



Kaweah Subbasin Water Marketing Strategy

Strategy Committee Meeting
August 23, 2022

Agenda

1. Welcome and Roll Call
2. Previous Meeting Recap
 - a. Pilot Market Exercise
 - b. Australian Water Markets Presentation
3. Water Marketing Strategy
 - a. Baseline Resource Elements
 - i. Groundwater Sustainability Plan – Update
 - ii. Kaweah Subbasin Water Dashboard
 - b. Preliminary Framework
 - c. Approach
 - d. Decision Points
4. Adjourn

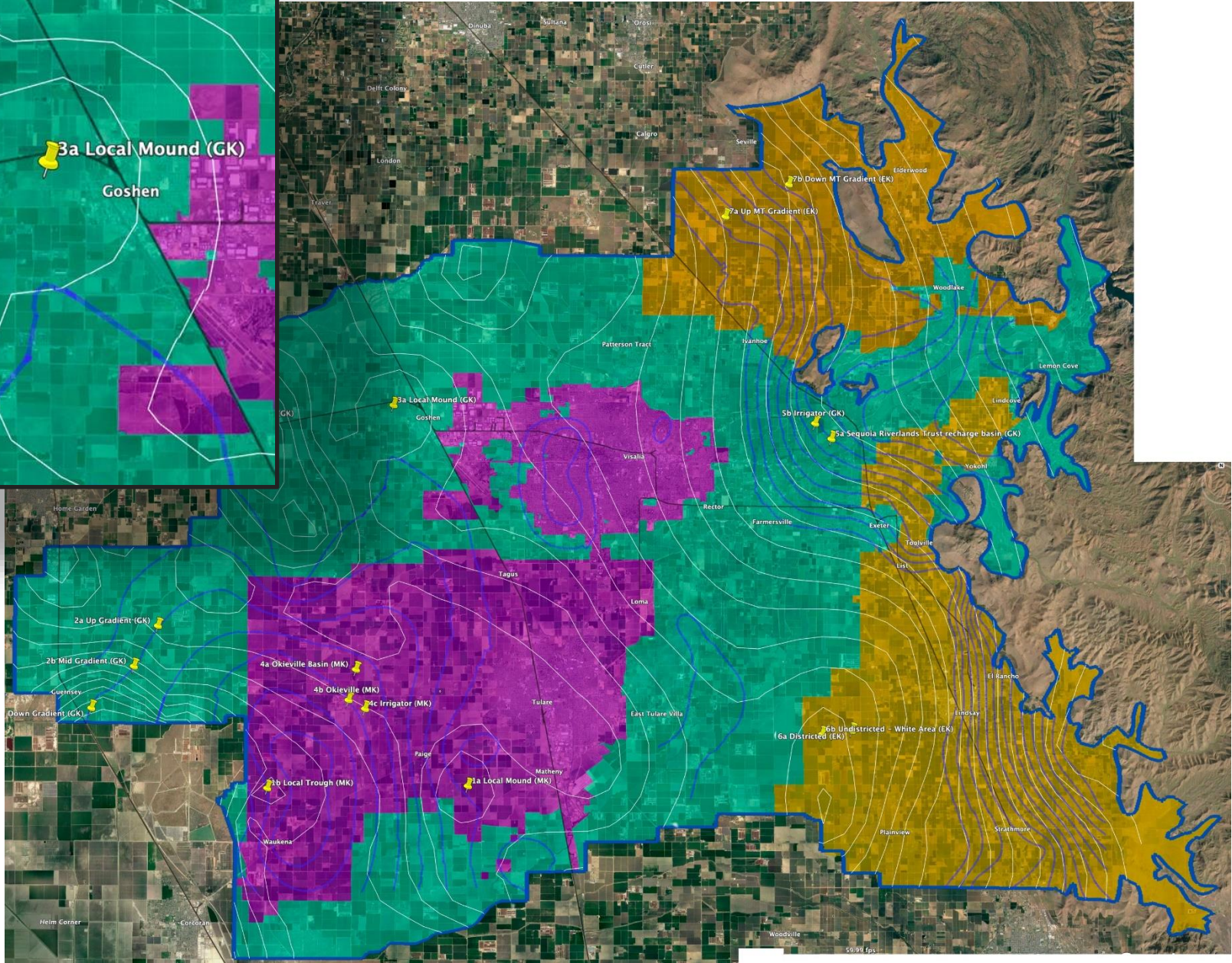


Welcome & Roll Call



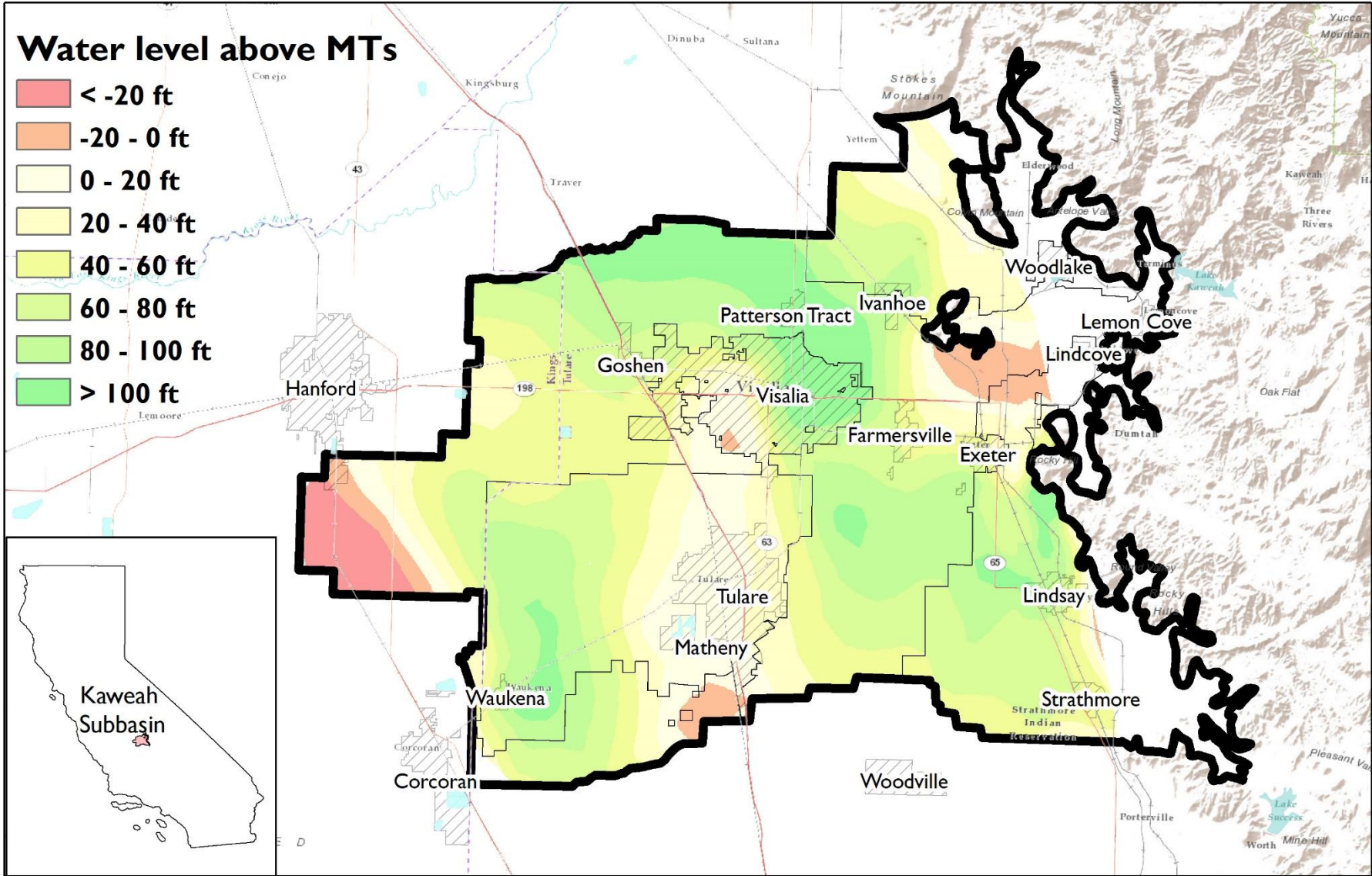
Previous Meeting Recap

Pilot Market Exercise



Pilot Market Exercise

Pilot Market Exercise



Pilot Market Exercise

2a Up Gradient (GK)

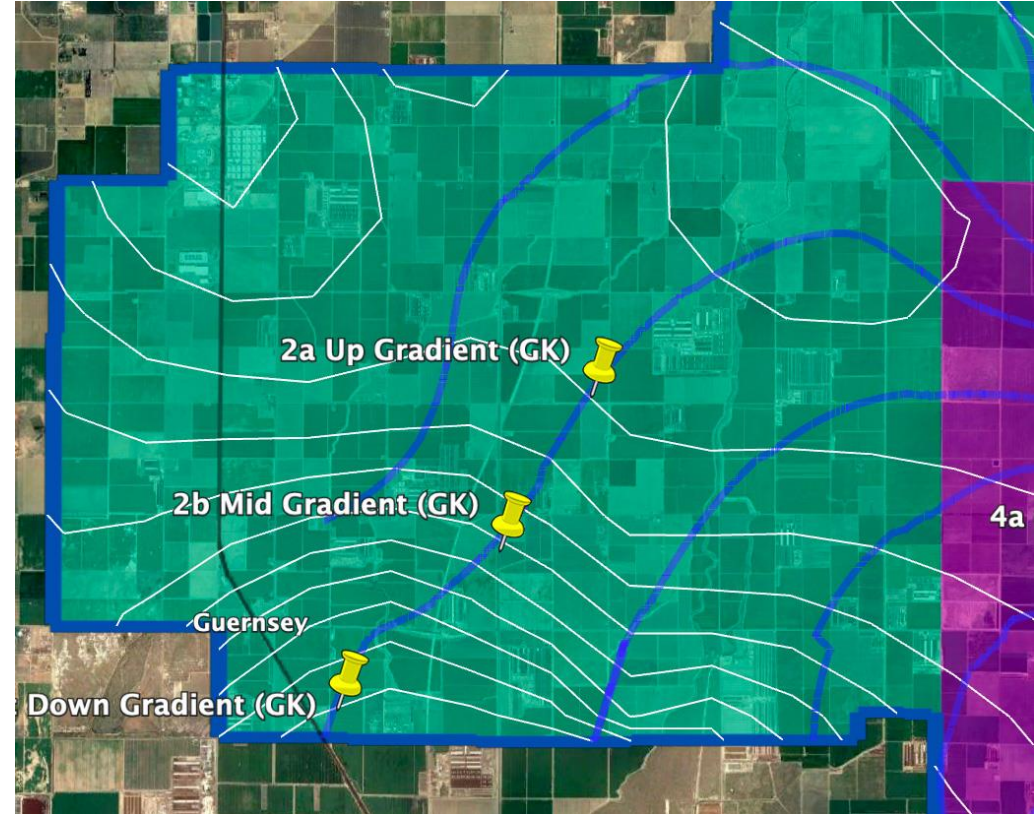
GWLevel 100
 MT 20
 Height above MT: 80

2b Mid Gradient (GK)

GWLevel 40
 MT 20
 Height above MT: 20

2c Down Gradient (GK)

GWLevel -60
 MT 20
 Height above MT: -80





Previous Meeting Recap

Lessons from Australian Water Markets

Lessons from Australian Water Markets

1. Market Mechanisms

2. Third Party Impacts

3. Price Information

- Related party transfers
- Bilateral contracts (including in association with sale of land)
- Broker facilitated bilateral contracts
 - Tenders
- Online exchanges and auctions

Lessons from Australian Water Markets

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A core challenge in Australian water markets is the patchwork of mechanisms. This creates transaction costs for participants, confidence issues, and imperfect information.

Having one market mechanism is probably the best way to go as you're getting started. Especially if it is going to be relatively small and they are going to be limited numbers of buyers and sellers.

There are a lot of benefits of being able to integrate the market platform with the water use registry.

Lessons from Australian Water Markets

1. Market Mechanisms
2. Third Party Impacts
3. Price Information

Trade zones and limits on movement between zones

Early limits on ownership and extent of trade removed progressively

Water plans periodically reviewed to examine science and impacts

Because people were concerned about third party impacts, Australia started small with localized markets focused on temporary trades in very confined areas. Water users and regulators both realized that they *didn't know what they didn't know*.

After they got experience and user buy-in, they began testing whether trading rules that were very restrictive could be relaxed without having third party impacts.

Starting simple and responding to stakeholder concerns has been critical to bringing people along.

Lessons from Australian Water Markets

1. Market Mechanisms
2. Third Party Impacts
- 3. Price Information**

List of all trades for Zone 1A Greater Goulburn

Show

25

entries

PRINT

EXPORT

| Date | Direction | Volume Traded(ML) | Price per ML(\$) |
|------------|-----------|-------------------|------------------|
| 15/07/2022 | within | 139.6 | 0.00 |
| 15/07/2022 | within | 2.5 | 0.00 |
| 15/07/2022 | within | 34.0 | 0.03 |
| 15/07/2022 | out of | 171.0 | 0.00 |
| 15/07/2022 | within | 100.0 | 65.00 |

We often harp about the value of good price information. Price information actually increases the value of water rights across the system.

We work with agricultural investors, and they will go to systems where there is good price information. They will value those systems higher. There are benefits for everyone in having good, publicly available price information.

The market becomes part of life for water users.



Water Market Pilot | Straw Proposal

Water Market Pilot | Straw Proposal

Basics

Program Period: October 1, 2022 – September 30, 2023.

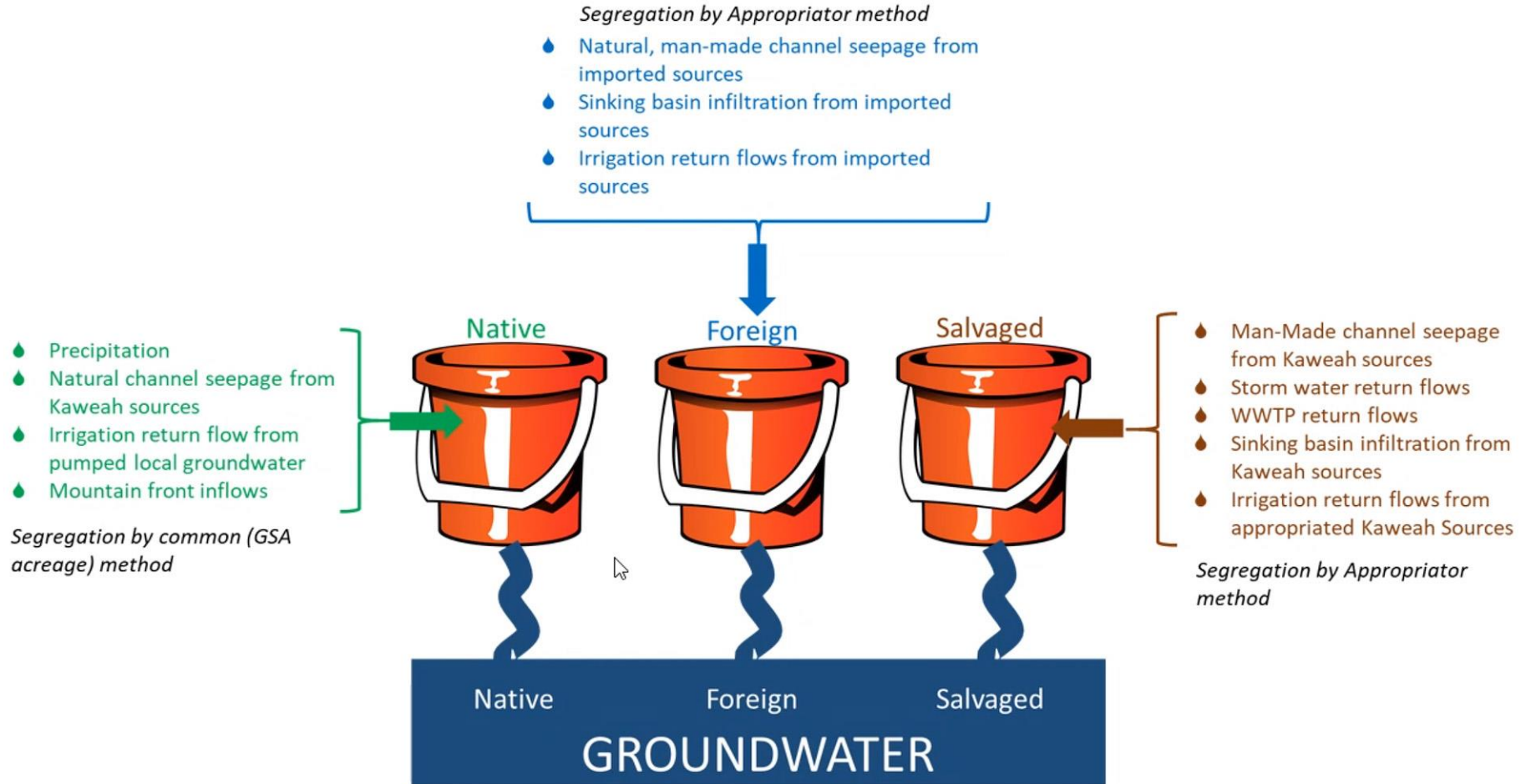
Unit Traded – one acre-foot of allocation (measured as ET) to be used during the Program Period

Water eligible for trade – a participant's allocation of *Native Yield*

Type of allowable trades – temporary transfer of up to *100% of unused Native Yield*

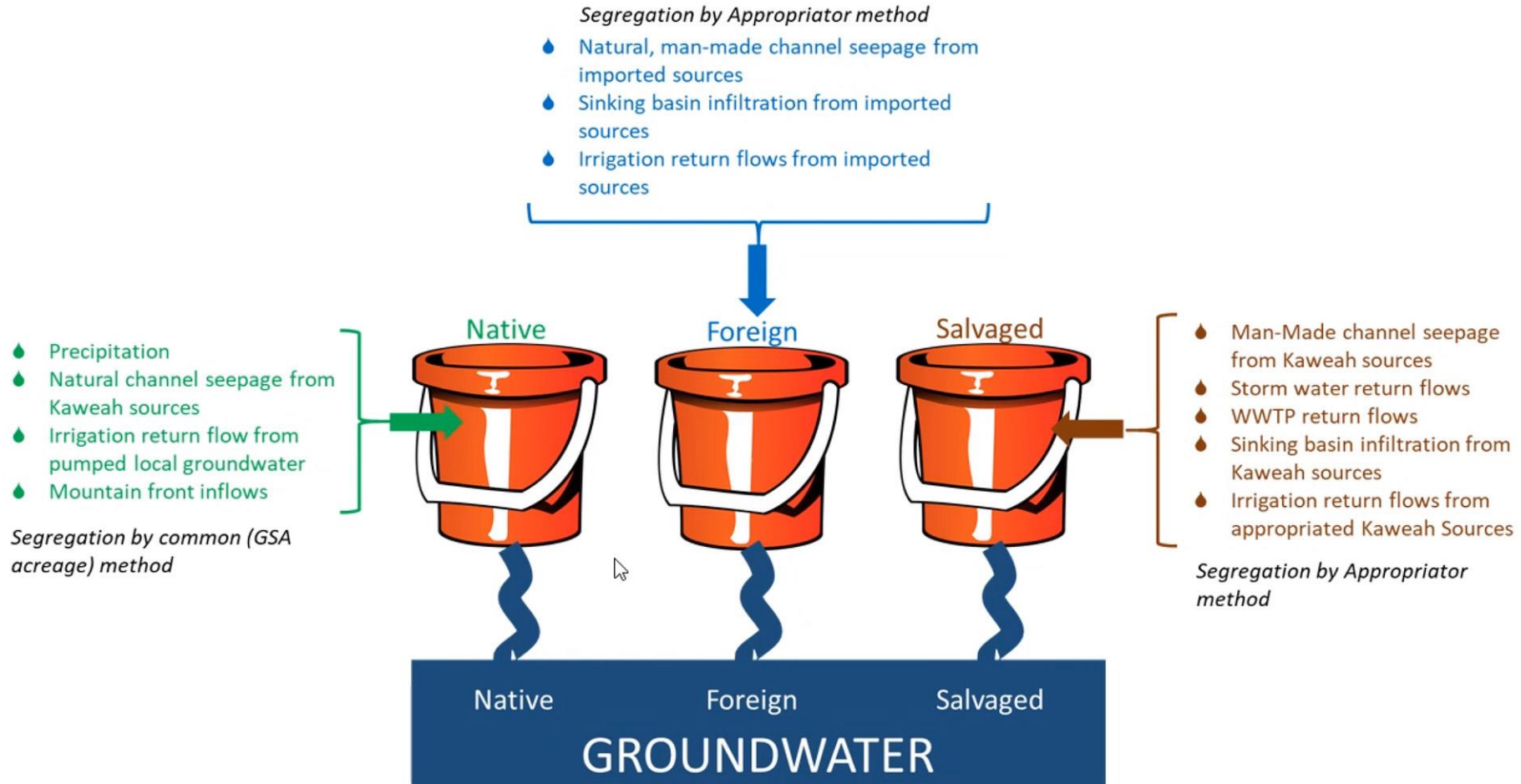
Eligible Participants – land owners within a given GSA who hold allocation and who are current with all GSA fees and in compliance with all GSA ordinances, rules and regulations

Water Market Pilot | Straw Proposal



Kaweah Subbasin Water Accounting Framework

Water Market Pilot | Straw Proposal



Kaweah Subbasin Water Accounting Framework

[Water Dashboard | Demo](#)

Water Market Pilot | Straw Proposal

Type of Exchange: FORMAL

Weekly auction ↔ Once a year auction

GSA-run ↔ Third Party facilitated

Price Information: AGGREGATE PRICE INFORMATION (anonymized)

YTD number of units transferred and average price

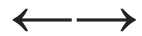
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- YTD number of units transferred and average price
- Weekly number of units transferred and weekly average price
 - Weekly number of units offered and average offer price
 - Weekly number of units bid and average bid price
 - Weekly high bid and low offer prices

Water Market Pilot | Straw Proposal

Mitigation of Adverse Impacts – MANAGEMENT ZONES

Every GSA-designated management area is a separate trading zone

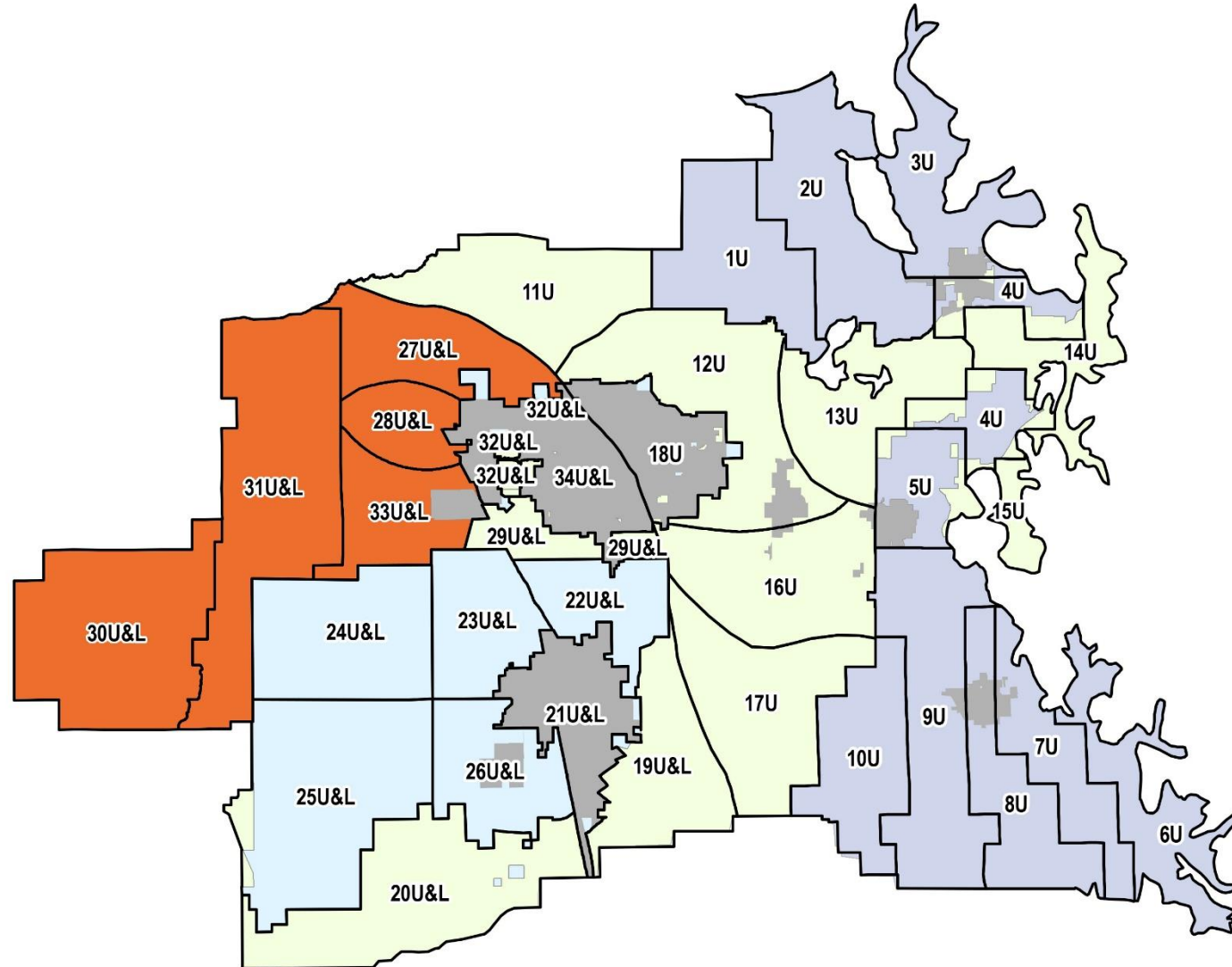


GSA-designated management areas are aggregated into a small number of trading zones

- Minimum Threshold trigger (individual zone drops out of group when MT is crossed)
- DAC trigger (trading within individual zone ceases when public well is within XX feet of bowl)

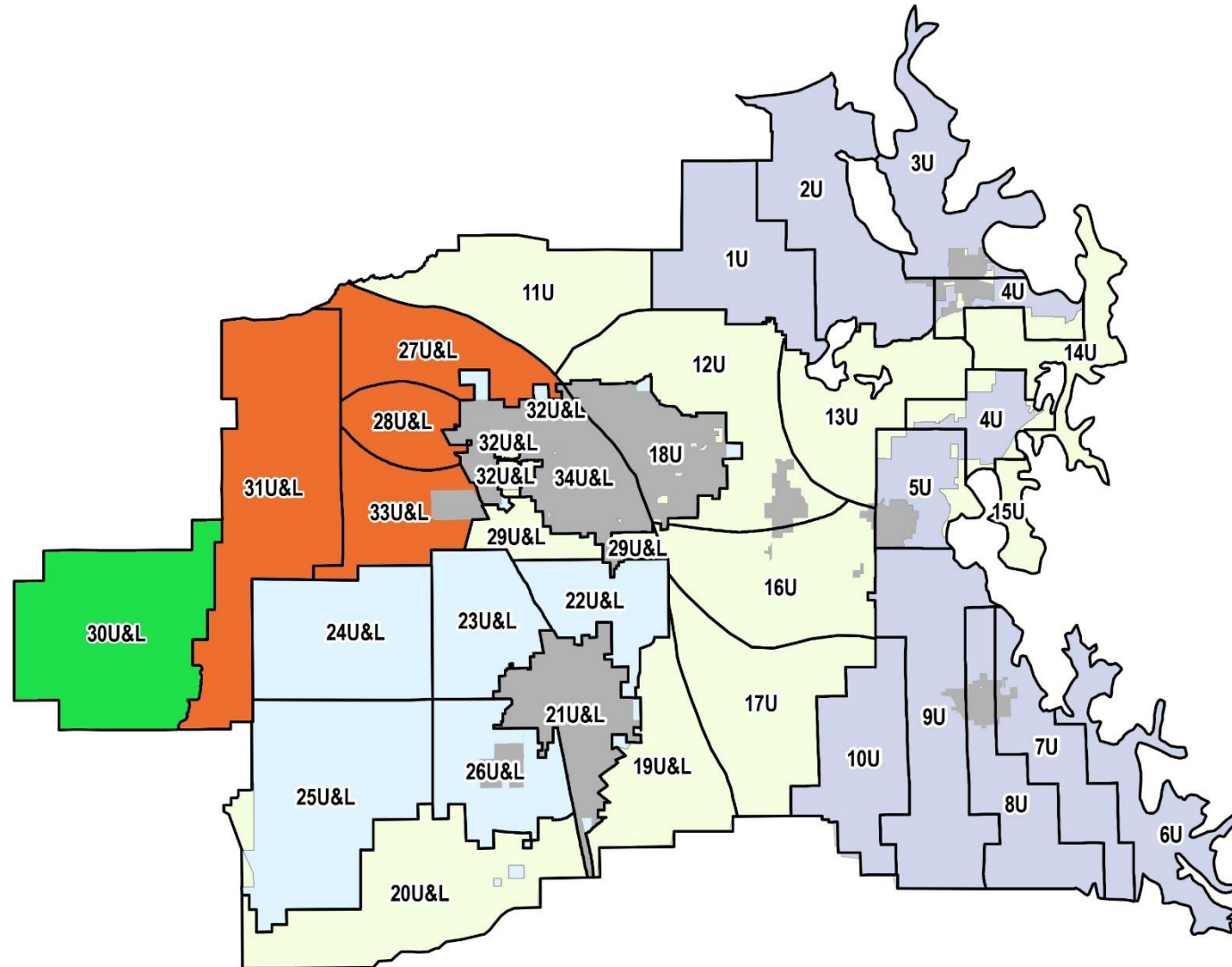
Water Market Pilot | Straw Proposal

Mitigation of Adverse Impacts – MANAGEMENT ZONES



Water Market Pilot | Straw Proposal

Mitigation of Adverse Impacts – MANAGEMENT ZONES





Adjourn

Water Market Guiding Principles

- **Flexibility**
Provide water users with the flexibility to comply with new regulations and to respond to changing water availability
- **Adaptability**
The WMS should promote adjustments in practices, rules and procedures as conditions change and as the experience of market participants grows and new information becomes available.
- **Transparency**
The process of developing the WMS and for conducting market activities should be visible and understandable to interested stakeholders. Transparency includes the availability of accurate and reliable water use data and the timely reporting of water market activity.
- **Do No Harm**
The WMS strategy should anticipate and avoid adverse impacts to water users and uses (add SGMA citation).
- **Equity & Inclusion**
The WMS should be developed with an open process that includes the full range of potential market participants and other interested parties. Implementation of the WMS should be relatively simple and understandable to interested parties.
- **(Structural Consistency)**
The WMS will develop a common framework available to the Kaweah Subbasin GSAs.