

RULES AND REGULATIONS

WATER MARKET PILOT & ADVANCED METERING INFRASTRUCTURE SYSTEM DEMONSTRATION PROJECT

DEFINITIONS

Agency	Fox Canyon Groundwater Management Agency (FCGMA)
AMI	Advanced Metering Infrastructure
Applicant	Entity seeking to be admitted to the Water Market Pilot
Bid	An electronic message submitted to the water market trading desk to buy a temporary transfer of extraction allocation.
Exchange Administrator	Center for Economic Research & Forecasting, California Lutheran University.
Participant's Market Allocation	An allocation of groundwater extraction equal to the total reported pumping in the 2014/15 water year.
Matched	Refers to the matching of a particular bid and offer by the Exchange Administrator.
Maximum Price	The highest price per unit that a Participant is willing to pay in order to receive a transfer of groundwater extraction allocation from another Participant.
Offer	An electronic message submitted to the exchange administrator to sell a temporary transfer of extraction allocation.
Participant	Registered owner of the groundwater extraction facility, as reflected in the Agency's books and records.
the Pilot	FCGMA Water Market Pilot & Advanced Metering Demonstration Project
Reservation Price	The lowest price per unit that a Participant would be willing to receive in order to transfer available groundwater extraction allocation to another Participant.

Review Committee	The committee established to review and decide on a particular dispute in accordance with these Rules.
Revised Allocation	Participant's Market Allocation net of any transfers of Units to another Participant(s).
Rules	Operating rules and regulations set forth herein
Unit	Groundwater extraction allocation of one acre-foot
Water Year	August 1, 2016 – July 31, 2017

WATER MARKET & ADVANCED METERING PILOT RULES

Basics

Water Year – August 1, 2016 – July 31, 2017.

Unit Traded – one acre-foot of extraction allocation to be used during the water year

- Water eligible for trade
 - One-year *Market Allocation* – equal to the total reported pumping in the 2015/16 water year
- Type and location of allowable trades
 - Temporary transfer of up to 100% of allocation during the Water Year.

Becoming a Participant

To be admitted as a Participant, an Applicant must:

- Submit to the Exchange Administrator an accurately completed and signed Participant Agreement form and pay an enrollment fee equal to \$700 for the first well and \$400 for each additional well included in the CombCode.
 - Each **Participant** and **Participant's Authorized Representative** agrees to observe and to engage in conduct required by the Rules. Each Participant and Participant's Authorized Representative agrees to abide by any procedures, regulations, notices, directions, decisions, requirements and conditions issued by the Exchange Administrator and by FCGMA.
- Satisfy the eligibility requirements specified below

Eligibility Requirements

- Only agricultural owners in the Forebay and Oxnard Plain basins who are authorized by the Agency may participate.
- Only owners who have installed the designated AMI telemetry on all applicable extraction facilities may participate.

Commencement of Participation

- The Applicant will be admitted as a Participant and commence participation in the Water Market Pilot when the Exchange Administrator notifies the Applicant of confirmation of eligibility.

- Following admission as a Participant, the Exchange Administrator will provide each Participant with a Participant's Identification Number, the assigned Market Allocation, and instructions for participating in the Pilot

Participant's Authorized Representative

- A Participant may apply to the Exchange Administrator to have an employee, lessee or other individual approved as a Participant's Authorized Representative. Written authorization must be on file with the Exchange Administrator.

TRADING

Basics

- Only a Participant or Participant's Authorized Representative may submit bids and offers
- Offers and bids are submitted to the trading desk anonymously with respect to other market participants
- A participant may amend or withdraw a Bid or Offer at any time before it is Matched
- The Exchange Administrator may cancel a Bid or Offer at any time before it is matched in the circumstance that the Bid or offer does not comply with the Rules or to otherwise ensure a fair, orderly and transparent market.

Offers

- Offers must be submitted electronically to the Exchange Administrator.
- Offers must include:
 - Minimum and maximum number of Units available for transfer
 - Reservation price
 - Expiration date of offer (21 days unless otherwise specified)
- When submitting an Offer, the Participant is authorizing the Exchange Administrator to transfer the number of Units specified in the Offer to the extent that the Offer (or part of an Offer) is Matched with a Bid.

Bids

- Offers must be submitted electronically to the Exchange Administrator.
- Bids must include
 - Minimum and maximum number of Units desired for transfer
 - Maximum price
 - Expiration date of bid (21 days unless otherwise specified)
- When submitting a Bid, the Participant is instructing the Exchange Administrator to deliver the number of Units specified in the Bid to the extent that the Bid (or part of a Bid) is matched with an Offer.

Matching

- The Exchange Administrator shall seek to make all potential matches. For example, a single offer may be matched with multiple bids and a single bid may be matched with multiple offers.
- The Bid with the highest maximum price and Offer with the lowest reservation price will be matched first. In the event of two bids (offers) with the same price, priority will be given to the bid (offer) which was submitted first.
- The sale price is the midpoint between the buyer's maximum price and the seller's reservation price.

Clearing and Settlement

- When bids and offers are matched, the Exchange Administrator will send notification and a contract to both parties, with provision for electronic signature
- After submission of a signed contract, buyer will transfer money to the designated financial account
 - All contracts are made valid by the transfer of funds. Buyers will make only one payment, even if their bid is matched with multiple offers.
- The Exchange Administrator will authorize payment to the seller (net of any fees)
 - If a single offer is matched with multiple bids, the trading desk will collect payment from all buyers and authorize a single payment to the seller.
- A fee of 3% of each trade is paid by both buyer and seller (6% total) to the Exchange Administrator for administrative costs.

Reporting

The Exchange Administrator will report the transfer of extraction allocation to FCGMA following the transfer of funds.

- Upon completion of trade, each Participant's Market Allocation will be revised by the Units transferred and potential FCGMA surcharges will apply based on each party's Revised Allocation.

Price Information

- 4-week average, maximum and minimum sale price will be reported to market participants by the Exchange Administrator.

Market-related Disputes

- Any Participant may notify the Exchange Administrator of any market-related dispute

between the Participant and another Participant or between the Participant and the Exchange Administrator arising in relation to any of the Rules.

- Disputes between Participants will be handled by the Exchange Administrator. Any Participant who is party to a decision by the Exchange Administrator relating to a dispute may request to have the decision reviewed by the Review Committee
- Disputes between a Participant and the Exchange Administrator will be referred to the Review Committee
- Any Participant who is party to a decision by the Review Committee relating to a dispute may request to have the decision reviewed by Agency staff.

MONITORING, INVESTIGATION & SANCTIONS

Monitoring & Investigation

- The Exchange Administrator will monitor compliance by Participants and Participant's Authorized Representatives with the Rules and may at any time investigate the activities of a Participant.
- As part of any investigation, the Exchange Administrator may require a Participant to provide any information, document or record relating to the Participant's activities in the Water Market & Advanced Metering Pilot or the performance of its obligations under the Rules.
- The Exchange Administrator may access a Participant's property to inspect extraction facilities, flow meters, and telemetry on the property.

Sanctions

Possible sanctions for violations of the Rules include:

- Restriction, suspension or termination of participation
- A public statement identifying the Participant
- Surcharges by the Agency
- Disgorgement of any money arising from the contravention of the Rules

Confidentiality

The Exchange Administrator will endeavor to take all reasonable measures to protect trading information from unauthorized use or disclosure, except as required by law or as expressly specified herein.