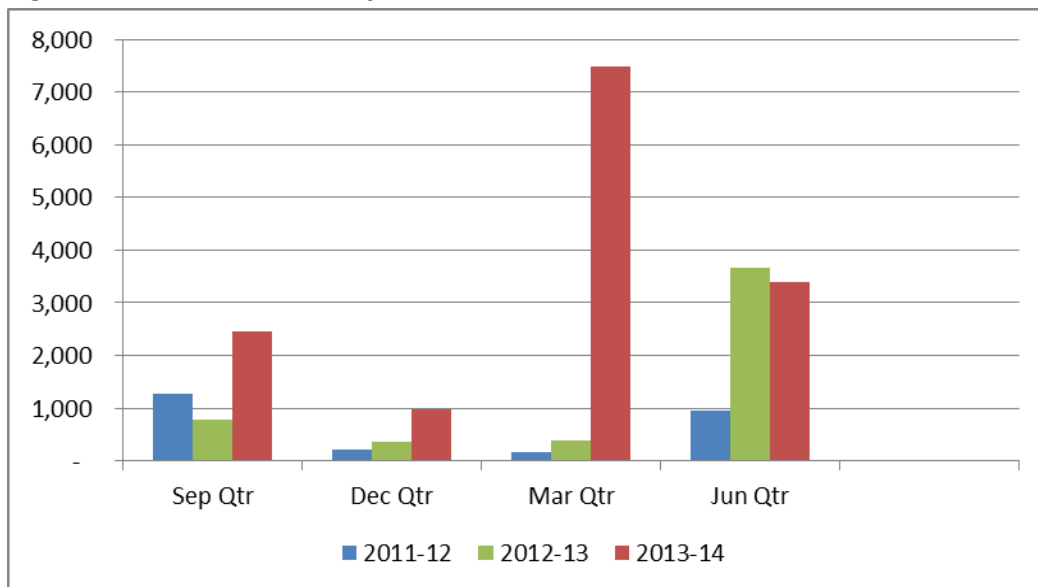
In addition to the permanent sales and leases of its own water allocations, SunWater has a role in relation to the third type of trade - approving and accounting for seasonal sales by the Water Trader and trades made directly between customers within a SunWater scheme.

SunWater’s approval process involves checking and processing an Application for Temporary Transfer form (see Appendix 2) signed by the buyer and the seller (including, where relevant, the Water Trader on behalf of SunWater).

Since October 2011, SunWater has contracted the Adelaide-based Waterfind Pty Ltd to sell its seasonal assignments of water and to encourage water trading generally. Waterfind acts as a broker, and does not buy or sell water in its own right.

There has been a significant increase in trades in 2013-14, as shown in Figure 1.

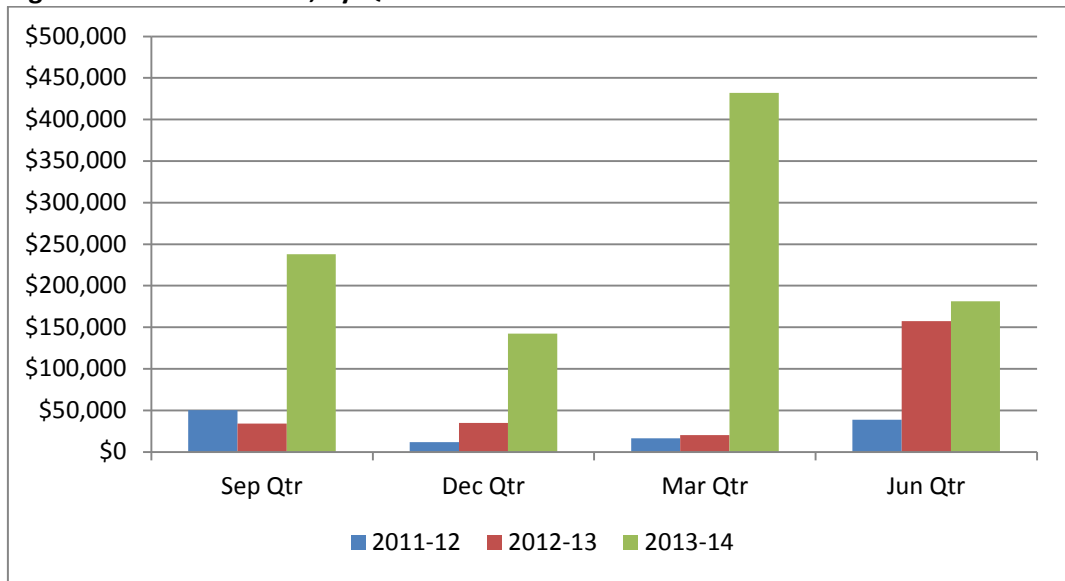
**Figure 1: Volume of Trades, by Quarter**



This increase would be attributable to improved conditions for water trading, as well as a greater awareness by allocation holders about their opportunity to trade water.

The value of trades has similarly increased, as shown in Figure 2.

**Figure 2: Value of Trades, by Quarter**

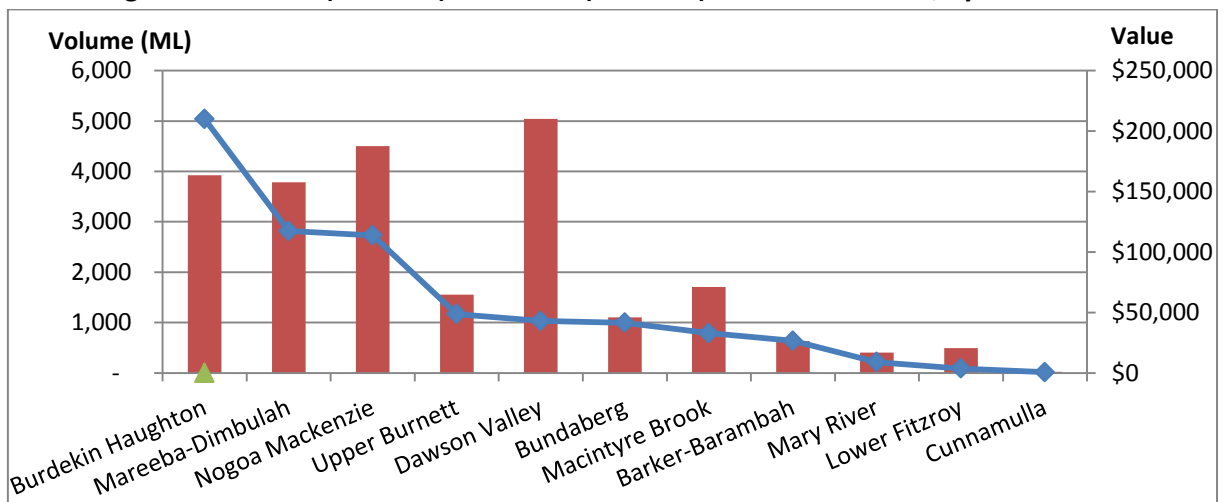


In the 2013-14 water year:

- Waterfind conducted 112 trades of water, totaling 14,329ML, with a value of \$994,363;
- Of these, 50 trades were of SunWater allocations, totaling 7,400ML, with a value of \$422,404.

The distribution of 2013-14 trades across the SunWater schemes is shown in Figure 3.

**Figure 3: Volume (Blue line) and Value (Red bars) of 2013-14 Trades, by Scheme**





## **1.5 Queensland Government Policy Proposals**

Two Queensland Government policy proposals could have an impact on water trading in the State, as discussed below.

### **1.5.1 Local Management of Schemes**

As noted in the previous review, the Government has provided the opportunity for the local management of SunWater's eight channel irrigation schemes – at Bundaberg, Burdekin, Emerald, Eton, Lower Mary, Mareeba-Dimbulah, St George and Theodore. The process involved business proposals being provided to Government by March 2014.

As the outcome of the initiative is not yet known, the extent to which its implementation will affect SunWater's future water trading function, and the roles of Waterfind and the irrigator-owned entities – particularly in relation to trades between irrigators, rather than of SunWater's own seasonal allocation – is yet to be determined.

### **1.5.2 Lease of Industrial Pipelines**

The Government has announced it is considering the long term leasing of SunWater's industrial pipelines. From SunWater's perspective, it is not expected that this would have any significant impact on its water trading function.

## 2. Water Trading Roles and Procedures

### 2.1 Announcement of Allocations

SunWater's process for announcing allocations involved:

1. the Yield Hydrology team:
  - a. initiating or reviewing announced allocations;
  - b. calculating allocations in accordance with the water sharing rules in the relevant Resource Operations Plan (ROP) by reviewing the storage data in SAP and usage data in BILL (Orion) and confirming its currency with the regional office;
2. the Billing and Compliance team:
  - a. auditing the announced allocation calculations;
  - b. communicating the announced allocation (by SMS or written advice) to customers; to the Department of Energy and Water Supply in a Notification and Operations Report in accordance with the relevant ROP and, where still required by the ROP for that scheme, by news media.

The announcement of allocations occurs at the start of the water year (which is 1 April for Eton, 1 October for Dawson, and 1 July for all other schemes). If less than 100% is allocated at the start of the year, the percentage is reviewed later in the year, as required by the ROP for that scheme. Depending on the scheme, the review and any new announced allocation is made either monthly, quarterly or within 10 days of a major inflow if the allocation increase is greater than 5%.

### 2.2 Water Broker Role

SunWater's contract with Waterfind specifies that the broker has the following roles:

- to sell rights to annual water use for SunWater-held allocations as seasonal assignments;
- to develop an Annual Water Trading Plan consistent with SunWater's Scheme Water Trading Strategies (which in turn are based on its Annual Portfolio Strategy). The Plan is to contain:
  - location of trades (Water Exchange, direct negotiations, auction or tender);
  - volumes to be traded;
  - trading frequency and timing;
  - predicted reserve prices;
  - KPIs agreed with SunWater.
- to report:
  - a monthly trust account reconciliation;
  - quarterly reports;
  - an annual report;
- to develop a Quality Management Plan;
- planning, strategy and publicity, including annual tours of the 10 largest schemes;
- to have accounts with SunWater for each scheme (and each zone within a scheme) within which water can be traded. SunWater is to transfer to these accounts all volumes that are announced in the Scheme Trading Strategies or that become available;

- to provide access to the process and systems for itself to facilitate the annual water trading audit; and
- to be paid:
  - a sales commission;
  - an annual fee for trading plans, marketing and reporting;
  - the reimbursement of approved expenses; and
  - an incentive of a proportion of the excess of sales revenue over marketing costs and SunWater's minimum prices.

Following SunWater's announcement of allocations, the broker's exchange shows SunWater's allocations in the same manner as other sell orders.

### **2.3 SunWater's Approval Process**

When a temporary trade occurs (either through the broker or directly between customers), SunWater's approval process is for the Billing and Compliance team to check that:

1. the Temporary Transfer forms have been signed by both the seller and the buyer
2. the specified volume of water is available in the seller's account
3. the seller's account is not in arrears
4. the transfer is within the same scheme, in accordance with the water sharing rules in the relevant ROP, and within or between zones not subject to a physical constraint on transfer
5. the transfer will not result in a significant water loss (or if it does, approving it to occur at a future time when there are sufficient flows to minimise loss).

Provided these criteria are met, the transfer is approved. The timeliness of the approval process is subject to a performance measure agreed by COAG – namely, 95% of trades to be approved within 5 business days of a fully completed form being received.

SunWater has nearly always been able to approve 100% of trades within this timeframe. The water trader has reported that, for 2013-14, all of the 112 trades were settled within two business days of SunWater's approval.

### **2.4 Potential Conflicts**

As noted in section 1.3, SunWater's roles in operating water infrastructure, determining announced allocations and approving temporary trades create a potential for conflicts of interest in relation to its access to market-sensitive and confidential information.

Information on intended announced allocations, and hence the supply of water available for sale in a scheme or sub-scheme would generally be a major determinant of its price, together with knowledge of bids for the purchase of water from other potential buyers, and of the sale of water by competing allocation holders.

In practice, potential buyers can estimate the volume of water to be allocated by:

- reference to the water sharing formula in the ROP or IROP for the scheme or sub-scheme; and

- observation of inflows, and of the water level in the system.

In relation to the confidential information on bids by buyers and competing sellers, SunWater has not had access to this information since the outsourcing of the water trader function and the decommissioning of its online Exchange.

Hence, the current arrangements generally overcome the risk of a conflict of interest between SunWater's roles in trading water.

## **2.5 Complaints**

Inquiries to Queensland Treasury and Trade indicate the Department is not aware of any complaints being made about SunWater's compliance with the Code of Conduct. At the same time, the Department agreed that the Queensland Competition Authority or the Department of Energy and Water Supply would be the more natural recipient for complaints of this nature.

The Queensland Competition Authority advised that it had not had any complaints since the previous review. (The previous review investigated one water trading issue that was advised by the Authority but found that it was not a relevant complaint).

As well, SunWater has advised it is not aware of any complaints, and has not reported any in its 2013-14 annual report.

## 3. Findings and Recommendations

### 3.1 Findings

Our review found:

1. no shortcomings in relation to SunWater's internal procedures:
  - to ensure compliance with the Water Trading Code of Conduct;
  - relating to the protection of confidential information and the disclosure of market information;
2. no indication of discriminatory approval of water trades and no record of disputes notified to SunWater or Queensland Treasury and Trade;
3. no indication that SunWater has breached the Code.

### 3.2 Recommendations

In accordance with these findings, our review does not make any recommendations for improvements to SunWater's water trading mechanisms and procedures.

From a broader perspective though, it does make a number of recommendations, as follows:

1. If and when it is decided to transfer any of the channel irrigation schemes to local management, ***it is recommended that SunWater assess the impacts on itself, Waterfind and the local management entities to identify in a timely way any changes needed to its processes and to the Water Trading Code of Conduct.***
2. Given the advice from Queensland Treasury and Trade that the Queensland Competition Authority or the Department of Energy and Water Supply would now be the more natural recipients of any complaints about water trading in Queensland, ***it is recommended that SunWater consult with those agencies about amending the Code accordingly.***
3. Because SunWater's water trading function and arrangements with its outsourced broker have matured and been operating without identified compliance issues for a number of years, ***it is recommended that the continuing need for these independent annual compliance reviews, as currently required by the Code of Conduct, be reviewed.***

## Appendix 1: Code of Conduct



### Water Trading Code of Conduct

FN95\_C01  
Revision: 2  
Last Revision Date: FEB 2014  
Next Revision Date: FEB 2016  
Approved by: GM Corp  
Owner: MGRFIN

#### PURPOSE AND SCOPE

The purpose of this Code of Conduct is to set out how SunWater will carry out its water trading activities within the portfolio strategy and scheme trading strategies approved by the SunWater Board. These activities comprise SunWater's water trading through permanent and temporary transfers, and term allocations.

SunWater seeks to put in place mechanisms to establish a well designed trading framework for its own allocations that is transparent and provides clarity to market participants. At the same time, SunWater seeks to allow a formative water market to develop in a competitive environment that can deliver economic benefits to water users and regional economies.

#### OBJECTIVES

The objectives of this Code are to:

- Ensure open and transparent access to a water trading market for buyers seeking to purchase water;
- Set out to market participants how SunWater will go about trading its water allocations;
- Provide an auditable process and policies to enable market participants to have confidence that SunWater is complying with its Code;
- Develop and grow water markets for the benefit for all water allocation holders and water users;
- Provide the opportunity to educate water users so as to develop an informed market; and
- ♦ Assure integrity within the water trading market.

#### CODE UNDERTAKINGS

##### 1. Market Facilitation and Education

SunWater will make market information publicly available through its website. This information will include:

- ♦ Up to date announced allocations for each scheme;
- ♦ Development proposals for new or augmentation of water infrastructure in each scheme;
- Release of new water allocation (permanent and temporary);
- SunWater trading intentions for each scheme ;
- ♦ The total volume available in a particular water supply scheme at any time, and volumes used and the residual volumes potentially available for trading in the market (based on the most recent data available);
- Historic information on water use;
- ♦ Total volumes traded over the current Water Year;
- Historic information on trading prices;
- Regulated price information and, where available, commercial delivery prices ;
- Storage levels and streamflows; and
- ♦ Historic rainfall.

SunWater Quality Management System	<i>Uncontrolled Copy Validate Currency when Printed</i>	Page 1 of 4
------------------------------------	---	-------------



## Water Trading Code of Conduct

FN95\_C01  
Revision: 2  
Last Revision Date: FEB 2014  
Next Revision Date: FEB 2016  
Approved by: GM Corp  
Owner: MGRFIN

Where SunWater is not the custodian of all market information, it will provide links to the relevant websites, such as the Department of Energy and Water Supply.

### 2. Transparent Trading Processes

SunWater will publish, for all its Water Supply Schemes where it holds any water allocations that it can trade, information as to how it will release the water allocations it holds, for either permanent transfer, term allocation, or temporary transfer to the market.

This information will include:

- The volume of water to be made available by product (that is permanent, lease or seasonal assignment); and
- The timing of volumes to be made available.

These trading intentions will be made available on SunWater's website from time to time as appropriate. SunWater will utilise the services of an out-sourced external trader as a broker of all temporary trades of SunWater announced allocations.

### 3. Pricing

In general, SunWater will operate within normal market mechanisms when it trades or leases its allocations. This may take the form of:

- Trading through a public exchange;
- Offering its products through a tender or auction process outside of any public exchange; or
- Through direct negotiation with customers, via the SunWater broker.

### 4. Non-discriminatory Pricing

SunWater will not discriminate in its pricing between different customers where the same product is being traded at the same point in time.

### 5. Approval of Trades

In performing its function of approving trades between customers, SunWater will decide approvals in accordance with the published criteria and conditions applying to the type of trade.

#### 5.1 Approval of Seasonal Assignments (Temporary Trades)

In approving Seasonal Assignments (temporary trades) SunWater will:

- Not discriminate between seasonal assignments involving customers and seasonal assignments involving SunWater; and
- Decide approvals in accordance with published temporary trade criteria contained in temporary trade application forms published on the SunWater web site.

SunWater Quality Management System	<i>Uncontrolled Copy Validate Currency when Printed</i>	Page 2 of 4
------------------------------------	---	-------------



## Water Trading Code of Conduct

FN95\_C01  
Revision: 2  
Last Revision Date: FEB 2014  
Next Revision Date: FEB 2016  
Approved by: GM Corp  
Owner: MGRFIN

Where SunWater is not the custodian of all market information, it will provide links to the relevant websites, such as the Department of Energy and Water Supply.

### 2. Transparent Trading Processes

SunWater will publish, for all its Water Supply Schemes where it holds any water allocations that it can trade, information as to how it will release the water allocations it holds, for either permanent transfer, term allocation, or temporary transfer to the market.

This information will include:

- The volume of water to be made available by product (that is permanent, lease or seasonal assignment); and
- The timing of volumes to be made available.

These trading intentions will be made available on SunWater's website from time to time as appropriate. SunWater will utilise the services of an out-sourced external trader as a broker of all temporary trades of SunWater announced allocations.

### 3. Pricing

In general, SunWater will operate within normal market mechanisms when it trades or leases its allocations. This may take the form of:

- Trading through a public exchange;
- Offering its products through a tender or auction process outside of any public exchange; or
- Through direct negotiation with customers, via the SunWater broker.

### 4. Non-discriminatory Pricing

SunWater will not discriminate in its pricing between different customers where the same product is being traded at the same point in time.

### 5. Approval of Trades

In performing its function of approving trades between customers, SunWater will decide approvals in accordance with the published criteria and conditions applying to the type of trade.

#### 5.1 Approval of Seasonal Assignments (Temporary Trades)

In approving Seasonal Assignments (temporary trades) SunWater will:

- Not discriminate between seasonal assignments involving customers and seasonal assignments involving SunWater; and
- Decide approvals in accordance with published temporary trade criteria contained in temporary trade application forms published on the SunWater web site.

SunWater Quality Management System	Uncontrolled Copy Validate Currency when Printed	Page 2 of 4
------------------------------------	---	-------------





## Water Trading Code of Conduct

FN95\_C01  
Revision: 2  
Last Revision Date: FEB 2014  
Next Revision Date: FEB 2016  
Approved by: GM Corp  
Owner: MGRFIN

### 5.2 Approval of Permanent Trades

#### 5.2.2 Interim Water Allocations (IWA)

Permanent trades of IWA will be approved by the Department of Energy and Water Supply in accordance with the relevant Interim Resource Operation Plan published on the Department's website.

#### 5.2.3 Water Allocation

Permanent trades of water allocation will be approved by the Chief Executive. SunWater will not discriminate between sales involving customers and those involving SunWater.

### 5.3 Approval of Term Allocations

In approving term allocations SunWater will:

- Not discriminate between leases involving customers and those involving SunWater; and
- Decide approvals in accordance with the relevant scheme Resource Operation Plan or Interim Resource Operation Plan published on the Department of Energy and Water Supply website.

### 6. Disclosure of Contract Details

SunWater's standard water delivery and water trading contracts will be made available on its website.

### 7. Compliance

SunWater will establish and maintain appropriate internal procedures to ensure that it complies with the undertakings within this Code of Conduct.

SunWater will demonstrate the adequacy of these procedures through an annual audit that will be conducted by an independent external party. The audit will report on SunWater's compliance with this Code, Water Trading Policies and Procedures.

The terms of reference for the audit will be available on SunWater's website.

The Audit report, with commercially sensitive information removed, will be published on SunWater's website.

### 8. Ring-fencing

To assist in promoting competition and assuring integrity in water trading in schemes owned by SunWater, SunWater will put in place systems and procedures through its ring-fencing arrangements to ensure its water trader only has access to market information that is available to every other market participant. The ring-fencing arrangements will be documented in the "Ringfencing Guidelines" which will be published on SunWater's website. SunWater will utilise the services of an out-sourced external trader as a broker of all temporary trades of SunWater announced allocations.

### 9. Binding Dispute Resolution

SunWater Quality Management System	<i>Uncontrolled Copy Validate Currency when Printed</i>	Page 3 of 4
------------------------------------	---	-------------



## Water Trading Code of Conduct

FN95\_C01  
Revision: 2  
Last Revision Date: FEB 2014  
Next Revision Date: FEB 2016  
Approved by: GM Corp  
Owner: MGRFIN

### 5.2 Approval of Permanent Trades

#### 5.2.2 Interim Water Allocations (IWA)

Permanent trades of IWA will be approved by the Department of Energy and Water Supply in accordance with the relevant Interim Resource Operation Plan published on the Department's website.

#### 5.2.3 Water Allocation

Permanent trades of water allocation will be approved by the Chief Executive. SunWater will not discriminate between sales involving customers and those involving SunWater.

### 5.3 Approval of Term Allocations

In approving term allocations SunWater will:

- Not discriminate between leases involving customers and those involving SunWater; and
- Decide approvals in accordance with the relevant scheme Resource Operation Plan or Interim Resource Operation Plan published on the Department of Energy and Water Supply website.

### 6. Disclosure of Contract Details

SunWater's standard water delivery and water trading contracts will be made available on its website.

### 7. Compliance

SunWater will establish and maintain appropriate internal procedures to ensure that it complies with the undertakings within this Code of Conduct.

SunWater will demonstrate the adequacy of these procedures through an annual audit that will be conducted by an independent external party. The audit will report on SunWater's compliance with this Code, Water Trading Policies and Procedures.

The terms of reference for the audit will be available on SunWater's website.

The Audit report, with commercially sensitive information removed, will be published on SunWater's website.

### 8. Ring-fencing

To assist in promoting competition and assuring integrity in water trading in schemes owned by SunWater, SunWater will put in place systems and procedures through its ring-fencing arrangements to ensure its water trader only has access to market information that is available to every other market participant. The ring-fencing arrangements will be documented in the "Ringfencing Guidelines" which will be published on SunWater's website. SunWater will utilise the services of an out-sourced external trader as a broker of all temporary trades of SunWater announced allocations.

### 9. Binding Dispute Resolution

SunWater Quality Management System	Uncontrolled Copy Validate Currency when Printed	Page 3 of 4
------------------------------------	---	-------------



## Water Trading Code of Conduct

FN95\_C01  
Revision: 2  
Last Revision Date: FEB 2014  
Next Revision Date: FEB 2016  
Approved by: GM Corp  
Owner: MGRFIN

---

All customers and prospective customers will have access to a binding dispute resolution process for complaints in respect to SunWater's compliance with this Code that cannot be resolved through negotiation.

A copy of SunWater's dispute resolution framework will be made available on SunWater's website.

### 10. Breaches of SunWater's Water Trading Code of Conduct

Immediately upon becoming aware that the breach has occurred, SunWater will provide a report of any breach of any of its commitments under this Code of Conduct to Queensland Treasury.

Potential breaches of the Code will be investigated by an independent body agreed between both parties. The final report of the investigation will be provided to Treasury.

Where it has been found that SunWater has committed a breach of Code, the nature and resolution of the breach will be publicly reported in SunWater's Annual Report.

### 11. Revisions to the Code of Conduct

Revisions to this Code of Conduct will be approved by Shareholding Ministers prior to implementation and will be published on the SunWater web site.

### REFERENCES

*Water Trading Policy*

SunWater Quality Management System	<i>Uncontrolled Copy Validate Currency when Printed</i>	Page 4 of 4
------------------------------------	---	-------------

## Appendix 2: Application for Temporary Transfer



### APPLICATION FOR TEMPORARY TRANSFER

<b>Part A – Seller Details</b>	
Customer Account ID <input style="width: 80%;" type="text"/>	Water Account ID <input style="width: 80%;" type="text"/>
Account _____ (Print Name)	Holders _____ (Print Name)
Who can we contact regarding this application? (MUST be a Contact Profile on this account)	
Name _____	Phone _____
Address _____	Alternate Phone _____
	Fax _____
Select Preferred Notification Method	Email: <input type="checkbox"/> Email Address _____
	SMS Message: <input type="checkbox"/> Mobile Phone # _____
<b>Part B – Buyer Details</b>	
Customer Account ID <input style="width: 80%;" type="text"/>	Water Account ID <input style="width: 80%;" type="text"/>
Account _____ (Print Name)	Holders _____ (Print Name)
Who can we contact regarding this application? (MUST be a Contact Profile on this account)	
Name _____	Phone _____
Address _____	Alternate Phone _____
	Fax _____
Select Preferred Notification Method	Email: <input type="checkbox"/> Email Address _____
	SMS Message: <input type="checkbox"/> Mobile Phone # _____
<b>Part C – Transfer Volume Details</b>	
Seller's Nominated Transfer Volume _____ ML	Water Year _____ / _____
<b>Part D – Transfer Statement</b>	
<p><small>This application is made under the standard Water Supply Contract and is a Seasonal Water Assignment under the Water Act 2000. The Seller warrants that they have sufficient water available under their contract with SunWater for the proposed temporary transfer. The Seller requests to reduce the volume available to them by the Nominated Transfer Volume and the Buyer requests to increase the volume available to them by the Assessed Volume. The Buyer warrants they have approval under the Integrated Planning Act for their pump taking the water. The Buyer and Seller acknowledge that they have read and agree to the Transfer Conditions on the back of this form and acknowledge that in addition to the Transfer Conditions this application will be assessed by SunWater in accordance with the Local Conditions for the water supply scheme in place on the day that SunWater receives this application.</small></p> <p><small>This form must be signed by ALL those listed as Customers on the Water Supply Contract or listed as holders of the Interim Water Allocation/Water Allocation ("Relevant Signatories"). The Relevant Signatories may sign this form personally, or an authorised person may sign on their behalf. SunWater accepts the signatures of persons authorised to sign under a SunWater "Appointment of Agent Form", and persons authorised to sign under a relevant Power of Attorney, where a copy of that Power of Attorney is attached/already submitted. Authorised persons should specify on whose behalf they are signing, and whether they are signing under an Appointment of Agent Form or a Power of Attorney. Please note, a SunWater Online Customer Principal does not have authority to sign a manual temporary transfer form. By signing this you are agreeing that you have read the current local conditions for the relevant Scheme available from <a href="http://sunwateronline.com.au">sunwateronline.com.au</a>, or from SunWater.</small></p>	
<b>Signed by all Relevant Signatories</b>	
Seller's Signature(s): _____	Date: _____
Signed on behalf of Seller Specify where relevant:	<input type="checkbox"/> Under Power of Attorney (copy attached/already submitted) <input type="checkbox"/> Under Appointment of Agent Form <input type="checkbox"/> Multiple/Combined Delivery Form
Buyer's Signature(s): _____	Date: _____
Signed on behalf of Seller Specify where relevant:	<input type="checkbox"/> Under Power of Attorney (copy attached/already submitted) <input type="checkbox"/> Under Appointment of Agent Form <input type="checkbox"/> Multiple/Combined Delivery Form

**SunWater – Phone 13 15 89**

PO Box 15536  
CITY EAST QLD 4002

Fax: 07 3120 0249  
Email: [customersupport@sunwater.com.au](mailto:customersupport@sunwater.com.au)

You can view our **Privacy Policy** at [www.sunwater.com.au](http://www.sunwater.com.au)

**1. What is a temporary transfer**

A temporary transfer enables two customers to transfer available water in the current water year. Please note you can now perform temporary transfer online at [www.sunwater.com.au](http://www.sunwater.com.au).

The seller's remaining available water for the water year will be reduced by the Nominated Transfer Volume. The water available to the buyer will be increased by this volume, less any Loss Adjustment (the Assessed Volume).

The volume available to the buyer is not affected by any increases in Announced Allocation during the water year.

Temporary transfers do not alter the buyer or seller's access conditions for taking water from a channel or pipeline.

**2. Volume that can be transferred**

The maximum amount the seller may transfer is the volume available to the seller on their water account at the time of application. By signing this form, the seller warrants they have sufficient water available for the temporary transfer. The Seller is encouraged to check their meter reading to determine if such water is available.

Available water balances can be viewed at SunWaterOnline.

If the Seller applies to transfer more than their available water, they will be in breach of their supply contract with SunWater.

**3. Application**

To apply for a transfer, both the buyer and seller should complete and sign this application form and submit it either by Fax, Email or Mail as per the details above.

End of Water Year applications - Please ensure the application form is submitted at least five (5) business days prior to the end of the current water year.

SunWater will notify the buyer and seller within 5 business days of receiving all applications (correctly completed) whether the temporary transfer has been approved or refused. The rules applied by SunWater in determining whether to approve or refuse a temporary transfer can be found in the Local Conditions, specific to each water supply scheme. A copy of these Local Conditions is attached. However, the Local Conditions applying to your application will be the Local Conditions in place on the day your application is received by SunWater. A copy of the current Local Conditions can be obtained by contacting SunWater or from [www.sunwater.com.au](http://www.sunwater.com.au).

You should contact SunWater prior to signing the application form to ensure you have a current version of the application form and a current copy of the Local Conditions. Your application will not be assessed by SunWater unless you have used the most up-to-date version of the application form.

**WARNING**

- Any transfer of money between the buyer and the seller is made at their own risk.
- The buyer should not begin accessing the water from a temporary transfer until they receive the written confirmation from SunWater that the temporary transfer has been approved. If a buyer exceeds its existing entitlement and the temporary transfer is refused, SunWater is required to report the buyer to the Department of Environment and Resource Management.
- Customer should be aware that any temporary transfer undertaken in conjunction with a Carryover application is subject to the Carryover Cancellation rules for that Scheme.

**4. Land and Water Management Plan**

You may wish to contact the Department of Environment and Resource Management to clarify any requirements for a Land and Water Management Plan.

**5. Supply Contract**

The buyer must have a supply contract with SunWater for delivery of the water prior to the application being made. To accelerate the processing of this form, please ensure all accounts are current.

Where the seller may have an arrangement with SunWater for payment of outstanding charges, SunWater may approve the transfer subject to these proceeds being paid to SunWater to reduce the outstanding amount. You can check your balance if you are registered with SunWaterOnline.

**6. Transfer Adjustment Fee**

A Transfer Adjustments Fee, equal to the value of SunWater's applied irrigation price subsidy, will be payable where water is transferred from a regulated irrigation pricing use to a non-irrigation use. It is the responsibility of the parties to any such temporary transfer to contact SunWater to ascertain this fee in advance of settlement.

A Transfer Adjustment Fee, equal to the value of any other SunWater subsidy or discount to full commercial pricing, will also be payable where water is transferred from any other subsidised use to a non-subsidised use. Again, it is the responsibility of the parties to any such transfer to contact SunWater to ascertain this fee in advance of settlement.

**7. Approved of Pumps**

The buyer must ensure they have obtained approval under the Integrated Planning Act for their pump. This may include prior approval under a license.

**8. Loss Adjustments**

Under normal conditions there are no loss adjustments. SunWater will advise applicants if a loss adjustment will be required.