

Madera County Water Market Informational Webinar

April 30, 2020

Comment Form and Survey

As you view or listen to the information presented today, please use this comment form and survey to record your comments, responses and questions.

[Presentation Slides 9 – 17]:

Agenda Item 3. Water Trading Allocations under Water Markets and SGMA

Presenters: Stephanie Anagnoson and Greg Young, County of Madera

Your comments, questions and feedback here:

[Presentation Slides 18 – 42]

Agenda Item 4. Water Market Structure and Options

Presenter: Janet Clements, Corona Environmental Consulting

This survey is intended to elicit feedback from stakeholders on the information provided by the County and its consultants at the April 30, 2020 webinar regarding a proposed voluntary groundwater market (Market) in Madera County, particularly within the Madera County GSAs (those GSAs that are managed by Madera County). This Market is intended to be used for agricultural pumpers.

As currently envisioned, a pilot Market will be established in 2021 within the portions of the Madera and/or Chowchilla subbasins managed by the Madera County GSAs. The pilot Market will allow rules to be tested for functionality in a potentially expanded market. Other GSAs within the subbasins may also opt to participate in the pilot Market.

The role of the Market is to provide flexibility to growers for meeting the water use reductions outlined in portions of the Madera and Chowchilla Subbasin Joint Groundwater Sustainability Plans (GSPs) for the Madera County GSAs while avoiding adverse effects to third parties.

The following questions are designed to help the County understand stakeholder concerns regarding potential rules and strategies that will be necessary to help ensure against any adverse effects or unintended consequences of the pilot Market. Participant responses will be considered by the County as it moves forward with the pilot Market program but are not intended to serve as a vote on specific aspects of Market design.

[Presentation slides 22 - 28]

Market Strategies for Protecting Residential and Municipal Water Sources

A key aspect of a functional market is to protect against adverse effects to residential or municipal wells due to changes in the location or timing of pumping. The County has identified several potential strategies for ensuring against any adverse effects that would be incorporated into the pilot Market.

These strategies include, but are not limited to:

- Directional trading restrictions creating “sell-only zones” around residential and municipal wells. This would result in less water being pumped within the designated zone.
- Trading ratios where buyers located near residential or municipal wells would have to buy 1.25 times the amount of water that they plan to use. This results in less demand from buyers in zones around residential and municipal wells.
- Limiting total extractions for individual or total (cumulative) pumping within a designated zone around residential and municipal water sources.
- Prohibiting trading when a defined parameter (e.g., groundwater levels near specified wells) reaches a predefined threshold. Thresholds will be designed to identify the potential for adverse effects before they occur.

1) Please describe any concerns you may have related to strategies for protecting residential and municipal water sources.

[Presentation slides 29 - 30]

Market Rules to Address Additional Stakeholder Concerns

Several concerns were identified at the first Market workshop (held on February 25, 2020) regarding unintended consequences associated with Market design. For example, some participants expressed concern that a grower might be able to purchase large amounts of water, essentially “cornering” the market and forcing smaller landowners or growers to sell their water. Others were concerned that individuals may be able to unduly profit by purchasing large amounts of water and re-selling it at high prices during a dry year.

2) Please indicate whether you have concerns related to any of the following potential pilot Market rules or strategies for protecting against these adverse effects (select all that apply):

- Capping the amount of water that any one party can purchase or sell per year through the market up to a specified volume (acre-feet) per acre.
- Capping the amount of water that any one person can purchase through the water market based on historic use or crop type.
- Prohibiting the resale of water (i.e., once water is sold to another party, it cannot be resold).
- Prohibiting the sale of future native groundwater (NG) allocations. For example, sellers would be allowed to sell their annual NG allocation plus any carryover amount of NG allocation allowed (as discussed below) each year. They would not be able to sell future NG allocations; a new transaction and approval of sale would be required each year.
- I do not have any concerns with these potential strategies.

3) Please describe your concerns associated with the Market rules you selected above.

[Presentation slides 31 - 32]

Carryover of Native Groundwater Allocation

The County is considering various rules related to the trading of carryover of NG allocations though these rules may not be able to be tested in the pilot Market (due to time constraints for the grant). For trading, carryover refers to any portion of a NG allocation that is not sold or used in the year it is allocated and is therefore allowed for trade in subsequent years.

4) Please indicate whether you have concerns related to any of the following potential pilot Market rules related to carryover (select all that apply):

Note that any rules associated with the carryover trading assume the management and tracking of allocations absent a Market has already been established.

- Allowing carryover to be traded within or for a certain time period. For example, landowners may be allowed to trade one year's worth of NG Allocation carryover in any subsequent year.
- Allowing carryover to be traded up to a specified amount or at a specified ratio. For example, landowners may be allowed trade carryover of up to 0.3 acre-feet per acre per year.
- Allowing carryover to be traded up to a specified cumulative volume.
- Allowing carryover to be traded within a certain geographic boundary that may differ than that allowed for the current year allocation.
- Prohibiting the trading of carryover. This would allow sellers to sell their NG allocations only in the year in which they are allocated. For example, if the NG allocation is 0.5 acre-feet per acre, individuals with allocations could sell 0.5 acre-feet per acre each year.
- I do not have any concerns with these potential Market rules.

5) Please describe your concerns associated with the Market rules you selected above.

[Presentation slides 33 - 35]

Market Exchanges

6) Which of the following methods for conducting trades do you prefer or think should be established/allowable for the Market? Note that regardless of how buyers and sellers find one another, trades would still be subject to administrative approval/review to ensure compliance with Market rules.

- Informal decentralized exchanges – Buyers and sellers find each other through word-of-mouth and negotiate price. Often referred to as “coffee shop” markets.
- Brokerage – buyers and/or sellers have a representative (broker) who helps them to find interested parties, negotiate price, and complete administrative details. Trades would be subject to a brokerage fee.
- “Craig’s list for Water” – centralized online registry where buyers and sellers can log-in or view, buyers can post amount of water for sale and contact information. Trades are negotiated outside of platform.
- Auction – an in-person or electronic platform in which buyers bid on water for sale. Online auctions can take various forms.
- Electronic “smart markets” – buyers and sellers anonymously submit their willingness to pay (buyers) or willingness to accept (sellers) price to Market administrator. Administrator matches bids through computer optimization/matching algorithm.

7) Do you have other comments or concerns regarding the way that market exchanges could be made?

[Presentation slides 36 - 39]

Confidentiality and Anonymity

Many environmental markets do not publish data on individual transactions, including negotiated price.

Published price data can help reduce market information biases but can also be viewed as confidential business information. Potential options related to price disclosure include:

- Disclosing price data for all individual transactions
- Disclosing aggregated price data (e.g., quarterly or annual average prices) to help reduce market information biases.
- Not disclosing or publishing data related to the negotiated price transactions.

8) Do you have any comments or concerns about public disclosure of price or other information on individual Market transactions? Please explain.

As discussed in Workshop 1 and reviewed in the Workshop 2 presentation, some environmental markets keep the identity of sellers and buyers confidential from the public due to various concerns from participants and/or do not publish other data related to trades (in addition to price). Potential Market design options related to confidentiality and anonymity of participants include:

- Keeping all information and participants anonymous/confidential from the public.
- Keeping all information and participants anonymous/confidential from the public, but publishing aggregated Market data (e.g., number of trades, total water transferred) on a quarterly or annual basis.
- Making all information regarding individual transactions public, including buyers and sellers for individual transactions.

9) Do you have comments or concerns regarding any of the strategies outlined above related to confidentiality and anonymity in the Market?

[Presentation slide 42]

Additional Comments or Feedback

10) Do you have other comments or feedback on the market structure and options, as presented in this informational webinar? Do you have comments or feedback on any other aspects of the pilot Market or Market in general?

[Presentation slide 43]

All Agenda Items: General Comments, Feedback or Questions

Please record any general comments, feedback or questions regarding any topic covered during this Madera County Water Market Webinar and the overall Water Market Project below.