



**POLICY:** Security Requirements on Entitlements

**POLICY NUMBER:** 036

**REVISION DATE:** SEPTEMBER 2014

**REVISED BY:** David Pengilly – Policy Committee

**APPROVED BY:**

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**Purpose:** To provide a guideline when determining whether additional security should be obtained from a member holding entitlements within JIL.

**Scope:** Any entitlement holder within JIL where the Delivery Entitlements held, exceed the Water Entitlements held by more than a multiple of five.  
*Any determination of security pursued by JIL should not contradict the ACCC water Market Rules 2009 (extract included).*

**Procedure:** The JIL Board will, at its discretion, determine on a case by case basis as to whether security will be required to allow a trade of any entitlements to proceed.

**10 Security may be required for payment of fees or charges for delivery of water**

- (1) Where a person, by written notice given to an irrigation infrastructure operator under subrule 8 (1), requires the continuation of a right to have water delivered by the operator after transformation of the whole or a part of an irrigation right and, after the transformation, either:
- (a) the person ceases to hold any part of the irrigation right (except as provided in subrule 7 (8)); or
  - (b) the person holds a part of that right but the volume of water to delivery of which the person is entitled under the water delivery right in respect of the current financial year (disregarding any constraints on delivery) is more than 5 times the volume of water that the person is entitled to receive in respect of that year under the part of the right held by the person (excluding, if the person holds a part of an irrigation right as provided in subrule 7 (8), the volume of water taken to be the share of a fixed network loss);

the operator may, subject to this rule, require security to be given by the person for the payment of fees or charges for access to the operator's irrigation network for the delivery of water to the person after the transformation.

- (2) An irrigation infrastructure operator must not require security to be given by a person under this rule in an amount that, at the time the security is given:
- (a) exceeds the amount that, under the *Water Charge (Termination Fees) Rules 2009*, would be payable to the irrigation infrastructure operator for the termination of the water delivery right held by the person against the operator at that time; or
  - (b) if there is no such amount, exceeds the amount of the total network access charge within the meaning of those Rules payable to the operator in respect of the year in which the security is given.
- (3) An irrigation infrastructure operator must not refuse to accept security by reason only of the form in which it is offered if a person offers it in 1 or more of the following forms:
- (a) where part of an irrigation right is transformed, a charge over a part of the irrigation right that the person continues to hold;
  - (b) a charge over an unencumbered water access entitlement, or an unencumbered part of a water access entitlement, obtained by the person as the result of the transformation of part of an irrigation right;
  - (c) a charge over any other unencumbered water access entitlement, or unencumbered part of a water access entitlement, held by the person;
  - (d) a guarantee given by an authorised deposit-taking institution within the meaning of the *Banking Act 1959*;
  - (e) a deposit lodged with the irrigation infrastructure operator;
  - (f) any other form of security agreed upon by the irrigation infrastructure operator and the person.

*Note* Rule 18 provides that security must not be required or given in relation to transformation arrangements except as provided in this rule.