



Fact Sheet: Responsibility for Access Termination Fees

Access termination fees are charged by some irrigation corporations to protect remaining irrigators from the prospect of higher fixed costs caused by some irrigators leaving the scheme. When developing a group proposal for selling water entitlements to the Commonwealth and decommissioning or altering irrigation infrastructure, it is important to note that:

- Irrigators will be liable for any access termination fees imposed by their water provider.
- Where water supply infrastructure is to be decommissioned or altered as part of your proposal, it may be appropriate to modify the way in which the termination fee is calculated.
- The Government will only consider proposals where termination fees comply with the Murray-Darling Basin Agreement and any new water charge rules set by the Minister for Climate Change and Water (see below).

The Murray-Darling Basin Agreement

The Government will only consider proposals where termination fees to be charged for irrigators selling their water entitlements as part of a group proposal comply with the *Murray Darling Basin Agreement Schedule E and Supporting Protocols* ('Access, Exit and Termination fees', pages 71 - 76).

Of particular importance under Schedule E and Supporting Protocols, termination fees must only be charged where:

- a) Infrastructure operators provide all information needed to show the fee is properly calculated.
- b) The termination fee is calculated by deducting fixed costs that will be avoided as a result of the surrender of a delivery entitlement.
- c) The termination fee is at a level of no more than 15 times the access fee.

Schedule E and the Supporting Protocols are available at:

http://www.mdbc.gov.au/_data/page/114/MDB_Agreement_Schedule_E_with_protocol_s.pdf

New Water Charge Rules

Under the *Water Act 2007*, the Australian Competition and Consumer Commission (ACCC) has responsibility for advising the Minister for Climate Change and Water on water charge rules. The Minister is able to set new water charge rules, including for termination fees. Once any such rules have been set, any termination fees charged as part of a group proposal will need to comply with these rules.

The ACCC released a position paper concerning water charge rules for termination fees on 14 August 2008. This paper is available at:

<http://www.accc.gov.au/content/index.phtml/itemId/839389>