ACT Government
Environment, Planning and Sustainable Development

CABINET

MINISTERIAL BRIEF

To:	Minister for Water, Energy and Emissions Reduction	**Cabinet No.: 22/440** Rec'd Minister's Office …/…/…
From:	Executive Group Manager, Climate Change, Energy and Water	
Subject:	Exposure Draft lodgement of Cabinet item 'Government response to the Non-potable Water Review'	
Critical Date:	**25 June 2024**	
Critical Reason:	To allow all directorates to review the draft submission and provide comments.	

- DDG, Environment, Water and Emissions Reduction 12/06/24

Recommendations

That you **agree** to lodge the draft Cabinet Submission (Attachment 1) and associated documents for exposure circulation.

Agreed / Not Agreed / Please Discuss

Shane Rattenbury MLA ………………………………………………………… 8 / 7 / 2024

Minister's Office Feedback

Thanks for the discussion. Given the refresh of the Water Strategy, the National Water Initiative, and the review of the WAC (as highlighted at para's 15 & 17), I consider it will be better to try and bring all those pieces of work together over the coming months to ensure they are joined up and consistent. As a consequence, let's hold this sub. for now.

Background

1. The Parliamentary and Governing Agreement for the 10th Legislative Assembly committed to ensuring that clubs continue to support the community while reducing harm from gaming.

2. One of the initiatives to achieve this outcome was to conduct a review into water costs for high-intensity club users of non-potable water in 2021, with the goal to allow clubs to maintain operations while not requiring cross-subsidisation by other ACT water users.

3. ACT Treasury published the Non-potable Water Review (the Review) in December 2021 on the Your Say website (Attachment J). The Review was supported by specialist advice from the Independent Competition and Regulation Commission (ICRC) and attracted nine written submissions. The key recommendations from the Review included:

   a. **Recommendation 1**, adjusting non-potable water charges, through increasing licence administration fees and reducing water abstraction charge;

   b. **Recommendation 2**, reforming assistance measures to make them simpler and more transparent and equitable;

   c. **Recommendation 3**, continuing to provide targeted short-term support in exceptional circumstances; and

   d. **Recommendation 4**, reviewing the application of National Water Initiative (NWI) pricing principles in review of Inner North Reticulation Network stormwater prices.

4. You have been briefed on the work of the Office of Water (OoW) to prepare a Government Response to the recommendations of the Review (23/108806; 23/108722; 22/107147; 22/143536). The following principles have informed the Response.

   a. Policy should be applied equally across non-potable water licensees.

   b. Pricing for water supply is based on the principle of 'user-pays' (consumption based) and represents full cost recovery, including recovery for environmental costs.

   c. Water pricing promotes economically efficient and sustainable use of water resources.

   d. Options to assist water users will not result in the cross-subsidisation of water costs by other licensed water users.

   e. Administration of cost recovery (fees) and any Government assistance (subsidies) will be transparent and efficient in process.

   f. Government assistance in cost recovery is applied only as necessary and in the public interest (no annual ongoing measures).

5. A consultation process in June-July 2023 sought feedback from stakeholders on policy options to inform the Government Response for Cabinet consideration. The Listening Report was completed and distributed to stakeholders in December 2023.

Issues

6. The proposed draft Government Response to the Review (the Response) is provided at Attachment E.

7. The Environment, Planning and Sustainable Development Directorate (EPSDD) developed the Cabinet Submission at Attachment 1 (and associated costings for budget consideration) for Expenditure Review Committee (ERC) consideration on 8 August 2024, and Cabinet's

consideration on 26 August 2024.

Current non-potable fee structures

8. The Government's non-potable Water Abstraction Charge (WAC) is currently $0.334 per kilolitre) for diverting water from ACT waterways and underground aquifers. This will raise to $0.354 from 2025-2026.

9. The WAC has been inconsistently applied across non-potable water licence holders since its inception.

    a. Approximately 25 primary producers are eligible to 98% discount of the non-potable WAC to irrigate food and plant production to recognise competition with interstate irrigators.

    b. Ten ACT golf clubs receive a 50% discount to the WAC to recognise competition with interstate clubs – the Market Equity Scheme (MES).

    c. Approx. 150 licensed other water users, some of which provide community benefit, pay the full WAC.

10. The capture and use of rainfall run-off on rural properties for stock and domestic use, and the taking of rainwater from a rainwater tank, is exempt from a licence to take water and the corresponding WAC. Rainfall run-off captured in dams on golf clubs and used for irrigation is subject to the WAC.

11. Each licensed water user pays an annual licence administration fee, currently $515, collected by the Environment Protection Authority and passed to ACT Treasury.

12. Non-potable irrigators that access treated effluent from Icon Water or recycled stormwater from the Inner North Reticulation Network pay additional fees to network operators for operating costs of the reticulated networks.

13. ACT golf clubs have previously been eligible for 100% offset for any residual WAC for ten years to end of 2021, that resulted in nil or close to nil application of the WAC during this period.

The Government Response

14. The proposed Government Response agrees in-principle with the recommendations of the Review and proposes to:

    a. review fees and charges for water take, considering the application of the National Water Pricing Principles and the policy outcomes being explored through the refresh of the ACT Water Strategy (CAB 23/880);

    b. discontinue the Market Equity Scheme from 1 July 2025, which ends the 50% discount of the non-potable WAC for golf clubs; and

    c. offset the removal of the Market Equity Scheme by:

        i. introducing and administering financial relief from 1 July 2025, in extreme dry conditions only, for not-for-profit sporting community organisations that are licensed to irrigate with non-potable water; and

        ii. exploring a rainfall run-off exemption for non-potable license holders, that could apply a threshold for water take from captured stormwater before Government water charges apply.

Review of fees and charges

15. A review of fees and charges for water take would be undertaken in the context of two current water policy reforms that explicitly promote water security: the refresh of the ACT Water Strategy (23/880/CAB) and the National Water Initiative. A new National Water Agreement is currently in development by the Australian Government and elevates water security on the national agenda; a draft Agreement will be the focus for the National Water Minister's meeting on the 26 June 2024.

16. The proposed review of water fees and charges intentionally focuses on investigating effective pricing mechanisms to deliver the water security policy outcomes of the refreshed ACT Water Strategy, rather than directing singular attention on the current methodology for setting the WAC.

17. A review of the WAC cannot be decoupled from the Government Response; it was a recommendation of the Non-Potable Water Review and was included in the consultation discussion paper. A public review that focuses specifically on the WAC is likely to create an exposure for Government.

    a. The recent review conducted by the ICRC on the WAC has reaffirmed the issues previously raised with you on the WAC without providing resolution (23/39763; 23/84129) and highlights the need for exploring substantive changes to the methodology for setting the water charge.

    b. A separate brief will be provided to you on the ICRC's 2024 WAC review.

18. A holistic review of water fees and charges could also seek to address some inequities in the application of the WAC and consistency with the National Water Pricing Principles, for example the differential treatment of groundwater and surface water, and potable and non-potable water users.

19. The Cabinet Submission seeks a direction for Treasury and the Environment, Planning and Sustainable Development Directorate to work together in examining options to reform the Territory's ground and surface water charges.

Discontinue Market Equity Scheme

20. The Response proposes to discontinue the MES from 30 June 2025. Golf clubs will be required to pay the same non-potable WAC as other licensees.

21. The Review recommended future government financial assistance is provided only as targeted short-term support in exceptional circumstances and on this basis, reinstatement of previous rebates and perpetual financial assistance measures is not proposed.

22. Consultation with stakeholders on this option to remove the MES received strong responses. Short-term financial assistance and rainfall run-off exemption is proposed to offset the impact from removing the MES.

Government temporary financial assistance

23. Short-term non-ongoing financial relief is proposed to be made available during periods of extreme dry conditions only, to support the provision of sport-based community services reliant on non-potable water. The financial relief would be subject to strict eligibility criteria,

presented in the Cabinet Submission at Attachment 1 and the Government Response at Attachment E.

24. The transition to financial relief in exceptional circumstances will coincide with discontinuing the MES.

25. This position acknowledges the community benefits provided by sporting clubs and the operational costs to maintain irrigation during drought-like conditions. Turf sporting surfaces are most susceptible to complete failure and costly re-establishment from lack of adequate irrigation during extreme dry conditions.

26. The Response makes available financial assistance of up to $20,000 for each eligible application. The financial assistance would be in the form of a deduction from non-potable WAC fee liability.

Rainfall run-off exemption

27. The Government Response proposes to explore a rainfall run-off exemption for non-potable license holders.

28. The exemption would apply a threshold for surface water taken from run-off dams situated within the licensed property before Government water charges apply. The exemption would be for a limited proportion of the total rainfall run-off generated within the property.

    a. A threshold of 0.5ML per hectare per year is proposed as a conservative estimate of rainfall run-off that could be abstracted without resulting in downstream environmental impacts.

29. The rainfall runoff exemption provides equity by extending similar water take exemptions to non-potable water licence holders that are currently provided for the use of rainwater captured in water tanks and farm dams. The capture and reuse of rainfall run-off is consistent with principles of water sensitive urban design.

30. The Office of Water is currently updating its water planning and catchment models that will provide an improved evidence base for quantifying the volume of total urban run-off generated from Canberra and finalising the proposed policy. The current estimate of rainfall run-off is an average of 15,765ML per year. The model is planned to be updated by end of 2024. Following the model update, a final policy proposal could be presented to Cabinet in early 2025 supported by a water resource assessment that considers climate impact, a water accounting framework and with details on the arrangements to administer the exemption.

31. The exemption can be administered under the current legislation. The Environmental Protection Authority may give an exemption if satisfied that giving the exemption will result in improved environmental outcomes or other public benefits.

32. Activities exempt from the requirement for a licence to take water include: the taking of water from hard surfaces at premises if it to be used at the premise; the taking of water to be used to establish trees or shrubs for non-commercial purposes on rural or public land; surface water collected from overland run-off for stock and domestic use (s28 Water Resources Act 2007; s6 Water Resources Regulation 2007).

Other policy options not considered further

33. Other options ranging from 'do nothing', expanding concessions, adjusting fixed and variable

pricing structures, surface water rights and encouraging uptake of recycled water were considered. All policy options are described in the Consultation Paper at Attachment G.

Primary producers – Competition Equalisation Payment

34. No change is proposed to the Competition Equalisation Payment (CEP) which provides a 98% discount on the WAC for approx. 20 ACT primary producer irrigators. The CEP will be the only on-going discount to the non-potable WAC offered to any group of irrigators. Continuation of this financial assistance could be subject to the proposed review of Government water charges.

Financial Implications

35. The Response has a net financial impact to Government, however, the scale of this impact is dependent on weather conditions (i.e. demand of water, extreme dry events), eligibility for financial assistance and the ability of water licensees to exercise an exemption to capture and use rainfall run-off.

36. The impact from the financial assistance and the take exemption is not additive as these would apply under different climate conditions. Depending on conditions arising, the net impact of introducing the financial assistance and rainfall run-off is estimated to result in reduced revenue of less than $100,000, based on the removal of the MES and the application of the full WAC. Revenue would be reduced in the order of between $2,000-$58,000 compared with the current scenario with the MES applied.

37. No new funds will be required to explore the merit of a rainfall run-off exemption for non-potable license holders.

Consultation

Internal

38. EPSDD's Chief Finance Officer was consulted and provided feedback to clarify financial administration impacts but had nil comment on the policy options.

Cross Directorate

39. Consultation with Treasury confirmed general support for the policy approach, including removal of the MES, introduction of financial assistance and further exploration of a rainfall run-off exemption. Notably:

    a. Treasury requested that the submission include a high-level summary of the ICRC review and a clear statement that the advice provided will be considered within government prior to a recommendation surrounding the future of the WAC being progressed to Cabinet.

    b. The Directorate noted the decision to raise the WAC from 2025-2026 is not in line with the preferred approach to freeze charges (as noted in 23/39763). In response, Treasury advised the Chief Minister's Office and Under Treasurer are comfortable with managing the risks that come from raising the WAC. In addition, Treasury supported inclusion of a recommendation that requires Treasury and the Directorate to work together to resolve this issue by the next budget.

40. CMTEDD Policy and Cabinet did not comment on the policy options within the Consultation Paper which was used to finalise the Government Response to the Review.

41. EPA were consulted as the administrator and regulator of non-potable water license fees and provided feedback to clarify eligibility criteria for financial relief.

42. TCCS were consulted as a non-potable licensee and did not make a written submission.

43. JACS were consulted on cross-over gaming policy implications associated with the policy origins, potential funding ineligibility for clubs with gaming machine revenue and general media awareness. JACS were not objectionable to the policy.

External

44. Peak body pre-engagement occurred in August 2022 and October 2022 with Golf NSW/ACT and ACT and Monaro District Golf Association to build goodwill provide general updates. Strong opposition was expressed to any reduction in concessions or increases in fees.

45. Pre-engagement was undertaken with individual golf clubs in October/November 2022, the stakeholder group most likely to be impacted. This consultation enabled discussion of unique circumstances of each club, current water pricing policy and potential policy options.

46. The EPSDD Office of Water prepared a consultation paper to set out draft policy options to inform the Response and enable formal feedback (Attachment G). Stakeholder submissions are recorded in a Listening Report provided at Attachment H (Summary) and Attachment I (verbatim comments).

47. The main issues of concern raised from external stakeholder consultation were:

    a. strong opposition from golf clubs and their peak bodies to remove the MES;

    b. mixed support for a review of the WAC, with clarity desired for the terms of reference;

    c. mixed support for financial relief, with clarity sought on eligibility requirements; and

    d. recognition sought for golf sector contributions to community wellbeing.

Benefits/Sensitivities

48. ACT golf clubs strongly object to removing the 'Market Equity Scheme' price concession or any increases in water pricing. The Government Response removes the MES on reasonable grounds, however proposes policies that significantly offsets the financial impact for most clubs (refer to Attachment K).

49. Clubs that rely on the use of treated drinking water as the primary source to irrigate sportsgrounds do not benefit from the Response. This is a separate issue that requires further examination and would otherwise delay this Government Response. EPSDD will consider options to support these clubs to reduce through demand for potable water and/or to transition to other forms of water supply under the Water Efficiency Program, funded through the Australian Government's water recovery funding.

Media Implications

50. Golf clubs have previously utilised media channels to vocalise concerns of non-potable water price increase or removal of subsidies; passing on government charges to club members; and the perceived threat to club solvency because of increased irrigation costs.

51. The ten ACT golf clubs have large membership bases upwards of approx. 500 members per club. Individual representations to media forums in addition to golf club representations and/or peak body representations has a potential multiplier effect to media implications and

Ministerial correspondence.

52. A Cabinet communications plan was prepared by EPSDD Communications, Engagement and Media to manage any media implications arising from this Submission.

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	Sara McIntyre		

Summary of Attachments

Attach 1 – Draft Cabinet Submission

- A – Table of Comments
- B – Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary
- C – Wellbeing Impact Assessment – Non-potable Water
- D – Cabinet Communications Plan – Non-potable Water- Policy implementation
- E – Government Response to the Non-potable Water Review
- F – Consultation paper – policy options – Non-potable Water
- G – Listening Report – verbatim written submissions – Non-potable Water
- H – Listening report – verbatim written submissions
- I – ACT Treasury Non-potable Water Review – Dec 2021
- J – Tabling Statement
- K – Indicative Financial Impacts Snapshot

CABINET SUBMISSION

Cabinet number	**22/440**	
Title	**Government Response to the Non-Potable Water Review**	
Meeting Type	Cabinet	
Minister	Shane Rattenbury MLA Minister for Water, Energy and Emissions Reduction	
ERC date	Thursday, 8 August 2024	
Cabinet date	Monday, 26 August 2024	
Status	**EXPOSURE DRAFT**	
Relationship to previous decisions	Nil	
Submission type	Government response	
Purpose	To seek Cabinet agreement to the Government Response to the Non-Potable Water Review.	
Category	Category 2 - Cabinet Business/Government business/Community Engagement	
Financial Impact	Yes	
Treasury Agreement	Yes	05/06/2024
	Date of Treasury agreement:	06/06/2024
Legislative change	No - change to legislation not required	
PCO/JACS Human Rights	N/A	Click here to enter a date.
	N/A	Click here to enter a date.
Regulatory impact	Yes	Adjustment to Water Resources (Fees) Determination made under the *Water Resources Act 2007* and implementation of financial relief measures, both from 1 July 2025.
Wellbeing Impact Assessment	Yes	
Primary Wellbeing Domain	Environment and climate	
Closing the Gap - Priority Reforms	Not in Scope for Closing the Gap Priority Reform	

Minister's signature________________________________ Date __/___/______

RECOMMENDATIONS

1) I recommend Cabinet agree:

   a. to the ACT Government Response to the Non-Potable Water Review at Attachment E, including that the Government will:

      i. review fees and charges for water take, considering the application of the National Water Pricing Principles and the policy outcomes being explored through the refresh of the ACT Water Strategy (CAB 23/880);

      ii. give further consideration to the Independent Competition and Regulatory Commission's recent proposal for a revised methodology for setting fees and charges for water take, and this will be considered further as a part of a broader review as detailed in Recommendation 1(a)(i);

      iii. discontinue the Market Equity Scheme from 30 June 2025, which ends the 50% discount of the non-potable WAC for golf clubs; and

      iv. to offset removal of the Market Equity Scheme;

      a) introduce and administer financial relief from 1 July 2025, in extreme dry conditions only, for not-for-profit sporting community organisations that are licensed to irrigate with non-potable water; and

      b) a rainfall run-off exemption for non-potable license holders to be explored by the Office of Water, which would apply a threshold for surface water taken from run-off dams before Government water charges apply. A subsequent Cabinet submission will be brought forward to seek Cabinet's consideration on the proposed exemption.

   b. the Minister for Water, Energy and Emissions Reduction tabling the Government Response and presenting the Tabling Statement in the Legislative Assembly;

   c. the Minister for Water, Energy and Emissions Reduction settling with the Chief Minister any necessary minor amendments to the Government Response and Tabling Statement prior to tabling;

   d. the Directorate working with Treasury to introduce and administer the financial relief commencing from 1 July 2025, subject to future consideration by Expenditure Review Committee;

   e. to Table 1: Financial impacts summary; and

   f. to Table 2: Implementation milestones and timeframes.

2) I recommend Cabinet note:

   a. Treasury and the Environment, Planning and Sustainable Development Directorate will work together in examining policy options for changes to ground and surface water charges, including exemptions for water take; and

   b. the proposed release of the following Cabinet Decision and Wellbeing Impact Summaries as required under Section 23 of the *Freedom of Information Act 2016*:

i. Cabinet agreed the Government Response to the Non-potable Water Review, and to the Minister for Water, Energy and Emissions Reduction tabling the Government Response in the Legislative Assembly; and

ii. The proposal will have wellbeing impacts across the environment and climate, governance and institutions, economy and social connection domains. The recommendations made are designed to improve simplicity, transparency and equity in relation to fees and charges for water take.

SUPPORTING ARGUMENT

BACKGROUND

The Non-potable Water Review

1) The Parliamentary and Governing Agreement for the 10th Legislative Assembly (PAGA) committed to ensuring that clubs continue to support the community while reducing harm from gaming.

2) As part of this commitment, the ACT Government (the Government) examined the costs related to non -potable water usage, with a focus on high-intensity club users. The aim of the Review was to provide recommendations to government that allow users to maintain operations while not requiring cross-subsidisation from other ACT water users.

3) ACT Treasury conducted the Non-potable Water Review (the Review) in March 2021 with support from the Independent Competition and Regulatory Commission (ICRC). The Review (Attachment I) attracted nine submissions and was publicly released on the ACT Government YourSay Conversations website in December 2021.

4) The Review provided several findings related to the costs and revenues to high-intensity clubs for both surface and groundwater non-potable water use, as well as specific findings related to reticulated network supply of recycled wastewater and stormwater. Treated drinking water supplied by Icon Water was out of scope.

5) Key findings of the Review included:

    a) non-potable water demand and usage is highly variable and closely linked to weather conditions;

    b) usage costs are generally less than 10 per cent of a club's overall costs;

    c) charges for water use vary significantly for different water users and most high intensity club users and rural irrigators have paid significantly less for non-potable water compared with other water users; and

    d) no other jurisdiction charges for surface water collected and stored in infrastructure located on users' premises (e.g. ponds), however they do have licence arrangements.

6) The Review provided four recommendations for ACT Government consideration:

   a) adjusting ground and surface water charges to better align with fixed and variable costs;

   b) reforming assistance measures to improve simplicity, transparency and equity;

   c) continuing to provide targeted short-term support to some sporting clubs in exceptional circumstances to reflect the social benefits of community clubs; and

   d) reviewing the application of National Water Initiative (NWI) pricing principles in the forthcoming review of Inner North Reticulation Network (INRN) water prices.

ISSUES AND OPTIONS

Policy considerations of the Government Response

7) The Government Response was developed with regard to the following policy principles:

   a) Policy should be applied equally across non-potable water licensees.

   b) Pricing for water supply is based on the principle of 'user-pays' (consumption based) and represents full cost recovery, including recovery for environmental costs.

   c) Water pricing promotes economically efficient and sustainable use of water resources.

   d) Options to assist water users will not result in the cross-subsidisation of water costs by other licensed water users.

   e) Administration of cost recovery (fees) and any Government assistance (subsidies) will be transparent and efficient in process.

   f) Government assistance in cost recovery is applied only as necessary and in the public interest (no annual ongoing measures).

8) Information used to inform the Response, include:

   a) the scope and variation of the licensee base;

   b) investigations into a range of policy and costing options scenarios;

   c) feedback from stakeholder consultation on policy options;

   d) broader social and environmental costs and benefits from the proposed solutions; and

   e) Water Sensitive Urban Design principles, including effective use of stormwater run-off.

b) review the non-potable Water Abstraction Charge (WAC) price setting to provide robust method for price setting;

c) tiered structure for the non-potable WAC (low rate for low water usage up to a base amount, high rate for exceeding the base amount);

d) increase the fixed administration fees and lower the variable non-potable WAC;

e) remove, retain or expand the Market Equity Scheme;

f) remove or retain the Competition Equalisation Payment;

g) surface water rights;

h) non-ongoing financial relief under extreme circumstances (drought);

i) encourage recycled water uptake (reticulated stormwater &/or treated effluent); and

j) subsidise recycled water.

The Government Response to the Review

10) The proposed Government Response (Attachment E) agrees or agrees in-principle to all recommendations of the Review. The key features of the Government Response are described below.

11) In October 2023, the Chief Minister and the Minister for Water, Energy and Emissions Reduction and requested that the Independent Competition and Regulatory Commission (ICRC) review the pricing methodology for determining the WAC to ensure that the Territory's water charges are set at an appropriate level, while also supporting the Territory to achieve its desired water policy outcomes and adhere to its obligations under a number of intergovernmental agreements entered into since the ICRC developed the original methodology for setting the WAC in 2003. The ICRC review highlights that further exploration of water fees and charges is required. The outcomes of the review will inform this exploration. EPSDD (Office of Water) and Treasury will further explore the issues raised by the ICRC's review and will bring forward a recommendation for Cabinet's consideration ahead of the 2025-26 Budget.

12) Further consideration of the framework proposed by the ICRC will be undertaken in the context of the application of the National Water Pricing Principles and to support the water security policy outcomes being explored through the refresh of the ACT Water Strategy (CAB 23/880).

   a. A review of the water charges could address some existing inequities, for example the differential treatment of non-potable and potable, and surface and groundwater users. The review could examine the most effective pricing methodology for achieving the water policy outcomes.

13) The Market Equity Scheme (MES) will be discontinued from 30 June 2025. Removing this Scheme will improve simplicity, transparency and equity in non-potable water pricing. This means that golf clubs will be required to pay the same WAC as other licensees.

14) To offset removal of the Market Equity Scheme, two new policies are proposed that support clubs under a range of climate conditions: financial assistance under extreme dry conditions and to explore rainfall run-off exemption. These policy options would not be limited to golf clubs. Eligibility and financial impacts will be subject to guidelines developed by the Office of Water to support implementation.

   a) A framework would be put in place for not-for-profit clubs to apply for financial assistance during extreme dry conditions, subject to eligibility criteria. Assistance to be limited up to a value of $20,000.

      i) This proposal recognises the community benefits provided by clubs and the additional operational costs to maintain irrigation during extreme dry conditions.

      ii) The primary eligibility criteria (extreme dry conditions) is defined as at or below the lowest 20% of long-term average annual rainfall records for Sutton gauge 070232. This threshold has been tested with stakeholders, Treasury and the Environment Protection Authority as the licence administrator.

      iii) A proposed criterion to exclude clubs that generate revenue from gaming machines from access to financial assistance was initially considered, however has not been included in the final Response. This criterion was intended to encourage clubs to reduce harm from gaming by transitioning away from gaming machine revenue. It was removed from the final Response to allow equal opportunity for all not-for-profit sporting clubs to apply for financial assistance. Alternatively, applicants for financial assistance must be a community based, not-for-profit club to reflect the social and urban-environmental benefits from maintaining greenspaces and supporting participation in sporting activities. Clubs that generate revenue from gaming machines that exceed reasonable operating costs would be excluded.

      iv) The transition to financial relief in exceptional circumstances will coincide with discontinuing the MES.

   b) A rainfall run-off exemption is proposed to be explored for non-potable water license holders. The exemption could apply a threshold for water take from captured rainfall run-off before Government water charges apply.

i) This proposal recognises ongoing equity issues between non-potable licence holders and across broader water users who are exempt from licensing requirements.

ii) Finalising the detail of this new policy requires further work however conceptually this is consistent with existing policies and could be implemented within the current legislation. A subsequent Cabinet submission will be brought forward to seek Cabinet's consideration on the proposed exemption.

iii) Unlike the existing MES which was only available to golf clubs, the exemption would be available to any licence holder who is able to capture rainfall run-off on their site.

iv) Unlike the financial assistance which is targeted to assist licence holders during extreme dry conditions, the exemption would be of most benefit to licence holders under average to heavy rainfall conditions.

v) Promoting the capture and use of stormwater run-off is consistent with the policy outcomes of the ACT Water Strategy, and the Water Sensitive Urban Design principles specifically, to reduce the demand for potable water by using alternative sources such as rainfall and stormwater, to use stormwater in urban landscapes to improve visual and recreational amenity of developments, and reduce water quality impacts on downstream environments.

vi) By broadening eligibility to all non-potable water licence holders, the exemption would provide equity in policy application between non-potable water users, maintain cost recovery for water planning and management activities, and without compromising water efficiency measures or causing downstream impacts.

vii) The rainfall run-off exemption would provide equity in policy application by extending similar water take exemptions to eligible non-potable water licence holders that are currently afforded the unlicenced use of rainwater captured in water tanks and farm dams. For example:

- Under Section 28(2)(c) of the *Water Resources Act 2007*, a licence to take water is not required where the owner or occupier of land on or immediately adjacent to which there is a waterway who takes water from the waterway, or surface water from the land, for stock or domestic use.
- Under Section 6 of the *Water Resources Regulation 2007* a person may be exempted from the requirement to hold a licence to take water for the taking of water from hard surfaces at premises if it is to be used at the premises, and where

giving the exemption will result in improved environmental outcomes or other public benefit.

viii) The exemption can be managed through existing water metering and water accounting processes.

ix) Preliminary analysis by the Office of Water of rainfall run-off in the ACT indicates that:

- 0.5ML per hectare per year provides a conservative threshold for rainfall run-off from a grassed surface (e.g. a golf course), that is exceeded under average to wet conditions and is unlikely to result in downstream environmental impacts.
- Applying a threshold of 0.5ML per hectare per year is estimated to result in approximately 570 ML per year of exempt surface water take should the policy be fully exercised by water licensees.
- Canberra generates on average 15,765 ML per year of rainfall run-off from urban areas that is available for take (derived from the ACT Source Planning Model).
- Rural farm dams are reported as intercepting 4,600 ML per year of rainfall run-off for stock and domestic use.

15) No change is proposed to the Competition Equalisation Payment (CEP). The CEP will be the only on-going discount to the WAC offered to any group of non-potable irrigators in recognition that primary producers providing food and plant production is a critical use of non-potable water. Continuation of this rebate may be considered further following a holistic review of Government water fees and charges.

16) There is no change proposed for pricing water sourced from the INRN. Preliminary assessment suggests that the INRN scheme aligns with the National Water Pricing Principles.

a) As a condition of a Ministerial exemption from holding a utilities licence, Transport Canberra and City Services Directorate (TCCS) was required to undertake a triple bottom line assessment of the first 5 years of operation of the INRN scheme (2017-18 to 2021-22).

b) In 2023-24, TCCS were assisted by Treasury to develop a comprehensive triple bottom line assessment. The assessment will quantify environmental and social benefits of the scheme in economic terms and provide a cost benefit ratio that can be used to determine if new schemes should be pursued.

c) The final TBL assessment will be submitted to the Technical Regulator for consideration in the near future.

17) The Response to the Review's pricing recommendations aligns with the strategic water resource policy outcomes of the current ACT Water Strategy, and particularly the water security policy outcomes being explored through the refresh of the ACT Water Strategy (CAB 23/880) related to water quantity, quality and affordability.

FINANCIAL IMPACT

Table 1: **Financial impacts summary**

	2024-25 $'000	2025-26 $'000	2026-27 $'000	2027-28 $'000	Total $'000
Capital impacts	N/A	N/A	N/A	N/A	N/A
Expense impacts **Expense – provision (recommendation 1.a.iii.a)** Financial assistance during extreme dry conditions	Nil	$171	$173	$175	$519
Revenue/savings/offsets impacts **Revenue** (recommendation 1.a.ii) Removal of the Market Equity Scheme	Nil	$169	$174	$179	$522
Staffing impact Total additional FTEs (no.)	Nil	Nil	Nil	Nil	Nil

18) A description of financial impacts for specific clubs is provided in Attachment K. The impacts are variable for each club based on a combination of financial assistance and ability to capture rainwater. The financial impacts are indicative only as they would be significantly affected by weather conditions.

19) The financial impact and benefit from a review of water fees and charges cannot determined at this stage. The financial impact from any proposed changes to the water charges would be brought back to Cabinet as part of the 2025-26 budget process.

Financial impacts: Removing the MES

20) Removing the MES ends the 50% discount of the non-potable WAC for golf clubs and is expected to increase government revenue by $522,000 over a three-year period starting from 2025-26.

21) The increase in government revenue would be subject to the net effect from introducing financial assistance and the possible introduction of a rainfall run-off exemption.

Financial impacts: implementing financial relief in extreme dry conditions

22) No new funds would be required to disburse financial relief to eligible applicants. In extreme dry conditions the financial relief would be provided in the form of discount to invoiced non-potable WAC issued by Access Canberra. This financial relief is estimated to cost government about $519,000 over a three-year period only under the unlikely circumstances that extreme dry conditions persist

throughout that period. Otherwise, the scheme is expected to cost government about $173,000 each year that extreme dry conditions are recorded.

23) The administrative burden is expected to be low for Access Canberra to administer financial relief. The activity would coincide with standard invoicing operations and occur infrequently during extreme dry conditions only. EPSDD Office of Water will provide policy support to assist Access Canberra administer financial relief under the eligible conditions.

24) There could be minor refinements to the financial impacts subject to guidelines developed by the Office of Water to support implementation.

Financial impacts: exploring a rainfall run-off exemption for non-potable license holders

25) No new funds would be required to explore the merit of a rainfall run-off exemption for non-potable license holders.

26) Introduction of this policy would only benefit non-potable license holders with the means to capture and use surface-water run-off onsite. Currently, this includes eight out of ten golf clubs.

27) This is specific to surface water taken from run-off dams situated within the licenced property. Any exemptions for groundwater take may be considered through the broader review of fees and charges for water take and a water resource assessment.

28) Licensees that do not currently have a means to capture rainfall onsite could introduce one and take advantage of the exemption if they choose to. The potential financial impacts of this occurrence will be explored through further analysis.

WELLBEING IMPACT SUMMARY

29) A Wellbeing Impact Assessment has been prepared (Attachment C).

30) The proposal would have wellbeing impacts across the environment and climate, governance and institutions, economy and social connection domains. The recommendations made are designed to improve simplicity, transparency and equity in relation to fees and charges for water take.

CLOSING THE GAP - PRIORITY REFORMS

31) This work is not within the scope of the Closing the Gap – Priority Reforms.

CONSULTATION

External stakeholders

32) Peak body pre-engagement occurred in August 2022 and October 2022 with Golf NSW/ACT and ACT-Monaro District Golf Association to build goodwill on the consultation process.

33) Pre-engagement was undertaken with individual golf clubs in October/November 2022. This consultation discussed unique circumstances of each club, current water pricing policy and potential policy options for a Government Response to the Review.

34) A formal consultation process in June/July 2023 sought written feedback from all non-potable stakeholders on policy options that were being considered for the Government Response.

35) Stakeholder submissions are recorded in a Listening Report; refer to Attachment G (summary) and Attachment H (all submissions). The Report was provided to stakeholders in December 2023.

36) The main issues of concern raised from stakeholders' consultation were:

a) strong opposition from golf clubs and their peak bodies to remove the MES;

b) mixed support for a review of the WAC, with clarity desired for the scope of review;

c) mixed support for financial relief, with clarity sought on eligibility requirements; and

d) recognition sought for golf sector contribution to community benefit.

37) The Government Response has not been circulated with stakeholders following the Listening Report.

ACT Government agencies

38) Consultation with Treasury has occurred during the development of the Government Response.

39) Treasury support removal of the MES as an ongoing subsidy and are supportive of eligibility criteria for short-term, non-ongoing financial assistance under extreme dry conditions.

40) Chief Minister, Treasury and Economic Development Directorate's Policy and Cabinet were consulted on the policy options of the consultation paper that were used to finalise the Government Response to the Review.

41) The Environment Protection Authority (EPA) were consulted as the administrator and regulator of non-potable water license fees and provided feedback to clarify eligibility criteria for short-term, non-ongoing financial assistance to golf clubs under extreme dry conditions.

42) Justice and Community Safety Directorate (JACS) were consulted on gaming policy implications associated with the policy origins, potential funding ineligibility for clubs with gaming machine revenue and general media awareness. JACS were not objectionable to the policy.

MEDIA AND COMMUNICATIONS

43) A communications plan is at Attachment D.

IMPLEMENTATION

44) See table 2 below for implementation milestones and timeframe.

Table 2: **Implementation milestones and timeframes**

Milestones	**Date to be completed**
1. Review of fees and charges for water take, including consideration of a rainfall run-off exemption	1 July 2025
2. Discontinue the Market Equity Scheme	30 June 2025
3. Implement new financial relief in extreme dry conditions	1 July 2025
Final completion date:	1 July 2025

HUMAN RIGHTS IMPACT

45) There are no significant Human Rights implications arising from the Government Response and subsequent actions.

ATTACHMENTS

A	Table of comments
B	Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary
C	Wellbeing Impact Assessment
D	Cabinet Communications Plan – Non-potable Water- Policy implementation
E	Government Response to the Non-potable Water Review
F	Consultation paper – policy options – Non-potable Water
G	Listening Report – summary – Non-potable Water
H	Listening Report – verbatim written submissions – Non-potable Water
I	ACT Treasury Non-potable Water Review – Dec 2021
J	Tabling Statement
K	Indicative financial impacts and snapshot

TABLE OF COMMENTS

Attachment A

EXPOSURE DRAFT COMMENTS – 22/440

Exposure circulation undertaken: Full exposure circulation

Dates circulated: Provide dates circulated

Directorate	Comment	Response
CMTEDD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
JACS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
HD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CHS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
EDU	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
TCCS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CSD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
EPSDD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
MPC	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
Statutory Office Holder	Choose an item. [Provide comments.]	[Drafting directorate to provide response]

FINAL COMMENTS – XX/XXX

Final circulation undertaken: Choose an item.

Dates circulated: Provide dates circulated

Directorate	Comment	Response
CMTEDD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
JACS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
HD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CHS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
EDU	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
TCCS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CSD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
EPSDD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
MPC	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
Statutory Office Holder	Choose an item. [Provide comments.]	[Drafting directorate to provide response]

ACT Government

OPEN ACCESS ASSESSMENT

CABINET DECISION AND WELLBEING IMPACT ASSESSMENT SUMMARY

Attachment B

The Chief Minister must proactively release the information described in section 23 of the *Freedom of Information Act 2016* (the FOI Act) unless the information is contrary to the public interest in accordance with sections 16 and 17, and schedules 1 and 2 of the FOI Act. Please refer to the **Cabinet SharePoint Site** for further guidance on what is within the scope of Open Access requirements.

If you believe that release of this information is within the scope of Open Access requirements and would be contrary to the public interest, please complete Part B.

Cabinet Number and title: 22/440 - Government Response – Non-potable Water Review

Please select one of the following:

Proposed Release of Cabinet Decision Summaries - Please Complete Part A Only

PART A: Proposed Release or Delayed Release

Proposed Summary of the decision for public release
Cabinet agreed to the Government Response to the Non-potable Water Review, and to the Minister for Water, Energy and Emissions Reduction tabling the Government Response in the Legislative Assembly.

Proposed summary of the Wellbeing Impact Assessment for public release
The proposal will have wellbeing impacts across the environment and climate, governance and institutions, economy and social connection domains. The recommendations made are designed to improve simplicity, transparency and equity in relation to fees and charges for water take.

Other releases – how will the community be informed of the decision of Cabinet?

Expected Milestone for Release	Tabled and/or presented in the Legislative Assembly The Government Response will be tabled in the ACT Legislative Assembly in the 3 - 5 September 2024 sitting week.
Expected milestone completion date	September 2024

ACT Government

WELLBEING IMPACT ASSESSMENT

Attachment C

Cabinet number	22/440
Government Response to the Non-potable Water Review	**EPSDD**

Purpose of proposal

The proposal responds to recommendations made through the 2021 Non-potable Water Review. The proposal provides a clear pathway for future policy design and fee setting, including recommending a review of fees and charges for water take, discontinuing the Market Equity Scheme, introducing targeted short term financial relief and exploring a rainfall run-off exemption.

Impact description

The proposal will impact the following wellbeing domains:

- **Environment and climate**: The proposal to review fees and charges for water take will consider a range of inputs, including water supply and security, vulnerability to climate change and the health of aquatic ecosystems. This will ensure that water is available to meet the current and future critical environmental water needs of surface and groundwater dependent ecosystems. Healthy waterbodies and catchments support flora and fauna populations as well as provide wildlife habitats and corridors across the Territory.
- **Governance and institutions:** The proposal to review fees and charges for water take will increase public confidence in the ACT Government's management of water resources. The review will align government policy with National Water Initiative pricing principles.
- **Economy**: The proposal to discontinue the Market Equity Scheme will have an ongoing economic impact to the golf playing community. Golf clubs will no longer be exempt from 50% discount to the annual non-potable Water Abstraction Charge that other club-based irrigators and licensees (which provide community benefit to varying degrees) are not entitled to. This is in line with recommendations of the Non-potable Water Review to improve simplicity, transparency and equity.
  The proposal to introduce short-term financial assistance to club-based non-potable water irrigators during times of extreme dry conditions and exploring a rainfall run-off exemption recognises the community wellbeing benefits provided by sporting clubs.
- **Social connection:** Golf club membership fees and social visitor playing fees may be impacted by price increases if clubs pass on non-potable Water Abstraction Charge to these users.

Magnitude of impact

From 1 July 2025 there will be a sustained direct impact to golf courses required to pay full non-potable WAC. Impacts are expected to be minor when spread across the golf membership base and/or non-member golf playing fees.

Will the proposal have an impact on Climate Change?

The implications of climate change will increasingly impact water in the ACT over the next two decades. These impacts are summarised in the table below.

Trend	Potential impact
More frequent and prolonged droughts as rainfall is more variable.	Drought conditions, if not planned for and managed well, could result in more frequent, severe and longer water restrictions. More frequent and prolonged droughts could also impact recreation, amenity and the liveability of the ACT if our public green spaces cannot be irrigated. This will also likely lead to economic and commercial impacts to the community.
Increasing frequency and severity of storms.	More frequent and severe storms increase erosion and stormwater runoff (including flash flooding) thereby impacting water quality in waterways, lakes and reservoirs. More frequent and severe storms will likely result in increased damage to property and infrastructure.
Increasing temperatures, with more hot days, and fewer cold	Higher temperatures will likely increase water demand for environmental, drinking water, and irrigation needs. This includes irrigating public green

nights.	spaces, which contribute to urban cooling.
Average fire weather and the number of severe fire weather days are projected to increase.	Increased frequency of fire weather conditions will likely lead to more frequent and severe bushfire events. Additional demands are placed on water sources during bushfire fighting efforts and water quality can be subsequently affected by sediment and ash mix entering the water.

The proposal recognises the ACT and region's vulnerability to climate change and recommends targeted short term financial relief in extreme dry conditions.

Before any further changes are made to government fees and charges, the proposal recommends a strategic review.

Who is affected?

Removing the Market Equity Scheme will directly impact ten ACT golf clubs, by requiring these licensees to pay the same amount of non-potable Water Abstraction Charge as other non-potable licensees.

Golf club membership fees and social visitor playing fees may be impacted by price increases if clubs pass on non-potable Water Abstraction Charge to these users.

Will the proposal have a disproportionate impact (positive or negative) on specific groups?

No disproportionate impacts (positive or negative) are anticipated.

Across gender	Aboriginal and Torres Strait Islander people	Carers	Children and young people	Culturally and linguistically diverse people	LGBTIQ+ people	Older Canberrans	People with a disability
☐	☐	☐	☐	☐	☐	☐	☐

Please provide additional information below on the impact of the proposal across the community.

In assessing gender impacts consider cisgender, transgender and non-binary experiences. See the drafting guide for definitions and further information around gender, age, education and income levels.

Gender – will your proposal impact:		Age – will your proposal impact:		Education – will your proposal impact:	
Predominantly women (>80%)	☐	0-4 years	☐	Lower-educated individuals	☐
Women (60-79%)	☐	5-17 years	☐	Higher-educated individuals	☐
Gender balanced	☐	18-29 years	☐	**Income – will your proposal impact:**	
Men (60-79%)	☐	30-49 years	☐	Lower income	☐
Predominantly men (>80%)	☐	50-64 years	☐	Middle income	☐
		65+ years	☐	Higher income	☐

Impacts on Aboriginal and Torres Strait Islander people

Consultation on this proposal was restricted to non-potable water licensees only.

The proposal will not impact the ACT Government's commitments under the National Agreement on Closing the Gap or ACT Aboriginal and Torres Strait Islander Agreement 2019-2028.

Impacts on future generations

The proposal to discontinue the Market Equity Scheme will have an ongoing economic impact to the golf playing community. Although this will result in a price increase for golf clubs, it is in line with recommendations to improve the simplicity, transparency and equity of government fees and charges for water take.

In setting a price of non-potable water, there are complexities in trading off zero cost of water versus maximum cost of water, to incentivise water conservation and protect downstream flow to sustain aquatic ecosystems. Further reviews of government fees and charges for water take will consider a range of inputs, including impacts on future generations.

Wellbeing domain

Environment and climate	Other domains impacted include governance and institutions, economy and social connection.

Timeframe

Five years plus	The proposal includes nil impact up to 1 July 2025. From 1 July 2025 there will be a sustained direct impact after full implementation of the proposal.

Evidence base and data

What do we know?

Legislation and policy

The ACT has obligations under the National Water Initiative (NWI), the Water Act 2007 (Cth) and National Competition Policy, to implement micro-economic reforms in relation to water supply and consumption.

The ACT is a signatory to Intergovernmental Agreement on the NWI and the 2010 NWI Pricing Principles. In doing so, we agreed to implement water pricing and institutional arrangements that promote economically efficient and sustainable use of water resources, water infrastructure assets, and government resources devoted to the management of water.

The ACT Water Strategy 2014-44 Striking the Balance aims to achieve 'an integrated and efficient water supply system that provides for the optimal mix of supply options, encourages efficient use of water, is resilient to climate variability and secures the social, economic and environmental needs of the ACT community'.

Non-potable water licensees

There are 180 non-potable water licensees in the ACT.

- 150 of these licensees are subject to full fees.
- 20 primary producers are eligible to a 98% discount in recognition of providing food and plant products in competition with NSW rural irrigators.
- 10 golf clubs are eligible to a 50% discount to reach parity of water fees between ACT and NSW golf clubs.

There is wide variation in the revenue streams (including gaming machines), low-cost water security and irrigation demand of golf clubs. This affects the ability of individual golf clubs to absorb operational cost impacts.

Monitoring

Each extraction point under a water licence is required to be metered. The Environment Protection Authority assesses annual water usage to fulfill national and Murray-Darling Basin reporting requirements and administer invoicing of the non-potable Water Abstraction Charge. This arrangement will continue to monitor non-potable water use and fees for each licensee.

Impacts

Impacts to non-potable water irrigators are highly seasonal. In wet years there is abundant water from rainfall and there is low need to supplement irrigation under licensed or contracted arrangements. In dry years more intensive irrigation is required and the additional use of water comes with additional user-pays fees.

It is estimated that the proposal may impose an annual cost impact to golf clubs, dependant on individual irrigation practices and rainfall. The financial assistance proposed in low rainfall years, would reduce the financial impact of the non-potable Water Abstraction Charge.

What do we need to know?

The proposal suggests further work is required to review fees and charges associated with water take.

Collaboration and Engagement

Golf clubs are most likely to be impacted by the proposal. Golf clubs and their peak representation body were engaged in a series of individual meetings during October/November 2022 to explain current water pricing policy, understand individual circumstances of clubs and discuss potential policy options.

Consultation with non-potable water licensees, include golf clubs and their peak bodies, occurred in June/July 2023. Consultation involved seeking written feedback from all non-potable stakeholders on policy options that were being considered for the Government Response. A Listening Report documented the 17 written submissions and helped inform the proposal. The main issues of concern raised from external stakeholder consultation were:

strong opposition from golf clubs and their peak bodies to remove the MES;

- mixed support for a review of the WAC, with clarity desired for terms of reference;
- mixed support for financial relief, with clarity sought on eligibility requirements; and
- recognition sought for golf sector contribution to community benefit.

Licensees will be advised of the outcome of the Government response.

Consultation with Treasury has occurred throughout drafting of the Government Response.

Measures of success

How will the Government know this proposal has been successful?

- A review of fees and charges for water take occurs by 1 July 2025.
- The Market Equity scheme is discontinued by 1 July 2025.

How will the Government know this proposal has achieved the anticipated wellbeing impacts?

The review of government fees and charges for water take considers the complexities in trading off zero cost of water versus maximum cost of water, to incentivise water conservation and protect downstream flow to sustain aquatic ecosystems.

Planned Evaluation

Information about evaluation, including how to identify whether your proposal should have an evaluation plan, is available through the wellbeing toolkit resource: Evaluation in Wellbeing Impact Assessments.

Application of the National Water Initiative pricing principles will be evaluated through a comprehensive triple bottom line assessment of the first 5 years of operation of the INRN scheme being conducted by Transport Canberra and City Services, with support from Treasury.

Fees and charges for water take will continue to be evaluated on an as needs basis.

Open Access Wellbeing Impact Summary (Cabinet Submission WIAs only)

The proposal will have wellbeing impacts across the environment and climate, governance and institutions, economy and social connection domains. The recommendations made are designed to improve simplicity, transparency and equity in relation to fees and charges for water take.

Communications Plan – Cabinet

Project: Government Response to Non-potable Water Review
Directorate/Business Unit: Environment, Planning and Sustainable Development Directorate
Launch/release date: September 2024

Non-potable water policy

What is being communicated?	The ACT Government is issuing a government response to the Non-potable Water Review which will include investigations into fees and charges associated with non-potable water which impacts gold clubs and other non-potable licensees. These fees and charges are being explored through the refresh of the ACT Water Strategy		
Why are we communicating on this issue?	To raise awareness of the non-potable water policy and implications on the Canberra community.		
Background/research/insights	• The Parliamentary and Governing Agreement for the 10th Legislative Assembly committed to ensuring clubs continue to support the community, while reducing harm from gaming. The ACT Government committed to examining the costs related to non-potable water use in a range of users, with a focus on high-intensity club users, with the aim of allowing users to maintain operations while not requiring cross-subsidisation from other ACT Government water users. • There are approximately 180 non-potable water licensees, including primary producers, small businesses, community clubs and associations, government irrigators and private individuals. These licensees use approximately less than 10% of the ACT's water. • The 2023 stakeholder consultation received 17 items of written feedback, 9 of which came from the golf community.		
Tier:	Tier 3		
Other directorates/agencies involved	• CMTEDD - Treasury • TCCS	**Spokesperson**	Minister for Water and Minister for Gaming, Shane Rattenbury Executive Group Manager, Fiona Wright Director ACT Water Policy and Planning, Ryan Breen

Target audiences

Primary	• High-intensity club users of non-potable water (i.e., golf clubs) • Low-intensity private users of non-potable water • Other users of non-potable water • Government license holders
Key influencers/stakeholders	• Icon Water
ACTPS	• CMTEDD – Treasury & Environment Protection Authority • TCCS – North Canberra Reticulation Network

Approved by: Bren Burkevics
Action officer: Jacqueline Goddard
Date: 29/5/2024

Communications Plan – Cabinet

Project: Government Response to Non-potable Water Review
Directorate/Business Unit: Environment, Planning and Sustainable Development Directorate
Launch/release date: September 2024

Key messages

Primary messaging

- Government agree or agree in principle to all recommendations made by the Non-potable Water Review.
- Key aspects of the Government Response include:
    - Reinstatement of previous rebates and perpetual financial assistance in the form of the Market Equity Scheme, has not been proposed. This means that golf clubs will be required to pay the same Water Abstraction Charge as other licensees that provide community benefits from 30 June 2025.
    - Recognising the additional operational costs to maintain irrigation during drought-like conditions, financial assistance will be provided to not-for-profit sporting community organisations that are licensed to irrigate with non-potable water as targeted short-term support from 1 July.
    - Additionally, the Government has committed to investigating a rainfall run-off exemption for non-potable license holders, which would provide a threshold for take before water charges apply.
    - The Government will review fees and charges for water take, in the context of the application of the National Water Pricing Principles and the policy outcomes being explored through the refresh of the ACT Water Strategy.
- The policy outcomes included in the Government Response are guided by objectives to improve affordability of water supply, build sustainable and adaptable water supplies under drying climate, and promote water conservation and efficiency.

Secondary messaging

- The combined impacts of population growth and climate change means that the ACT can expect to see the demand for water increase, while the reliability of water from our current sources decrease.
- The 2021 Non-potable Water Review examined costs related to non-potable water usage by clubs, including usage charges, infrastructure costs, operation costs and maintenance costs.
- This review attracted nine submissions and was publicly released on the YourSay website in 2021.
- In 2023, the ACT Government sought feedback from non-potable license holders, peak bodies and community groups on a range of policy options to inform a government response to the Non-potable Water Review.

Action plan

When	What	How	Responsibility
September	Circulate **Listening Report**	Email	Office of Water
26 August 2024: Cabinet date			
3 September 2024	**Direct communication** with primary audience and key stakeholders	Email	Office of Water
3 September 2024	Publish **non-potable water webpage**	Website	EPSDD Communications, Engagement and Media
3 September 2024	**Media release**, supported by **talking points** *Announcing the cabinet endorsed Government response to the Non-potable Water Review* Following direct stakeholder communication	Media	EPSDD Communications, Engagement and Media
1 July 2025 – Implement financial relief and updates on investigations into costs and charges			
1 July 2025			

Approved by: Bren Burkevics
Action officer: Jacqueline Goddard
Date: 29/5/2024

• Discontinue the Market Equity Scheme • Implement and administer financial relief, in low rainfall years only, for applicable stakeholders			
1 July 2025	Update **non-potable water webpage**	ACT Government Environment Website	EPSDD Communications, Engagement and Media
1 July 2025	**Direct communication** with primary audience and key stakeholders *Advising stakeholders that the new policy is now in effect*	Email	Office of Water

2024

THE LEGISLATIVE ASSEMBLY FOR THE

AUSTRALIAN CAPITAL TERRITORY

Non-potable Water Review

Government Response

Presented by Shane Rattenbury MLA
Minister for Water, Energy and Emissions Reduction
September 2024

Introduction

The Parliamentary and Governing Agreement for the 10th Legislative Assembly (PAGA) committed to ensuring that clubs continue to support the community while reducing harm from gaming.

As part of this commitment, the ACT Government (the Government) examined the costs related to non-potable water usage, with a focus on high-intensity club users. The aim of the Review was to provide recommendations to government that allow users to maintain operations while not requiring cross-subsidisation from other ACT water users.

The Review's terms of reference were to investigate and provide recommendations on:

- the appropriateness of the current pricing framework for non-potable water, informed through an analysis of the associated costs in its supply;
- whether any adjustments can be made to the current framework which would enable clubs to continue operating, without entailing cross-subsidisation from other users;
- whether there are other relevant arrangements which could achieve the goals set out in the PAGA, such as those adopted by other jurisdictions; and
- any other issues identified through the Review.

The key overarching findings of the Review were:

- Non-potable water usage and costs for high-intensity club users are closely linked to weather conditions and vary significantly from year to year. The revenue received by the Government and Icon Water from charges for non-potable water is equally volatile.
- Users with access to surface and ground water sources for irrigation purposes, and to a lesser extent recycled water and stormwater, have lower water usage costs than those who only have access to potable water sources for irrigation purposes.
- While water usage costs vary from year to year, they are generally less than 10 per cent of a club's overall costs and do not have a significant impact on the ongoing financial viability of most high-intensity club users. Other factors such as member base, prices charged, and other capital and operating costs can have a greater impact on a club's financial situation.
- Various assistance measures provided by the Government have resulted in golf clubs and rural irrigators paying significantly less for surface and ground water, compared to other users.

The specific findings relating to surface and ground water were:

- Users of surface and ground water incur the costs associated with infrastructure to store and pump the water for irrigation purposes. The extent of these costs depends on a club's circumstances and are relatively fixed.
- The charges for ground and surface water (including non-potable Water Abstraction Charge (WAC)) are sufficient to recover direct water planning and management costs incurred by the Government.
- Charges vary significantly for different groups of surface and ground water users. Most high-intensity club users, including golf clubs, and rural irrigators have not

had to pay the non-potable WAC for surface and ground water due to a range of concessional assistance measures. However, some of the measures have recently ended.

- The concessional arrangements are complex to administer and not as transparent as other publicly accessible concessional arrangements.
- No other jurisdiction charges for surface water collected and stored in infrastructure located on users' premises (e.g. ponds). However, they do have licence arrangements.

The specific findings relating to recycled water from Lower Molonglo Water Quality Control Centre (LMWQCC) and stormwater from the Inner North Reticulation Network (INRN) were:

- As demand is volatile from year to year, pricing for stormwater and recycled water broadly reflect the average cost and usage over time.
- Recycled water supply costs are relatively fixed each year.
- This includes costs associated with the pumps and pipes required to transport the recycled water to the end user.
- Icon Water considers the National Water Initiative (NWI) and ICRC pricing principles when setting non-potable water prices, and these are broadly cost reflective. However, prices reflect the cost of infrastructure that was built for a greater capacity than current usage. As a result, the water usage costs for recycled water are higher than those for surface and ground water.
- Prices for INRN stormwater were initially set having regard to the tier two price of potable water and subsequently indexed by the Wage Price Index (WPI) each year.
- Given volatility in stormwater usage, prices for INRN stormwater are broadly cost reflective, but have not fully recovered the associated costs since inception.
- Some jurisdictions have either explicitly adopted NWI pricing principles for stormwater and recycled water pricing or use them as guiding pricing principles.

The Review made four recommendations:

1. Adjusting ground and surface water charges to better align with the fixed and variable costs. This could be achieved through increasing licensing fees to ensure that all users contribute equally to cover the fixed costs and reducing the variable non-potable WAC.
2. Reforming assistance measures to make them simpler and more transparent and equitable.
3. Continuing to provide targeted short-term support to some sporting clubs in exceptional circumstances such as extreme or prolonged dry weather to reflect the social benefits of community clubs. Assistance should be targeted towards clubs that have no other option than to use significant quantities of recycled or potable water for irrigation purposes.
4. Reviewing the application of NWI pricing principles, that suggest full cost recovery for stormwater costs, in the forthcoming review of INRN stormwater prices.

Principles for the Response

The Government Response (Response) considers the Review outcomes under the lens of the following principles:

- Policy options are applied equitably across non-potable water licensees.
- Pricing for water supply is based on the principle of 'user-pays' (consumption based) and represents full cost recovery, including recovery for environmental costs.
- Water pricing promotes economically efficient and sustainable use of water resources.
- Options to assist water users will not result in the cross-subsidisation of water costs by other licensed water users.
- Administration of cost recovery (fees) and any Government assistance (subsidies) will be transparent and efficient in process.
- Government assistance in cost recovery is applied only as necessary and in the public interest (i.e. no annual ongoing measures).

It is desirable to have policy that is simple to administer and is applicable to all licensees. Each non-potable club irrigator has unique site-specific circumstances and different access to secure supplies of non-potable water. A small number of non-potable club irrigators supplement licensed non-potable use with drinking water or treated effluent to meet annual irrigation requirements. It is desirable to have policy for pricing of licensed non-potable water that does not perpetuate annual subsidies as a default position but provides accessible and targeted assistance in times of most need.

ACT Non-Potable Licenced Water Users

There are approximately 185 licensed ACT water users that extract non-potable water.

Licence holders (licensees) include primary producers, large commercial operations, small businesses, community clubs and associations, schools, government irrigators and private individuals. Figure 1 illustrates the proportion of licensees by licensed volume. Over 75% of licensees are issued with licensed volumes of less than 40 ML/yr.

Club based irrigators comprise less than 20% of licensees. High intensity golf club water users typically use more than 100ML of water per year, depending on rainfall.

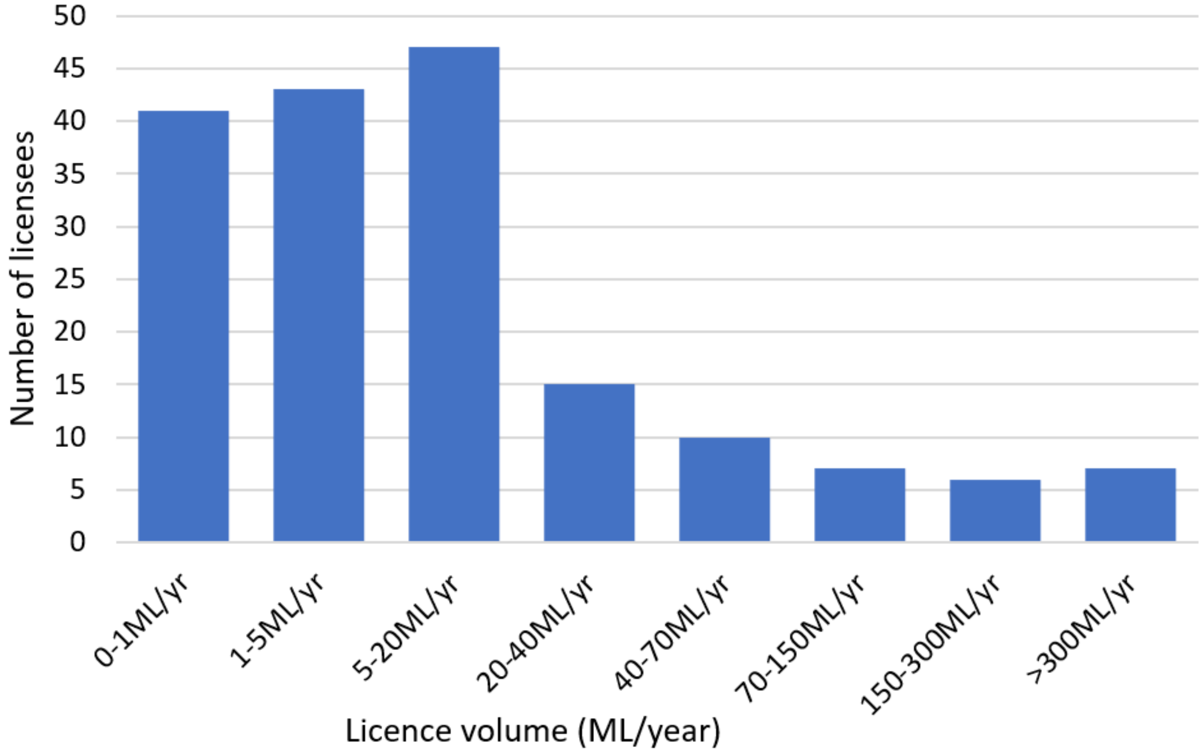


Figure 1: ACT Licences to Take Water

Current non-potable fee structure and price concessions

Each licensed water user pays an annual licence administration fee, currently $516.55 (as at 19 January 2024), collected by the Environment Protection Authority and passed to ACT Treasury. The administration fee is irrespective of licensed water volume or amount of water irrigated in a financial year.

Licensed water users pay their own costs for privately owned irrigation pumps, energy costs to draw water, irrigation pipes and sprinklers.

Non-potable irrigators that access recycled stormwater from the Inner North Reticulation Network or treated effluent from Icon Water pay additional fees to network operators for cost-recovery of reticulated networks.

The non-potable Water Abstraction Charge (WAC) is imposed under section 107 of the *Water Resources Act 2007* through a disallowable instrument (DI) signed annually by the Minister for Water, Energy and Emissions Reduction. The objective of the non-potable WAC is to reflect the true value of water and promote the economically efficient and environmentally sustainable use of water as a scarce resource. The non-potable WAC was put in place to cover costs incurred by the Government including the costs of urban and non -urban water supplies, water catchment management, environment protection of ACT streams and lakes, along with water policy development and administration.

The non-potable WAC is currently $0.334 per 1 kilolitre for diverting water from ACT waterways and underground aquifers (as at 19 January 2024). The non-potable WAC is collected from licensed water users by Access Canberra (the Environment Protection Authority), with revenue passed through to ACT Treasury.

- Approximately 150 licensed water users, some of which provide community benefit, pay full WAC.
- Ten ACT golf clubs receive a 50% discount (Market Equity Scheme) of the non-potable WAC to recognise competition with interstate irrigators.
- Approximately 25 primary producers are eligible to 98% discount (Competition Equalisation Payment) of the non-potable WAC to irrigate food and plant production and recognise competition with interstate irrigators.

The Infrastructure Offset Scheme (IOS) ended in 2020. The IOS allowed offsetting cost of golf club investment into water saving infrastructure against non-potable WAC liability. Some examples of eligible projects included re-sowing turf with water efficient grass species, earthworks to build new on-site dams or new irrigation systems. The combination of the IOS, the Non-potable Water Rebate (which ceased 31 December 2021) and the MES has meant that many golf clubs have not been required to pay the non-potable WAC for several years prior to 2022 and in addition, golf clubs were subsidised for undertaking water efficiency investments during the same period.

Consultation on policy options

The Government recognises that the ACT golf community is the stakeholder group most likely to be affected by potential direction of the Response.

All ACT golf clubs and the ACT-Monaro District Golf Association were approached in October/November 2022 for discussion with senior Government officials. These sessions included discussion of individual club water circumstances and confirmation of current pricing policy of non-potable water. They also provided the opportunity for direct suggestions on approaches to inform the Response.

A range of potential policy options were considered. These were presented in the report '*Consultation on policy options to inform a draft Government Response to the non-potable Water Review*'. Formal consultation on this report was undertaken from 7 June 2023 to 7 July 2023.

The consultation process approached more than 200 stakeholders. The following were contacted and invited to particpate inthe consultation process:

- All 185 holders of an ACT Licence to Take Water under the *Water Resources Act 2007* (includes ACT Golf Clubs)
- Clubs ACT
- Canberra Community Clubs
- Coalition of Major Professional & Participation Sports (ACT)
- ACT Rural Landholders Association of Farmers
- ACT Equestrian Association
- Australian Sports Turf Managers Association
- Golf NSW & ACT Monaro District Golf Association
- Icon Water
- Phillip Oval Management Group
- Authors of previous submissions to the Review.

A Listening Report documenting individual submissions and key insights from stakeholders was captured and circulated to stakeholders.

Government Response to the Recommendations of the Review

Recommendation 1
Adjusting ground and surface water charges to better align with the fixed and variable costs. This could be achieved through increasing licensing fees to ensure that all users contribute equally to cover the fixed costs and reducing the variable non-potable WAC.

Government Position: AGREE IN PRINCIPLE.

Increasing fixed fees (licence administration fees) and lowering variable costs (non-potable WAC fees) was examined as a policy mechanism.

The quantum of increasing the administration fee to be commensurate with reduced non-potable WAC presents a range of issues that are unacceptable from the perspective of resource efficiency, pricing impact and general equity, for the entire range of impacted licensees.

- Disproportionate impact and inequity for licensees. The effective cost for extracting water under a licence would shift to up to 3 times more for low water users compared to large irrigators with negative impacts for half of the 185 licensees. This is inconsistent with commitments under the National Water Initiative to avoid perverse or unintended pricing outcomes.
- Inconsequential impact for licensed irrigators reliant on reticulated stormwater, treated effluent or drinking water to supplement irrigation with non-potable water. Lowering the non-potable WAC has an inconsequential impact on those customers that continue to incur high-cost supply of water from third parties. Reticulated stormwater, treated effluent and drinking water are priced independently on a network cost recovery basis and are currently orders of magnitude more expensive than other non-potable water that is subject to the non-potable WAC only.
- Any adjustment of the non-potable WAC needs to have sound basis and align with the intent of non-potable WAC pricing that aims to reflect:
    - the costs incurred by the Government in maintaining water catchments;
    - the environmental costs (externality) associated with the consumption of water in the ACT; and
    - the scarcity value of water as a resource that holds significant value across the broader community.
- Adjusting the non-potable WAC in isolation of other policy options would not in itself encourage efficient water use. Reducing the non-potable WAC would send a price signal to irrigators that water is less valuable and would not encourage the implementation of water efficiency measures.

The Government notes that the water supply and demand balance will potentially influence water pricing. Before it makes any significant adjustment to pricing it needs to consider this and bring forward further strategies to support efficient water resource management.

The Government will further review fees and charges for water take, in the context of the application of the National Water Pricing Principles and the policy outcomes of the ACT Water Strategy.

Recommendation 2
Reforming assistance measures to make them simpler and more transparent and equitable.

Government Position: AGREE

The Government supports transparent and accountable governance.

The Review recommended future government financial assistance is provided only as targeted short-term support in exceptional circumstances and on this basis, reinstatement of previous rebates (Infrastructure Offset Scheme; Non-potable water rebate) and perpetual financial assistance in the form of the Market Equity Scheme (MES), is not proposed.

Consequently, golf clubs will be required to pay the same rate of non-potable WAC as other licensees that provide community benefits. However, golf clubs and other high-intensity clubs that provide non-exclusive sport-based community benefits will be able to apply for financial assistance in extreme dry conditions when irrigation is more challenging (see response to Recommendation 3).

In addition, a rainfall runoff exemption for licensees will be explored to apply a threshold for water take from captured stormwater before Government water charges apply. This will provide equity in policy application with water captured from hard surface and rural dams, without compromising water efficiency measures or causing downstream environmental impacts.

No change is proposed to the Competition Equalisation Payment (CEP) which provides a 98% discount on the non-potable WAC for approximately 25 ACT primary producer irrigators. The CEP will be the only ongoing discount to the WAC offered to any group of non-potable irrigators in recognition of the critical importance of food and plant production for the ACT community.

The Government will transition to providing financial relief in extreme dry conditions only, from 1 July 2025 in tandem with discontinuing the Market Equity Scheme from 30 June 2025.

Recommendation 3
Continuing to provide targeted short-term support to some sporting clubs in exceptional circumstances such as extreme or prolonged dry weather to reflect the social benefits of community clubs. Assistance should be targeted towards clubs that have no other option than to use significant quantities of recycled or potable water for irrigation purposes.

Government Position: AGREE.

The Government recognises the wellbeing benefits (greenspace, amenity and encouraging community participation in sport) provided to the ACT community by clubs that irrigate with non-potable water. Further, it acknowledges the high intensity irrigation required to achieve this community wellbeing, and the additional operational stress faced by clubs during low rainfall years and drought as they seek to maintain a reasonable standard of turfed playing surfaces.

From 1 July 2025, during periods of extreme dry conditions only, financial relief will be made available, on application, for clubs that meet the following proposed eligibility criteria:

An irrigator is eligible to apply for assistance where all of the following criteria are met:

- Assistance will be available only during times of extreme dry conditions. This is defined as when the rainfall over the previous financial year was at or below the lowest 20% of long-term average annual rainfall records for Sutton gauge 070232.
- The applicant is a community club-based, not-for-profit irrigator.
- A Licence to take water is held for the property of interest.
- The primary purpose of licensed non-potable irrigation is to facilitate community sport.
- Community benefit would be foregone if irrigation discontinued.

Non-club licensees are ineligible for Government financial assistance.

Notably, irrigators with 100% reliance on treated drinking water are out of scope for the purpose of financial assistance associated with this Response. The use of treated drinking water as the primary means to irrigate sports playing fields is a separate issue that requires further examination and would otherwise delay this Response. The Government remains open to further engagement with this group of irrigators on options to encourage water efficiency for playing surfaces that are irrigated only with treated drinking water.

Recommendation 4
Reviewing the application of NWI pricing principles, that suggest full cost recovery for stormwater costs, in the forthcoming review of INRN stormwater prices.

Government Position: AGREE IN PRINCIPLE.

As a condition of a Ministerial exemption from holding a utilities licence, Transport Canberra and City Services Directorate (TCCS) are required to undertake a triple bottom line assessment of the first 5 years of operation of the INRN scheme (2017-18 to 2021-22).

In 2023-24, TCCS were assisted by Treasury to develop a comprehensive triple bottom line (TBL) assessment framework using the ACT Governments Wellbeing Impact Assessment Framework. The TBL assessment is currently being undertaken and will quantify environmental and social benefits of the scheme in economic terms and provide a cost benefit ratio that can be used to determine if new schemes should be pursued.

Preliminary assessment suggests that the scheme aligns with the National Water Pricing Principles.

Consultation on policy options to inform a draft Government Response to the Non-potable Water Review

May 2023

IMPORTANT

The consultation process begins 7 June 2023 and ends on 7 July 2023.

Submissions must be in writing and sent by email to Water.Policy@act.gov.au by COB 7 July 2023.

Contents

Introduction

Consultation is being undertaken to receive feedback on potential policy options to inform the ACT Government response to the Non-potable Water Review (the Review).

The consultation process is being led by the Office of Water, on behalf of the ACT Government Environment, Planning and Sustainable Development Directorate.

This paper provides background material about the consultation process, the Non-Potable Water Review (the Review), the recommendations of the Review and policy options being considered to inform the Government response to the Review.

Background to the Non-potable Water Review

As part of the ACT Labor and ACT Greens Parliamentary and Governing Agreement (PAGA) for the 10th Australian Capital Territory Legislative Assembly, the Government has committed to ensuring clubs continue to support the community, while reducing harm from gaming. The Government committed to undertaking a review into water costs for high-intensity club users of non-potable water, with the aim of allowing clubs to maintain operations while not requiring cross-subsidisation from other ACT water users.

The Review was led by ACT Treasury and incorporated specialist advice from the Independent Competition and Regulatory Commission (ICRC) on recycled water pricing. It examined costs related to the usage of non-potable water by clubs, such as that incurred in the form of usage charges, infrastructure costs, operation costs and maintenance costs for various sources of non-potable water.

The review was completed in December 2021 and placed on the ACT Government Your Say webpage. Pricing of drinking water supplied by Icon Water was out of scope of the Review.

Terms of reference for the Non-potable Water Review

The terms of reference for the Review were to investigate and provide recommendations on:

- the appropriateness of the current pricing framework for non-potable water, informed through an analysis of the associated costs in its supply;
- whether any adjustments can be made to the current framework which would enable clubs to continue operating, without entailing cross-subsidisation from other users;
- whether there are other relevant arrangements which could achieve the goals set out in the PAGA, such as those adopted by other jurisdictions; and
- any other issues identified through the Review.

Overarching findings of the Non-potable Water Review

The key overarching findings of the Review are listed below.

- Non-potable water usage and costs for high-intensity club users are closely linked to weather conditions and vary significantly from year to year. The revenue received by the Government and Icon Water from charges for non-potable water is equally volatile.
- Users with access to surface and ground water sources for irrigation purposes, and to a lesser extent recycled water and stormwater, have lower water usage costs than those who only have access to potable water sources for irrigation purposes.

- While water usage costs vary from year to year, they are generally less than 10 per cent of a club's overall costs and do not have a significant impact on the ongoing financial viability of most high-intensity club users. Other factors such as member base, prices charged, and other capital and operating costs can have a greater impact on a club's financial situation.
- Various assistance measures provided by the Government have resulted in golf clubs and rural irrigators paying significantly less for surface and ground water, compared to other users.

Recommendations of the Non-potable Water Review

ACT Treasury provided four (4) recommendations to the Review, which are outlined in **Table 1.**

Table 1: Recommendations of the Review

Recommendation 1	Adjusting ground and surface water charges to better align with the fixed and variable costs. This could be achieved through increasing licensing fees to ensure that all users contribute equally to cover the fixed costs and reducing the variable non-potable Water Abstraction Charge.
Recommendation 2	Reforming assistance measures to make them simpler and more transparent and equitable.
Recommendation 3	Continuing to provide targeted short-term support to some sporting clubs in exceptional circumstances such as extreme or prolonged dry weather to reflect the social benefits of community clubs. Assistance should be targeted towards clubs that have no other option than to use significant quantities of recycled or potable water for irrigation purposes.
Recommendation 4	Reviewing the application of National Water Initiative pricing principles, that suggest full cost recovery for stormwater costs, in the forthcoming review of Inner North Reticulation Network stormwater prices.

Government Response to the Non-potable Water Review

Policy principles to prepare the Government Response

A range of policy options have been considered relative to the recommendations of the Review. The following principles are being used to inform a draft Government response to the Review.

- Policy options are applied equitably across non-potable water licensees.
- Pricing for water supply is based on the principle of 'user-pays' (consumption based) and represents full cost recovery, including recovery for environmental costs.
- Water pricing promotes economically efficient and sustainable use of water resources.
- Options to assist water users will not result in the cross-subsidisation of water costs by other licensed water users.
- Administration of cost recovery (fees) and any Government assistance (subsidies) will be transparent and efficient in process.
- Government assistance in cost recovery is applied only as necessary and in the public interest (no annual ongoing measures).

Other considerations to prepare the Government Response

Policy considerations were mindful of potential impacts to the full range of licensees, not just the large club irrigators identified in the Review. For context on the range of licensees, there are 185 licensed ACT water users (as of July 2022) that extract non-potable water. Licence holders include primary producers, small businesses, community clubs and associations, government irrigators and private individuals. Club based irrigators comprise less than 20% of licensees. It is desirable to have policy that is simple to administer and is applicable to all licensees.

Each non-potable club irrigator has unique site-specific circumstances and different access to secure supplies of non-potable water. A small number of non-potable club irrigators supplement licensed non-potable use with drinking water or treated effluent to meet annual irrigation requirements. It is desirable to have policy for pricing of licensed non-potable water that does not perpetuate annual subsidies as a default position but provides accessible and targeted assistance in times of most need.

Draft policy options to respond to the Non-potable Water Review

Government responses to reviews follow the format presented in **Table 2**. Each response to a recommendation is supplemented with explanatory text to articulate the policy position of Government on an issue.

Table 2: Standard format of government response

Agree	The government agrees to the recommendation
Agree in principle	The government generally supports the recommendation but does not necessarily agree with some of the details in the recommendation
Noted	The government considers no specific action or response is necessary to the recommendation
Not agree	The government does not agree to the recommendation

Policy options to inform Government response to the Review

Table 3 presents a range of preferred policy options to inform the Government response to recommendations 1 to 3 of the Review. **Table 4** presents other non-preferred policy options considered. Comments are sought from stakeholders on the preferred options (the package of options a to d inclusive) and non-preferred options.

For recommendation 4, the Government is expected to support the application of the NWI principles in future review of the Inner North Reticulation Network.

Preferred policy option

Table 3: Preferred policy options to inform Government response to the Review

Preferred policy option	Basis
a) Review the non-potable Water Abstraction Charge (WAC), **AND;**	The Office of Water will deliver a suite of priority reforms to strengthen water governance arrangements within the ACT and improve accountability and transparency of pricing. This work includes considering the application of the National Water Pricing Principles in setting of Government water charges related to the cost recovery and user-pays principles.
b) Freeze WAC setting for fixed term (irrespective of policy position); **AND;**	Lock in the price setting of the WAC for a fixed term (suggested term is three years) to provide pricing certainty for licensees to prepare forward budgets. Provide a periodic review mechanism.
c) Remove the market equity scheme; **AND**	The Market Equity Scheme is a 50% concession of the Water Abstraction Charge eligible only to ACT golf clubs. The Review recommended future government financial assistance is provided only as targeted short-term support in exceptional circumstances and on this basis, reinstatement of previous rebates and perpetual financial assistance measures is not proposed. Removing the Market Equity Scheme improves equity of water pricing with other licensees and aligns with the Treasury position to move away from perpetual financial assistance. Short term financial assistance will be accessible to golf clubs and other eligible stakeholders in exceptional circumstances, see item (d) below.
d) Provide short-term financial assistance under extreme circumstances	Short-term, non-ongoing financial assistance is proposed under exceptional circumstances with clearly defined criteria, to support provision of community services. Criteria may include prolonged drought, extreme scarcity of non-potable water and financial difficulty associated with reliance on treated mains supply or recycled water. See attachment A for sample eligibility criteria and amount of financial relief.

To what extent do you agree with the policy options presented in Table 3?

☐ **Strongly agree** ☐ **Agree** ☐ **Neutral** ☐ **Disagree** ☐ **Strongly disagree**

Do you have any further comments on the policy options presented in Table 3?

Enter response here

Other policy options considered

Table 4: Other policy options considered to inform Government response to the Review

Other policy options considered	Basis
e) Do nothing	This would maintain the current pricing policy with the ongoing subsidies. This would continue the current inequity for non-golf club irrigators.
f) Market equity scheme – expand	Market Equity Scheme expanded to all non-potable water irrigators that provide community benefit, perpetuates ongoing annual subsidy.
g) Increase administration fees and reduce Water Abstraction Charge	The option to increase fixed costs (administration fee, currently $496/year) and reduce variable costs (WAC, currently $0.32/KL) disproportionally and negatively impacts up to 80 of the very small water users while benefiting the larger irrigators simply by the scale of water use. Small water users pay effectively more water fees per kilolitre and large irrigators pay effectively less water fees per kilolitre. This option provides negligible benefit for licensed irrigators reliant on reticulated stormwater, treated effluent or drinking water to supplement irrigation with non-potable water and does not alleviate these high costs payable to third parties.
h) Tiered water use fees (on WAC) **e.g. 50% WAC for water use below a tier** **(e.g. 50,000,000L)** **Full WAC for water use exceeding tier**	A tiered WAC option would set a lower price of non-potable water for a nominal tiered volume and full WAC would apply if exceeding the tier. This option benefits low volume non-potable water users and applies water scarcity value/ environmental cost to large water abstraction. A tiered WAC is analogous to the Market Equity Scheme by perpetuating financial assistance. Other challenges with a tiered WAC is the setting of a fair pricing point for each tier that is appropriate to the wide volumetric range of licensees.
i) Surface water rights **(% reduction of water fees for licensees that capture rainfall with on-site detention ponds)**	Surface water rights would seek to expand current riparian rights exemptions of primary producers for stock and domestic water use. Licensees (including several golf clubs) reliant on groundwater receive nil benefit from this policy option, nor would licensees that pump water from lakes, ponds, and rivers on off-site unleased public land.
j) Encourage access to recycled water uptake (reticulated stormwater and/or treated effluent)	The high cost of expanding reticulated stormwater and treated effluent networks, and limited geographic access to existing networks, is a deterrent to expanding recycled water options within the scope of the Government response to the Review. A policy position on encouraging uptake of recycled water can be pursued holistically in the ACT Water Strategy.
k) Subsidise recycled water	Pricing of recycled water is on a cost recovery basis and independently reviewed. It is desirable to avoid perpetuating subsidies and cross-subsidisation. See preferred policy option to provide short-term financial assistance under extreme circumstances

Do you have any feedback on the policy options presented in Table 4, that were considered, but not preferred?

Enter response here

ATTACHMENT A: Draft criteria for non-ongoing financial relief

This section provides more detail on the draft policy position for non-ongoing financial relief in extreme circumstances only, for licensed ACT irrigators that provide a community benefit.

Draft eligibility criteria

The following draft eligibility criteria would apply for properties of interest where financial relief is sought. Each of the criteria must be satisfied.

- Community club-based organisations
- A Licence to take water held for the property of interest
- Irrigation water only, no other water use
- Irrigation dedicated for sporting purposes only
- In average rainfall years, majority of irrigation requirements are met by licensed water use without requiring external water sources (such as drinking water)
- Water efficiency measures in place to demonstrate a genuine attempt of improving water security and reducing water use. For example, water efficient irrigation system, low water use turf species, diversification of water supply, appropriately sized water storage systems
- Eligibility period applies to the previous 12 months (financial year) where rainfall is at or below the lowest 20% of long-term average annual rainfall records for Sutton gauge 070232
- Licensed non-potable water source(s) is unavailable or inaccessible (document point in time)
- An external party supplies water to a licensee (document point in time) because licensed water source is unavailable or inaccessible
- Community benefit foregone if irrigation is discontinued

Draft ineligibility criteria

- Private or exclusive use of irrigated facilities
- Nil community or public access benefit from irrigated facilities
- Primary producers eligible for Competition Equalisation Payment
- Irrigators with gaming machine revenue stream

Draft Evidence

- Documentation to support each of the eligible and ineligible criteria, above
- Invoice for water use from external water supplier
- Receipt of payment from external water supplier

Draft financial support

- Financial relief of up to $20,000 or up to 25% of invoiced amount (whichever is less) payable to a licensee to recover expenses paid for external party water supply
- An appropriate mechanism is required to make financial relief accessible at an appropriate time to avoid delays with assessment and administration of claims for financial relief
- For ACT Government standard licensed water fees of the Water Resources Act 2007, an option for 12-month instalment payment plan or 12-month payment deferment

Do you have any feedback on the draft criteria for non-ongoing financial relief?

Enter response here

ATTACHMENT B: Stakeholder Consultation

The consultation process invites stakeholders that have a direct interest in the Review to make written submissions on this consultation paper.

Stakeholders may contact the Office of Water to request individual discussion of issues and concerns to assist preparation of submissions.

The following stakeholders are included in the consultation process and invited to respond.

- All holders of an ACT Licence to Take Water under the *Water Resources Act 2007*
  - 185 licensees
  - includes ACT Golf Clubs
- Authors of previous submissions to the Review, including
  - ACT Equestrian Association
  - Australian Sports Turf Managers Association
  - Golf NSW & ACT Monaro District Golf Association
  - Icon Water
  - Magpies Club
  - Phillip Oval Management Group
  - Yowani Country Club
  - Previous submissions to the Review made by individuals
- ACT Rural Landholders Association

LISTENING REPORT

GOVERNMENT RESPONSE TO THE NON-POTABLE WATER REVIEW

The ACT Government committed to ensuring clubs continue to support the community, while reducing harm from gaming. This included undertaking a review into water costs for high-intensity club users of non-potable water, with the aim of allowing clubs to maintain operations while not requiring cross-subsidisation from other ACT water users.

The Non-potable Water Review (the Review) was led by ACT Treasury and incorporated specialist advice from the Independent Competition and Regulatory Commission (ICRC) on recycled water pricing. It examined costs related to non-potable water usage by clubs, such as usage charges, infrastructure costs, operation costs and maintenance costs for various sources of non-potable water. Pricing of drinking water supplied by Icon Water was out of scope of the Review.

The review was completed in December 2021 and published on the ACT Government YourSay website.

The ACT Government Office of Water was then tasked with preparing a Government Response to the Review. A range of policy options were considered in relation to the recommendations listed in the Review. The following principles were in place to consider policy options:

- Policy options are applied equitably across non-potable water licensees.
- Pricing for water supply is based on the principle of 'user-pays' (consumption based) and represents full cost recovery, including recovery for environmental costs.
- Water pricing promotes economically efficient and sustainable use of water resources.
- Options to assist water users will not result in the cross-subsidisation of water costs by other licensed water users.
- Administration of cost recovery (fees) and any Government assistance (subsidies) will be transparent and efficient in process.
- Government assistance in cost recovery is applied only as necessary and in the public interest (no annual ongoing measures).

THE CONVERSATION

Consultation recognised the ACT golf community as a key stakeholder group, most likely to be affected by potential direction of the Government response. As a preliminary measure, all ACT golf clubs, and the ACT-Monaro District Golf Association were approached individually in October/November 2022 for in person meetings with senior government officials from the Environment Planning and Sustainable Development Directorate. These meetings included discussions on unique circumstances, current pricing policy of non-potable water and information about the process to prepare a government response to the Review.

Stakeholder consultation was undertaken in 2023 to receive feedback on potential policy options to inform the ACT Government Response to the Review. Over 200 stakeholders were sent a cover letter and a consultation paper '*Consultation on policy options to inform a draft Government Response to the non-potable Water Review*' and invited to provide written responses via email.

The consultation period began 7 June 2023 and ended 7 July 2023. A one-week extension was granted for two stakeholders.

WHO WE ENGAGED

The following peak bodies, community groups and authors of previous submissions to the Review were contacted and invited to respond to the consultation process.

- All 180 holders of an ACT Licence to Take Water under the Water Resources Act 2007 (includes all ACT Golf Clubs)
- Clubs ACT
- Canberra Community Clubs
- Coalition of Major Professional & Participation Sports (ACT)
- ACT Rural Landholders Association of Farmers
- ACT Equestrian Association
- Australian Sports Turf Managers Association
- Golf NSW & ACT Monaro District Golf Association
- Icon Water
- Phillip Oval Management Group
- Previous submissions to the Review made by individuals.

THANK YOU FOR YOUR FEEDBACK

210

We approached 210 entities, including all non-potable licensees, peak bodies, ACT golf clubs, and authors of previous submissions

17

We received 17 items of written feedback

9

The golf community provided 9 written submissions, from 5 golf clubs and 4 peak bodies representing golf club interests

Key insights from non-potable irrigators, peak bodies, community groups and individuals

Market Equity Scheme

1. There is strong opposition from golf stakeholders and their peak bodies on removing the Market Equity Scheme.
2. Concerns were associated with increased operational costs, reduced opportunity to invest in water security and the proposal not reflecting positive wellbeing outcomes that golf stakeholders provide to the community.

Review of Water Abstraction Charge

3. There was mixed support and opposition for reviewing the Water Abstraction Charge, with more clarity required with the terms of reference of a review.

Financial relief in exceptional circumstances

4. There is opposition from golf stakeholders and their peak bodies on providing short term financial relief in exceptional circumstances.
5. Concerns were associated with eligibility criteria items and ability to satisfy criteria.
   - There was opposition to precluding clubs with gaming machine revenue.
   - Clarity is required to improve description of some criterion.
   - The amount of proposed financial relief was criticised as inadequate.

Freezing fees

6. There was support for freezing non-potable water fees for a set period (3 to 5 years) to provide certainty for forward operating budgets.

Other issues

Golf clubs and their peak bodies also emphasised the following points:

7. The community wellbeing outcomes associated with golf, such as benefits of greenspace buffers, amenity and community participation should influence the Government Response to the Review
8. Water fees can account for more than 10% of operational costs. Some clubs have much higher proportions of operating costs when supplementing with high cost water in dry years because of on-site water scarcity.
9. Pricing outcomes should recognise investment by golf clubs to improve water security and the not-for-profit contributions of clubs to the Canberra community.
10. Concern that a one size fits all approach may not reach optimal pricing outcomes for the golf community.

WHAT'S NEXT?

The insights from consultation are being considered to finalise the Government response to the Non-potable Water Review.

A draft Government response to the Non-potable Water Review will be presented to Cabinet for consideration in 2023 and then made publicly available.

Key Timings

Finalise the draft Government response to the Review: August/September 2023
We are here

Government response publication and implementation: 2023/2024 financial year

ATTACHMENT I - Listening Report (verbatim written submissions)

For high level summary of consultation feedback, see Attachment H Listening Report.

This supporting document to the Listening Report provides detailed written submissions received from stakeholders on '*Consultation on policy options to inform a draft government Response to the Non-potable Water Review* (May 2023)'.

The consultation period was 7 June 2023 to 7 July 2023. The following stakeholders were invited to make formal comments on preferred and non-preferred policy options.

- All holders of an ACT Licence to Take Water under the Water Resources Act 2007
    - 180 licensees
    - includes ACT Golf Clubs
- Authors of previous submissions to the Review
- Peak body representatives

A total of 17 submissions were received. Submissions are recorded verbatim below. Submissions are listed in order received.

Submissions were received from the following authors.

1. Individual licensee
2. Yowani Country Club
3. Murrumbidgee Country Club
4. ACT Equestrian Association
5. Icon Water
6. Federal Golf Club
7. Burns Golf Club Belconnen
8. Golf NSW/ACT
9. ACT-Monaro District Golf Association
10. Individual licensee
11. Individual licensee
12. ACT Rural Landholders Association of Farmers
13. Gold Creek Country Club
14. Phillip Oval Management Group
15. Australian Sports Turf Management Association
16. Clubs ACT
17. Coalition of Major Participation Sports

Each written submission is provided in full on the following pages.

Sub No.	Written submissions (verbatim)
1	• I would like to provide feedback from the point of view of a licensee who uses ground water for domestic gardening watering. • This is a group who uses small volumes, and does not have any financial gain from the water use, unlike clubs and golf courses. • I would also argue that we contribute to the heritage value and street amenity of older Canberra suburbs. • Table 1: I disagree that licence fees should be increased for all users, because of the point made above that we small domestic users do not gain financial benefit from water use, and the fee is proportionally large. • Table 4: I agree with Option h- that is, a tiered scheme of Water Abstraction charges. As explained above, I feel this charge should be lower for small domestic users who do not have any financial gain from water use, as opposed to clubs and golf courses where water is used for financial gain. REF From: Individual licensee Date: 21 June 2023

2	• As the holder of a licence to take water in the ACT, and as the author of previous written feedback, the Yowani Country Club Limited has been invited to provide a submission on proposed policy options to inform the ACT Government response to the Non-Potable Water Review. The Yowani Country Club welcomes the opportunity to provide further input on this most important issue.
	• For sporting clubs, access to, and the cost of, water for irrigation purposes is a major factor affecting both their operating cost and financial sustainability. In this regard sporting clubs, but particularly golf clubs, are much more than sporting venues, as they enhance the aesthetic amenities of the ACT and form part of the urban landscape that provides eco-centres that support natural flora and fauna. Many golf courses, such as Yowani, are also part of flood abatement zones and help manage storm water flows through established dams and eco-friendly wetlands. They also act as natural fire breaks and safety zones during bushfires.
	• If the Government is serious about its intention to support clubs in securing their long-term financial futures, by diversifying their operations away from gaming and by reducing their reliance on community assets like potable water, then Clubs must be encouraged and supported to invest in infrastructure required to increase water storage capacity, to reduce reliance on town water supplies and ensure their water security.
	• In the case of Yowani we have already invested $1.3 m in 2012 to construct a stormwater harvesting facility (SWHF). This facility enables the club (under licence) to harvest low-quality and highly sedimented storm water, that is fit for no other purpose, during moderate to high rainfall events. In addition, the Club is about to embark on a major project to undertake major 2 upgrades to its water storage capabilities and to more efficiently utilise its water resources to eliminate any future dependence on community potable water assets. This will include:
	    o Construction of two additional storage dams to increase storage capacity by approximately 20 ML at a cost of at least $1m
	    o Replace the existing course irrigation system (which is now past its useful life) to allow more efficient and targeted use of water resources. Estimated to cost $2m.
	    o Enhance YCC's role as part of the Government's flood mitigation strategy.
	    o Protection of the values of Sullivan's Creek through a process of naturalisation. This will aid in the improvement of the low-quality of water that flows through club land and on to Lake Burley Griffin through a process of natural filtration.
	• There is not, and nor has there ever been, a level playing field in the ACT for the right to access water at reasonable cost. Some sporting clubs have preferential access to zero cost/free water from Lake Burley Griffin, others have access under licenced conditions to storm water, and still others must rely on treated water, potable water, or natural rainfall.
	• In the case of Yowani, the Club has taken positive steps, and invested considerable capital, in implementing measures to improve its water security and in reducing water use through the replacement of its existing aged watering system with one offering greater efficiency in its water use. The Club has also disposed of its poker machines and become pokie free in support of the Government's gambling harm minimisation initiatives.
	• The suggestion that a one size fits all approach is an appropriate solution ignores the complexities of the clubs' industry in the ACT in which the diversity of interests and individual needs of clubs vary widely. The four recommendations from ACT Treasury suggest that all users of the ACT's water resources should contribute equally to fixed and variable costs of providing those resources. However, this ignores the investments made by some clubs, like Yowani, to ensure that they have reduced reliance on community resources.
	• We would also suggest that the generalised assumption that water usage for clubs represent less than 10% of a club's overall costs and does not have a significant impact on their ongoing financial viability, is at best misguided. Whilst this might apply to most high intensity community clubs or associations, for sporting club's that maintain large swathes of open sporting green space, access to water at reasonable price is a key and significant issue impacting directly on their cost of operation and financial sustainability.
	• As the action sought from Stakeholders is to simply provide an omnibus statement in respect of the four policy options put forward as to what extent do we agree with the policy options presented we would have to state that Yowani disagrees. However, as the option to provide further comment is available, apart from what is stated in the body of this submission, specific

Sub No.	Written submissions (verbatim)
	comments on the four policy options provided in Table 3 of the Consultation Paper are as follows: ◦ Option a) Review the non-potable Water Abstraction Charge (WAC) – We note that this Option proposes to consider the application of the National Water Pricing Principles in the setting of ACT water charges related to the cost recovery and user-pays principles. As Yowani predominantly relies on natural rainfall and stormwater capture we would argue that the cost of capturing and storing stormwater is met by the Club and not by the ACT Government or taxpayer. Yowani has also argued in the past that the total WAC should resemble the bulk water pricing rates applied by other jurisdictions (eg the Water NSW Annual Review of Rural Bulk Water Charges). It should also recognise the important community benefit provided by NFP sporting Clubs such as Yowani unlike other, for profit, commercial water users. **Yowani therefore strongly disagrees with this Option as currently framed.** ◦ Option b) Freeze WAC Settings for fixed term - Yowani would accept the need to set the price of the WAC for a set term (proposed as 3 years) to provide price certainty for licensees in preparing forward budgets. **Yowani Agrees with this Option, subject to the reasonableness of the WAC charge as outlined in the above response to Option a).** ◦ Option c) Removal of the market equity scheme – Yowani believe this to be a shortsighted option that will act only to remove the incentive for sporting clubs to invest in the infrastructure that is necessary to improve water security and water usage. It also penalises those clubs that have made significant financial investments to improve their water security and usage in support of the Governments aims and objectives in this area of community interest. **We therefore strongly disagree with this policy option.** ◦ Option d) Provide short-term financial assistance under extreme circumstances – Yowani would agree with this option, particularly for those clubs that have limited capacity to access and store water for irrigation purposes. Severe drought can have catastrophic impacts on those smaller and less financially secure clubs. However, drought doesn't play favourites and for those perhaps larger clubs (with larger areas of community greenspace to maintain) that rely on storm water capture, the results of extended drought can be as catastrophic in the absence of natural water flows. **Yowani therefore conditionally agrees with this Option.** • Yowani continues to strongly believe that the significant capital expenditure incurred by sporting clubs to improve and maintain water capture, storage and use should continue to be recognised and encouraged by Government. This through retention of incentives such as the Capital Works Offset Program, and a total WAC that resembles bulk water pricing rates applied within other jurisdictions and that recognises the important community benefit provided by NFP Sporting Clubs such as Yowani. REF From: Yowani Country Club Date: 28 June 2023

<table>
<tr><th>Sub No.</th><th>Written submissions (verbatim)</th></tr>
<tr><td>3</td><td>Below is a submission I put forward to ClubsACT for inclusion in a submission that they were making on behalf of our golf club. I understand this was submitted. Further to this, I would like to add some comments on Table 3 of the Policy on Page 6:-
I agree with freezing the WAC for a fixed term. This does make it easier to budget for;
I don't agree with the removal of the market equity scheme. I understand this was put in place to assist clubs in building water saving infrastructure to reduce their potable water usage charges into the future. Clearly, these costs aren't cheap and the market equity scheme shouldn't be removed otherwise, in our case, it will be another $30,000+ that we would have to pay in a dry year. We are currently investigating options for a new irrigation system but this cost will be $2M+. The Club's turnover is only $1.6M PA. The more we are charged under a WAC the further away a new, water efficient irrigation system is;
I disagree with short term assistance for some users. My comments below. It should be an even playing field and offering discounts, even in extreme situations, is a competitive advantage.
Golf clubs are some of the biggest water users in the Territory. At the same time, we are also one of the most responsible. We are always looking to reduce water usage by investigating water saving options including moving to couch grass, building irrigation dams to harness water run off and installing water efficient irrigation systems to name three.
More than happy to elaborate on any of the above but Murrumbidgee feels strongly on these points.

REF
From: Murrumbidgee Country Club
Date 30 June 2023</td></tr>
<tr><td>4</td><td>The Equestrian Park Management Group has pointed out to the ACT Equestrian Association that in the main the administration fee outweighs the extraction fee, by a high factor when we extract no water. Generally our experience of administration is one reminder a year to read our water meter! As a small user we would much prefer not to pay fixed admin costs and to pay for the water we actually use.

REF
From: ACT Equestrian Association
Date 3 July 2023</td></tr>
</table>

5

In our response, Icon Water has assumed the following:

1. Potable Water Abstraction Charge (WAC) refers to Item Number 1.13 in Column 1
2. Non-potable WAC refers to Item Number 1.14 in Column 1

of the *Water Resources (Fees) Determination 2022 (No 2) Disallowable Instrument DI2022-199*[2].

It is recommended that the ACT Government's response to the Review provides clarity around the terminology of the WAC used it its submission.

Question 1: To what extent do you agree with the policy options presented in Table 3?

Icon Water Response: Neutral

Question 2: Do you have any further comments on the policy options presented in Table 3?

Icon Water see potential benefit from enhanced transparency and clarity around pricing, including responsibilities and principles.

Preferred policy option a)

Icon Water note that our customers on raw water contracts, such as those supplied to Uriarra Village, have the higher 'potable water WAC' passed through to their water prices.

[1] https://yoursayconversations.act.gov.au/download_file/4928/1956
[2] https://www.legislation.act.gov.au/DownloadFile/di/2022-194/current/PDF/2022-194.PDF

Icon Water recommend that the proposed review does not consider 'non-potable WAC' in isolation. The proposed review should consider the outcomes of the WAC Final Report[3] to ensure that all WAC remains aligned with its original intent.

Preferred policy option b)

Our interpretation of this policy is that the price path would be 'locked in' for a set period (i.e. a specified series of increases (e.g. X% per year) rather than prices 'frozen' at the same level over a fixed period). It is recommended the wording be revised to provide clarity on the intent.

The period length should give consideration to the complexity of the review required to set the price path (i.e. if complex and resource intensive, may want to consider a longer period than three years).

This option should be considered in the context of the National Water Pricing Principles.

Our assumption is that preferred policy option b) only applies to 'non-potable WAC'. If this approach was also to be applied to the 'potable water WAC', consideration should be given to the pricing periods for regulated water and sewerage services with a view to minimise over/under recoveries from customers (i.e. the WAC determination would need to be available in advance of the ICRC's final price determination).

Preferred policy option d)

Our strategic customer engagement program, *Let's Talk Water and Wastewater*, provides relevant insights into our customer views on tariffs, affordability and liveability. The Icon Water Customer and Community Strategic Engagement Project Report outlines customer insights in relation to tariffs and affordability (Section 4.4.2) and liveability (4.5.5).

These insights suggest that Government should also consider financial assistance for non-residential customers that are not supplied with non-potable water (i.e. supplied with potable water). We recommend that ACT Government consider this customer feedback in the development of a financial assistance program.

Sub No.	Written submissions (verbatim)
	Question 3: Do you have any feedback on the policy options presented in Table 4, that were considered, but not preferred? **Other policy option h)** There are potential benefits of a tiered pricing scheme that may incentivise water conservation practices / limit excessive water usage. It is noted that this would benefit low volume non-potable water users. **Other policy option j)** Pricing is a key consideration that may affect recycled water and stormwater uptake and should be considered by ACT Government during development of a holistic policy on water recycling or integrated water management. Recycling/stormwater/third pipe schemes have a number of costs - financial, social and environmental. There are other potential system benefits of water recycling that may offset capital expenditure on recycled water infrastructure. Assessment should be undertaken on a case-by-case basis and consider the benefits and costs. **Other policy option k)** This option is not articulated accurately. Pricing of recycled water is not independently reviewed. It is set through commercial arrangements between Icon Water and our customers, or through a standard non-potable customer contract. In setting its non-potable water prices, Icon Water takes in to account the [3] https://www.icrc.act.gov.au/__data/assets/pdf_file/0006/1247469/wacfinalreport10oct03.pdf *National Water Initiative (NWI) Pricing Principles for recycled water and stormwater use* (2010)[4] and the pricing principles outlined by the ICRC in their *Final Report: Regulated water and sewerage services price 2023-28*[5]. **Question 4: Do you have any feedback on the draft criteria for non-ongoing financial relief?** Draft Eligibility Criteria 2 would significantly limit the eligibility of large users under this scheme, as they do not have a licence to take water. It is recommended that consideration be given to this scheme being expanded to customers on any non-potable water contract with Icon Water, regardless of whether they have an existing licence. It is recommended that Draft Eligibility Criteria 5 be reviewed. Consideration should be given to expanding this scheme to community club-based organisations that use potable water as their main source (majority of water is from potable water source, not non-potable water). In 'extreme circumstances' when licenced ACT irrigators are needing to switch to potable water (e.g. during drought), it is likely that community club-based organisations that rely more heavily on potable water are similarly incurring increased water costs. In addition, without retrofitting additional metering/monitoring it may not be possible for applicants to measure the split of their potable water usage between irrigation and other usage and demonstrate that they meet this criterion. It is recommended Draft Eligibility Criteria 7 is reviewed as there are many factors, other than average rainfall years, which impact water usage. This includes the timing of rainfall (e.g. early winter rainfall followed by no spring/summer rainfall during peak irrigation season). We appreciate engagement and the opportunity to contribute to the ACT Government's draft response. For further information on this submission please contact Nic Morgan, Senior Policy Advisor, Nic.Morgan@iconwater.com.au. REF From: Icon Water Date 3 July 2023

Sub No.	Written submissions (verbatim)

6	• The Federal Golf Club supports and endorses the comments by the ACT Monaro DGA. We note in particular that:
	  ○ The preferred policy position seems more focussed on ease of administration rather than on an equitable application of costs to users particularly golf clubs.
	  ○ Water pricing policy does not in itself promote the efficient use of water or investment in water storage and security measures including distribution systems.
	  ○ Policy options (c) and (d) in Table 3 are not supported as they clearly work against the needs of golf clubs.
	• There are a number of specific issues which apply to the Federal Golf Club, a public access not-forprofit club:
	• 1. The Federal Golf Club has no natural water course running through its property. To irrigate the golf course Federal relies on rainfall, run off into its 2 small ponds, several bores (which haven't produced much for several years) and potable water.
	• 2. The proposal to align the Water Abstraction Charge (WAC) with fixed and variable costs is not supported. In our case the Government does not incur any fixed or variable costs, nor is there any cross subsidization by any other user of non-potable water. In fact, as there are no services provided by the Government for the WAC it could be more correctly defined as a tax.
	• 3. The removal of the Market Equity Scheme (MES) to provide a 50 per cent concession against the WAC is astonishing. We cannot see how the removal of the MES improves the equity of water pricing with other licensees. For the WAC to apply, the club needs to invest significant resources to develop ponds to capture water which the club is then charged through the WAC to use. In this situation it only equitable that a proportion of the cost of this water infrastructure, through the re-introduction of the discontinued Infrastructure Equity Scheme, should be a deduction against the WAC each year.
	• 4. The claim on page 4 of the Consultation Paper that "…water usage costs … are generally less than 10 per cent of a club's overall costs and do not have a significant impact on the ongoing financial viability of most high-intensity club users" is refuted. The claim demonstrates that the reviewers have very little understanding of the club's operations.
	• The proposed WAC in conjunction with potable water charges particularly in low rainfall years needs to be considered in the context of the direct costs of maintaining the course at a minimal playable condition. In those years water will potentially be the largest individual cost item for the club apart from wages directly related to course maintenance. Considering water as only a component of the club's total operating costs significantly understates the impact of water costs on the clubs ongoing financial viability.
	• In 2019 and 2020 during the drought, the water cost for the club was over $600,000. This resulted in the club reporting significant financial losses in each of those years. It also took several years for the club to pay off a $420,000 debt to Icon Water for the use of potable water over the 2019/20 summer period.
	• 5. The proposed criteria for non-ongoing financial relief sets out 10 eligibility criteria, all of which would need to be met for a club to receive up to $20,000 in financial assistance. The criteria appear to be impossible to be satisfied particularly as criterion 7 requires that rainfall be at or below the lowest 20% of the long-term average annual rainfall records for Sutton gauge 070232. The average rainfall was 658.7mm at gauge 070232. To satisfy criterion 7 the rainfall would need to be 131.74mm. The lowest average annual rainfall over the last 12 years was 350mm in 2019. Given this data it is highly unlikely that this criterion will be met at any time in the future
	
	REF
	From: Federal Golf Club
	Date 6 July 2023

7		Thank you for the opportunity to respond to the Consultation Paper of May 2023 outlining a proposed Government response to the Non-Potable Water Review. We have chosen to restrict our response to high level comments in relation to; 1. what we believe should be the overall intent of the review, and; 2. the draft criteria for non-ongoing financial relief included at ATTACHMENT A of the paper. In terms of more detailed commentary on key issues and principles raised in the paper, we support the views being expressed separately by the ACT-Monaro District Golf Association of which we are a member. **What should be the overall intent of the review?** Water is a scarce and extremely valuable resource. As such, we should be encouraging all water users and consumers to use it an efficient and conserving manner. This means encouraging users to implement practices and invest in supporting infrastructure that helps the capture and consumption of water in a way that meets the efficiency and conservation objectives. We see this review of non-potable water as an opportunity to encourage and assist golf clubs to pursue these objectives. In our view, the overriding objective of this review should be to encourage golf clubs to make significant financial investments in capturing, accessing, managing and efficiently utilising non-potable water. From what we can see – including in the Parliamentary & Governing Agreement which initiated this review - this has never been clearly stated as the overarching objective of the review. This would be a missed opportunity. Whilst discussion and analysis of pricing principles and equity and transparency issues are important, our view is that consideration of these issues should be seen through the prism of encouraging more efficient and prudent use of a scarce and critical resource. With this objective in mind, rather than doubling the Water Abstraction Charge (WAC) by removing the market equity scheme as suggested in the consultation paper – an initiative which would increase costs and therefore make investment more difficult - we strongly suggest consideration be given to removing the WAC altogether for those Clubs that can clearly outline plans and timelines for investment in better water capture and utilisation on their courses.

This would involve a form of mutual commitment between the ACT Government and individual golf clubs. An agreement whereby the golf club would commitment to relevant water efficiency investments over a certain period of time in return for which the Government would waive the WAC for the duration of that investment period. Such an initiative would genuinely assist and reward those Clubs who are committed to improving their management and use of water and, in so doing, contribute to the strong community and Government commitment to conserving this critical resource.

Whilst further work would need to be done to work through the details of how this arrangement would work best in practice, were the ACT Government to accept this recommendation in principle, we are certain the golf club industry in the ACT would work diligently and constructively with Government to see such an initiative put in place.

Non-Ongoing Financial Relief
ATTACHMENT A to the Consultation paper outlines draft criteria which might apply were the ACT Government to implement a financial relief program for Clubs under exceptional circumstances. Our major concern with the proposed criteria is it suggests Clubs with gaming machine revenue should be ineligible. We strongly oppose this suggestion for two main reasons.

Firstly, we don't think it is appropriate for Government to discriminate between Clubs based on the particular business model they choose to pursue. Clubs adopt the business model which best suits their own circumstances, expertise, history and constitutional objectives. Clubs pursue a business model which they believe provides the best prospects for building a strong, sustainable Club that will provide services well into the future for its members and the community. Against this background, we believe the principal eligibility consideration of Government in providing assistance for users of non-potable water should not be whether or not they derive revenue from gaming machines, but rather whether organisations seeking assistance deliver clear community benefits but require assistance to help them navigate some difficult times. Further, if assistance is to be provided, we believe that a further key eligibility factor should be that, in return for Government assistance, the organisation must also commit to initiatives it will also implement itself to help address the challenges it faces. In other words, there should be some level of mutuality in the assistance agreement.

There is one other point to note here were Government to go with the ineligibility criteria relating to gaming machines. Would the Government treat a club with five poker machines the same as a Club with two hundred poker machines. A situation which does apply in Canberra. Would both clubs be ineligible even though one Club clearly has far less reliance on gaming revenue than the other? I think most people would think to do that would not be "fair" to the Club with five machines. So does Government draw a line and say Clubs with more than a certain number of poker machines are ineligible? And if so, where is that line drawn? This exercise would get very subjective and contentious. There would always be Clubs who considered they were on the wrong side of the "line" and therefore being treated unfairly. An unnecessary complication in achieving the intent of the assistance and yet another reason not to go down the path of making Clubs with gaming revenue ineligible.

Sub No.	Written submissions (verbatim)
	Our second concern with this proposed eligibility criteria is that it does not apply to any other ACT Government assistance program which is available to our Club. We can, and in many cases do, access Government assistance programs for example to assist us with energy efficiency initiatives, the installation of electric vehicle chargers, and investments to diversify and strengthen the business. None have a requirement that the Club derive no income form gaming machines. Therefore, to introduce a financial relief package in relation to non-potable water usage as outlined in the Consultation Paper would be inconsistent with other Government assistance programs made available to our Club. **Concluding Comments** Our Club is new to the golf industry having only purchased the Belconnen Golf Club in April this year. We therefore come to this industry with no particular experience or expertise in golf club management and operation, including the issue of water pricing. This clearly has some disadvantages when it comes to discussing an issue like this one which is a detailed review of non-potable water. In this regard we are fortunate to be a member of the ACT-Monaro District Golf Association which clearly has deep expertise in this area and is a powerful advocate for the industry. They have also been very welcoming of us and are a valuable source of advice as we climb a rather steep learning curve. However, being a new entrant to the industry does bring with it some benefits. In particular, we can bring a fresh set of eyes and ideas to an issue. This can sometimes allow us to see things a bit differently. Hence in the case of this review of non-potable water we question whether the depth of focus on pricing principles and equity issues – as important as they are - has distracted somewhat from what we believe should be the higher-level objective of encouraging Clubs to invest more in capturing, accessing, managing and efficiently utilising this valuable resource called non-potable water. The discussion on pricing and related principles should be done so with this objective firmly in the front of our minds. Hence our comments earlier in this submission. In conclusion, we hope our small contribution here has provided some value add to the discussion. We look forward to working further with the Government on this important issue both directly and through our representative body the ACT-Monaro District Golf Association. REF From: Burns Golf Club Belconnen Date 6 July 2023

Sub No.	Written submissions (verbatim)

8	• Please accept this correspondence by Golf NSW/ACT in support of the following affiliated Clubs:
	    ○ Burns Golf Club Belconnen
	    ○ Fairbairn Golf Club
	    ○ Federal Golf Club
	    ○ Gold Creek Golf Club
	    ○ Gungahlin Lakes Golf Club
	    ○ Murrumbidgee Country Club
	    ○ Royal Canberra Golf Club
	    ○ Royal Military College Golf Club
	    ○ Yowani Country Club
	• Collectively the above Clubs generate in excess of $70m in annual benefits to the Australian Capital Territory community.
	• Golf as industry provides multiple benefits to the wider community which include supporting local charities, junior programs, amateur/professional competitions, tourism, employment, small business, and most importantly the mental and physical health of all who play.
	• We recently commissioned the highly respected Sport Business Partners and Street Ryan to evaluate the contribution golf, both as a sport and industry, delivered to ACT – see below link: https://www.golfnsw.org.au/wp-content/uploads/2021/05/Golf-in-ACT-Community-Impact-Study-Final100.pdf
	• The results highlighted golf is more than a sport.
	• Our Clubs strongly believe the current 'Market Equity Scheme' should continue and both our Board and I support this position.
	• The ACT Government and Office of Water in introducing the Scheme has played a pivotal role in ensuring fairness and equal opportunities for all Clubs, which in turn has contributed to the overall growth and development of the district, and the community at large.
	• Termination of the Market Equity Scheme would reinstate the inequity which led to its adoption by the ACT Government in the first place.
	• The extra financial impost would simply exacerbate the ongoing cost pressures faced by golf clubs, many of which are having to take significant steps to diversify income sources to be able to continue to provide the above-mentioned benefits for the community.
	• It is also important to ensure the end result delivers a pricing strategy which supports and benefits the whole of the Australian Capital Territory from both a social and recreational perspective.
	• In closing we ask the ACT Government and Office of Water ensure there is an equitable treatment of all water users during the consultation process, and not a 'one size' fits all approach.
	
	REF
	From: Golf NSW/ACT
	Date 6 July 2023

9	• The ACT Monaro District Golf Association (DGA) continues to support the need for a review into nonpotable water pricing to deliver appropriate pricing arrangements for non-potable water access by golf clubs in the ACT: ○ – having regard to bulk water charges applying nearby in NSW, ○ – to recognise rather than penalise investments made by golf clubs themselves to improve their water management, ○ – to arrive at a framework for pricing which golf clubs could support as fair and reasonable, in order to encourage ongoing water efficiency across the variety of sources of water they rely on. • In reviewing what is proposed in the consultation paper, it is disappointing that, rather than having the primary concerns previously raised by the DGA and golf clubs throughout the review process addressed, they have been set aside, with a preferred policy solution that places golf clubs in a worse position than before the review commenced. • Further, contrary to the paper's first principle to apply policy options equitably across non-potable water licensees, the paper is silent on the treatment of the ongoing Competition Equalisation Payment for primary producers – appearing therefore to increase rather than diminish the disparity in treatment between different licensees. • The issue of cross-subsidisation deserves particular attention. • The paper states that options to assist water users should not cross-subsidise water costs by other licensees. If a "one size fits all" solution to the proposed WAC review is the outcome, then to the extent golf clubs have invested their own resources to manage supply risk and improve their water efficiency, they would be clearly cross-subsidising other licensees via the application of such a universal WAC. • The withdrawal of the Infrastructure Offset Scheme has removed what was a previous incentive and form of recognition of this inequity. • Policy and pricing options which assist and incentivise golf clubs (and potentially other non-potable water licensees) to invest in increased on-site storage for irrigation purposes would add benefits beyond the immediate user. The benefits of keeping more water in the landscape extend further, contributing to urban amenity, creating urban habitat, offsetting the cost to the environment of polluted runoff – thus improving the health of waterways and wetlands, and alleviating localised flooding. • The DGA wishes to reiterate that our ACT-based member clubs have differing water access circumstances, which adds to the complexity of pricing considerations, and that the comments below remain complementary to and cannot supplant specific arrangements each or any club may have for access to non-potable water sources. • Overall, the approach proposed in the consultation paper is disappointing. The concerns we have raised above and in the specific comments overleaf (regarding Tables 3 and 4 policy options) highlight the lack of equitable treatment, insufficient detail on important aspects, and the potential adverse consequences for golf clubs in the ACT. We urge that these aspects be reconsidered to ensure a fair and well-informed decision-making process, and a pricing strategy that supports the delivery of social, recreational and other benefits to the population of the ACT • TABLE 3 – SPECIFIC COMMENTS ON THE PREFERRED POLICY OPTIONS A. • We note and agree the importance of reviewing the non-potable Water Abstraction Charge (WAC). However it is not clear how Recommendation 1 of the Non-Potable Water Review, reproduced at Table 1, will be reflected in the review now proposed at Table 3, option a), particularly the potential to reduce the variable WAC – nor how long this will take and by what process, and with what degree of independence. • Nor is it clear how the consideration of application of the NWI Pricing Principles in setting the non-potable WAC in the ACT will be tested against the quantum of bulk water charges arising as a result of their application in other jurisdictions, notably NSW. • The DGA doesn't argue against improved accountability and transparency of pricing, although it is not clear what "strengthened water governance" would entail, nor the costs and benefits to customers. The DGA supports the principles of cost recovery and consumption-based user pays, but does argue that any review of the WAC, and however it is constructed or replaced,

	must explicitly accommodate for the investment costs made by golf clubs to improve their efficiency and sustainability in water access and usage – in the various ways described in detail in our original submission in April 2021. B. • While the fixed-period price freeze may provide pricing certainty to users, the paper is silent on the course of action following the end of this period, creating pricing uncertainty for golf clubs and other water users. C. • In the context of the preferred policy position in this paper, the proposed removal of the Market Equity Scheme (MES) ignores the reason it was introduced by Government in the first place – the inequity of the WAC as currently constructed for application in the ACT – and so the removal of the MES is opposed by the DGA. The fact that, according to the Treasury's Final Report, the non-potable WAC obligation for rural irrigators is almost completely eliminated via the Competition Equalisation Payment system underscores this point. • D. • Regarding short-term financial assistance, the preferred option provides limited detail on its operation, while a whole attachment is devoted to criteria that would effectively exclude many golf clubs from accessing non-ongoing financial relief, let alone that some criteria require clarification as to meaning and effect. • For example, timing and periodicity of rainfall through a year is considerably more critical to sustainment of playing surfaces – and the consequential demand for supplementary water access – than aggregate annual rainfall (important as that is). • Again, denying eligibility for short-term financial assistance under extreme circumstances to golf clubs associated with revenue streams from gaming, in preference to other clubs, is considered inequitable and unreasonable in the context that the assistance relates to provision of the same community services. • TABLE 4 – SPECIFIC COMMENTS ON OTHER POLICY OPTIONS CONSIDERED E. • Until the proposed review of the WAC is completed, the 'do nothing' option (retention of the status quo, with the Market Equity Scheme in place) as described is a logical approach. F. • As argued at 3C. above, the adoption of the Market Equity Scheme for golf clubs resulted from the inequity of the WAC in the first place, so suggesting it's expansion as a policy option, then arguing that it would perpetuate ongoing annual subsidies, is curious. G. • From the perspective of the golf sector, this option reflects the first recommendation of the original Treasury Review, and the DGA considers it should be part of the solution. • The basis for not preferring this option also conflates two separate issues – on the one hand, the setting of a fair non-potable WAC, and on the other the impact on users of other charges for reticulated stormwater, treated effluent or potable water. H • With just 185 licensees for non-potable water to administer, it is unclear to the DGA how a user-based tiered allocation and pricing system poses "challenges" that could not be overcome. (The DGA notes that there is already a higher administration fee for those licensed to take more than 1000 megalitres.) Such a system would have the advantage of responding to the variability of water value in differing weather circumstances via price signal. I. • Beyond the limited way the "surface water rights" option at i) is described, to the extent that golf clubs have invested from their own resources in means of capturing and storing rainfall and stormwater runoff to serve their irrigation needs in dry conditions (and at the same time contribute to the various beneficial forms of urban amenity by keeping water in the landscape), a concomitant reduction of water fees for the "cost recovery" element of price would be entirely consistent with the stated principle for equitable application of policy options – and as we argue at 3A. above. J.

Sub No.	Written submissions (verbatim)
	• The DGA notes that the utilisation of recycled water is not an option golf clubs would choose under current arrangements and charges, unless (as in the case of at least one golf club), they have no more economically substitutable source. K. • With regard to subsidising recycled water, the DGA considers that the implementation of such schemes in the ACT has resulted in diseconomies of scale, to which is then added an overlay of water pricing principles, creating an overly-onerous pricing regime. In NWI terms, the DGA would argue that any decision on pricing or subsidisation for access to recycled water should be with the long-term interests of customers/users in mind. REF From: ACT-Monaro District Golf Association Date 6 July 2023
10	• selected 'neutral' to preferred policy option • As a small volume user I think a tiered WAC FEE preferable otherwise it eventually would be cheaper to use potable water REF From: Individual licensee Date 7 June 2023

Sub No.	Written submissions (verbatim)
11	• selected 'agree' to preferred policy option • This review is focused on clubs that have irrigation licenses which typically use significant volumes of non-potable water. However, while focusing on the MER and high volume irrigators, I would urge that the new charging model for non-potable water charges resulting from this review be equitable for *all* classes of non-potable water users. • Primary Producers (farmers) depend on non-potable water. Some ACT farmers - those who irrigate crops - are eligible for assistance under the Competition Equalisation Payment (CEP) scheme towards their water costs. • I am a non-irrigating primary producer and would like to point out an inequity in the non-potable charging model that could be easily addressed • The past ten years have confirmed that rain-fed dams are no longer reliable enough to support our ongoing livestock operation. After struggling through the last drought with no connection to mains water (potable or non-potable) we were motivated to sink a bore in 2021. • Our bore water license precludes irrigation allowing only for livestock and domestic use. As non-irrigators we are not covered by the CEP, nor am I suggesting we should be. • I am happy to pay a fair price for the water we use, but find that the fixed cost (the annual admin fee) already feels excessive for the task of issuing us with an annual invoice for water used. For example, this year the admin fee is 155% of our actual water usage charge meaning that we are effectively paying much more for our water usage - 82c/kL overall - compared to ~32c (or less with the benefit of the MES subsidy) paid by a large volume user. Our operation would benefit very little from a reduction in the per litre water rate - in fact were it to be (hypothetically) halved to 16c/L our effective overall rate would only reduce from 82c to 65c per litre (more than 4 times the hypothetical 16c rate). • I therefore propose that the annual admin charge (currently $496) be adjusted to be, say, 20% of the actual water usage component of the invoice until it reaches a maximum of $496. • This would bringing the *overall cost per actual kL used* for small users down closer to that for larger users. For the 20% admin fee cap proposed above it would have the effect of small volume users paying no more than 32 x 1.2 = 38c/kL overall. • It would also create an additional incentive for smaller volume users to reduce (actual) consumption below their maximum allowance REF From: Individual licensee Date 5 July 2023

Sub No.	Written submissions (verbatim)
12	• As the peak body for ACT farmers, we would like to express our interest in the review of non-portable water and request that our Association be kept informed of any changes that may be made. We understand the importance of this issue and believe that farmers must have access to affordable and reliable water sources to benefit our food and ecological systems. • The matter was raised at our most recent general meetings, and information was distributed through our mailing list and website forums. The Association encouraged individual farms to submit a response on their specific case with farmers in the ACT considered low-risk and low water usage and vulnerable small business owners to fee changes. • Producing food and fibre needs water, and we hope the ACT Government water policy enables agriculture rather than prevents the sector's growth. We need to look at the water cycle within the ACT and capitalise on wastewater treatment facilities for agricultural irrigation and prioritise agricultural production. Additionally, drought as a result of a La Nina event within the next 12 months threaten the lives and existence of rural communities and businesses. • Our Association is committed to working with the ACT Government to ensure that the needs of farmers are taken into account during the review process. We appreciate the efforts that have been made so far to address this issue, and we look forward to continuing to work together to find solutions that meet the needs of everyone involved. • Thank you for your attention to this matter, and we welcome ongoing involvement in the water policy development. REF From: ACT Rural Landholders Association of Farmers Date 7 July 2023

13	• As part of your review the Government has committed to ensuring clubs continue to support the community, while reducing harm from gaming. The Government committed to undertaking a review into water costs for high-intensity club users of non-potable water, with the aim of allowing clubs to maintain operations while not requiring cross-subsidisation from other ACT water users. • Gold Creek Country Club is a golf club that has no subsidization from the Territory in any of its operations and has no poker machines. • The water used on site is captured on site and pumped at the cost of Gold Creek Country Club onto the greens which is enjoyed by an enormous amount of neighbors adjoining the property. Our income source is predominately from the Golfing operations; unfortunately, this has not been enough to sustain or even gather any profitability during its 27 years of operation. • The addition of charges for surface water used to irrigate the land, which is then fed back into the dam, could be seen as double dipping and will force the Golf Club deeper into the red. There has been no government support provided for the operations during our ownership. • selected 'strongly disagree' to preferred policy option • It is the position of Gold Creek Country Club that whilst the provision of certainty for licensees is critical to the establishment of effective water policy, removal of the Market Equity Scheme concession of the WAC will have significant detrimental impacts to the operation of golf clubs in the ACT. • Our facility has self-funded the ability to capture, store and use efficiently ground and surface water, and removal of any/all support (excluding minimal short-term, non-ongoing financial assistance as proposed) will both a) significantly increase operational costs for the club requiring non-potable water to maintain safe, presentable and quality playing surfaces, and b) significantly reduce the impetus for the Club to invest in infrastructure to capture/access ground and surface water - which will dramatically increase the need and use for potable water to be used in irrigation to maintain these facilities. c) provide an increased burden on top of existing water usage costs, funded by the Club, d) reduce the community amenities provided at the cost to the Club • The Club is not licensed poker machine venue and is not subsidised by any government for any of the collection, and usage. • Further, it is the opinion of the Club that increased charges for irrigation and associated reductions in playing surface quality - will have direct flow-on impacts at these facilities, including (but not limited to) a) value of membership with lower quality surfaces, b) reduction in membership numbers of membership fees due to lower quality surfaces c) reduction in staff numbers/jobs to offset increased irrigation costs d) increased operating costs will result in lower investment into capital, environmental and sustainability practices at these clubs e) will have an impact on interstate visitors and would look poorly on the ACT Club. • Based on feedback from our members it is also important to note that we strongly disagree with the findings of the Non-potable Water Review that water usage costs are generally less than 10 per cent of a club's overall costs and do not have a significant impact on the ongoing financial viability of most high-intensity club users. • Over the past 27 years, the club has not turned a profit and is not sustainable. We have seen examples of water usage exceed 25% of a clubs operational costs, and further increases to these facilities is not sustainable, even with $20,000 or up to 25% of invoiced amount (whichever is less) proposed • Did the review look to differentiate between groups in setting policy recommendations, for example - users with access to on-site water vs not, users with access to treated effluent et al? • Users have all the infrastructure on site and recycle the water, the WAC would cause a double dipping of water being used and then run off into the storm water and then re used for irrigation again. • Proposed amount of financial relief (up to $20,000 or up to 25% of invoiced amount (whichever is less) for external party water supply is negligible in comparison to reduction in WAC (%), resulting in significant cost increases to clubs, particularly high-volume irrigators.

Sub No.	Written submissions (verbatim)
	• The Club undertook and continues to work every year to reduce any water reliance, this should be deducted against any possible charges. But note that a Water Abstraction License limiting the amount of water should also be in force. • The size of our irrigation zone is around 80 hectares, any particular increase in any cost, significantly harms the Clubs long term future. • We are unsure what the Territory provides in services that cause a charge to the Territory while the Club recycles its water to the benefit of the community. • The Club agrees on fixed fee Abstraction charges for a license with limitations. It does not agree on the actual charges of the used proportions. • As noted in the introduction, this review was designed for licensed clubs that have gambling and subsidisation. The Club has neither and should be treated as such. Secondly the cost to the Territory for the capture and continued re-use of the water on site is not clear. Thirdly the community benefits have not been considered. • We hope that we are not penalised for the lack of income generated by pokies and note, like most golf courses there are significant challenges especially in Canberra to become or remain financially viable without additional costs being placed on them. REF From: Gold Creek Country Club Date 7 July 2023
14	• In the last response, the Phillip Oval Management Group submitted a response around no access to non-potable water at Phillip Oval. The response supported the extension of a non-potable water source to the Phillip Oval precinct. • The problem still exists. The Phillip Oval precinct remains unable to access non-potable water. The ground is currently watered by potable water, which is a significant cost. We again support the extension of non-potable water access to Phillip Oval. REF From: Phillip Oval Management Group Date 10 July 2023

Sub No.	Written submissions (verbatim)
15	• selected 'disagree' to preferred policy option • It is the position of the Australian Sports Turf Managers Association, that whilst the provision of certainty for licensees is critical to the establishment of effective water policy, removal of the Market Equity Scheme concession of the WAC will have significant detrimental impacts to the operation of golf clubs in the ACT. • The majority of these facilities have self-funded the ability to capture and store ground and surface water, and removal of any/all support (excluding minimal short-term, non-ongoing financial assistance as proposed) will both a) significantly increase operational costs for clubs requiring non-potable water to maintain safe, presentable and quality playing surfaces, and b) significantly reduce the impetus for any Club in ACT to invest in infrastructure to capture/access ground and surface water - which will dramatically increase the need and use for potable water to be used in irrigation to maintain these facilities. • Further, it is the opinion of the Association that increased charges for irrigation and associated reductions in playing surface quality - will have direct flow-on impacts at these facilities, including (but not limited to) a) value of membership with lower quality surfaces, b) reduction in membership numbers of membership fees due to lower quality surfaces c) reduction in staff numbers/jobs to offset increased irrigation costs d) increased operating costs will result in lower investment into capital, environmental and sustainability practices at these clubs • Based on feedback from our members throughout the ACT, it is also important to note that we strongly disagree with the findings of the Non-potable Water Review that water usage costs are generally less than 10 per cent of a club's overall costs and do not have a significant impact on the ongoing financial viability of most high-intensity club users. • Over the past 5 years, we have seen examples of water usage exceed 25% of a clubs operational costs, and further increases to these facilities is not sustainable, even with $20,000 or up to 25% of invoiced amount (whichever is less) proposed • Did the review look to differentiate between groups in setting policy recommendations, for example - users with access to on-site water vs not, users with access to treated effluent et al? • Proposed amount of financial relief (up to $20,000 or up to 25% of invoiced amount (whichever is less) for external party water supply is negligible in comparison to reduction in WAC (%), resulting in significant cost increases to clubs, particularly high-volume irrigators. • Rather than a minimal amount of relief offered, the Association would support the development and introduction of a tiered system to offset water-acquisition costs relative to size/quantity of user groups REF From: Australian Sports Turf Managers Association Date 12 July 2023

16	• ClubsACT Submission – Non-Potable Water Review Policy Options • Introduction • ClubsACT is the peak industry association for the ACT Licensed Club Industry representing a membership including the majority of ACT Golf Clubs, Bowling Clubs, Football (Rugby Union, AFL and NRL) and Soccer clubs. Our members are not-for-profit entities and across the ACT our membership provides or maintains a significant number of water dependent facilities for the ACT community. Our membership represents one of the largest consumers of ACT water and has a significant stake hold interest in the pricing of both potable and non-potable water. • We acknowledge that our members currently have differing water access circumstances, which adds to the complexity of pricing considerations. Our comments in the submission seek to address the broad nature of concerns raised by our members whilst contemplating the variable nature of individual situations. • ClubsACT works closely with the ACT Monaro District Golf Association (DGA) and the Coalition of Major Participation Sports ACT (COMPS) who we also consulted in drafting this submission. We support the submission tendered by the DGA on behalf of ACT Golf Clubs and have liaised with COMPS on the preparation of this submission. We understand that some of our members have lodged their own submissions which we seek to supplement with a broader industry perspective through this submission. • General Issues • ClubsACT supports the need for a review into non-potable water pricing to deliver appropriate pricing arrangements for non-potable water access for not-for-profit clubs across the ACT. For sporting clubs, access to, and the cost of, water for irrigation purposes is a major factor affecting both their operating cost and financial sustainability. In this regard sporting clubs, are much more than sporting venues and should be recognised for their unique circumstance in this issue, given the contribution they make to enhancing the aesthetic amenities of the ACT. • Our members facilities form a significant part of Canberra's urban landscape, providing ecocenter's that support natural flora and fauna. Many of our members facilities, are also part of flood abatement zones and help manage storm water flows through established dams and ecofriendly wetlands. They also act as natural fire breaks and safety zones during bushfires. Club vegetation landscapes have a cooling effect on the local environment through transpiration and shading, limiting the land absorbing heat, thus cooling the local environment. The porous nature of club ground surfaces also reduces the risk of flooding during high rain periods. • The provision and pricing of water in the ACT has significant impact on our membership and is structured more in line with a commercial market perspective rather contemplating the not-for-profit nature of our industry. • The members of ClubsACT (and their fee-paying memberships) provide a range of benefits to the Canberra community that are not contemplated appropriately in the pricing structure of water. as of 1 July 2019, the ACT Government made changes to the ACT community contribution scheme to maximise community benefits with one of the major reforms being to apportioning facilities maintenance to support greater access by the broader community to sports and recreation facilities. Under the relevant legislation, contributions directed towards club affiliated sporting infrastructure facilities help support sporting activity and may promote the availability of these facilities for the use and enjoyment of the general public • Unlike the commercial sector, our members have significant constraints on seeking cost recovery for pricing increases. The provision and maintenance of community sporting facilities, and the green space across that ACT that is sustained by this, factor significantly in the livability of the ACT. The direct contribution these facilities make to the environmental issues within the ACT is rarely if ever acknowledged. • Pricing of water in the ACT should contemplate in its design the bulk water charges applying nearby in NSW, recognize the investments made by our industry to improve water management and sustainability and recognize the significant community contribution already being made by our industry to the ACT community in this area. The setting of pricing should be designed as an incentive to encourage further investments in this area by our industry rather than create a disincentive to improve water management.

	• ClubsACT is strongly of the view that the structure of water pricing for our industry should be seen as fair and reasonable to encourage the ongoing pursuit of water efficiency across the variety of sources of water that are relied upon. • The debates surrounding water pricing issues in the ACT have now been on the table for many years, with a series of reviews occurring where it has been felt that there has been no significant consideration of the concerns raised by the industry through these processes. The current discussion paper again seems to have put aside these issues and has arrived at a preferred policy solution that would apparently place our club communities in a worse position that is currently the case. • It seems that the discussion paper was crafted on the presumption that water usage for clubs represent less than 10% of a club's overall costs and does not have a significant impact on their financial viability. Again, this ignores the diversity of the industry, the not-for-profit nature of the sector prohibiting the easy recovery of increased costs in this area and the fact that this cost of whatever magnitude is directly contributing to a community asset. Access to water at a reasonable price is a key and significant issue impacting directly on the cost of operation and financial sustainability of our members. • It also concerns us that the while the paper's first principle is to apply policy options equitably across non-potable water licensees, the paper itself is silent on the treatment of the ongoing Competition Equalisation Payment for primary producers. We would reject any increase to the disparity in treatment between different licensees. • Our members are concerned that the paper's consideration of cross-subsidisation fails to recognize the investment our members have made, of their own resources, to manage supply risk and improve their water efficiency. • Whilst the paper states that options to assist water users should not cross-subsidise water costs by other licensees, the desire for a "one size fits all" solution to the proposed WAC review, our members would be clearly cross-subsidising other licensees via the application of such a universal WAC. The withdrawal of the Infrastructure Offset Scheme removed what was a previous incentive and form of recognition of this inequity. • The suggestion that a one size fits all approach is appropriate in respect of this issue, ignores the complexities of the clubs' industry in the ACT and the diversity of interests and individual needs. The four recommendations in the discussion paper propose all users of the ACT's water resources should contribute equally to fixed and variable costs. We are concerned, however, that this ignores the substantial investments made by some of our members to reduce their reliance on community resources. • Policy and pricing options which assist and incentivise our members to invest in increased on-site storage for irrigation purposes would add benefits beyond the immediate user. The benefits of keeping more water in the landscape extend further by making a direct contribution to urban amenity, creating urban habitat, and offsetting the cost to the environment of polluted runoff. The impact this would make to improving the health of waterways and wetlands, and alleviating localised flooding should not be overlooked. • The feedback we have received in consolidating this submission has been concerning. There is an increasing frustration of our members over this issue. There is a growing sense that despite ongoing engagement by the industry and our members over a number of years on the WAC and pricing, that the issues and concerns are being ignored. The discussion paper itself has insufficient detail on important aspects, fails to understand the issues addressed above, ignores potentially adverse impacts on our members and will only increase inequitable treatment. • We strongly believe that Clubs in the ACT must be encouraged and supported to invest in the infrastructure required to increase water storage capacity, to reduce reliance on town water supplies and ensure their water security. • We join the DGA in urging that these broader aspects be reconsidered to seek a balanced and wellinformed decision-making process. We strongly urge the development of a pricing strategy that ongoingly supports the delivery of social, recreational and other benefits to the population of the ACT. • SPECIFIC COMMENTS ON THE PREFERRED POLICY OPTIONS • Option A: Review the non-potable Water Abstraction Charge (WAC) –

	• We agree the importance of reviewing the non-potable Water Abstraction Charge (WAC). We note that this Option proposes to consider the application of the National Water Pricing Principles in the setting of ACT water charges related to the cost recovery and user-pays principles. As some of our members rely heavily natural rainfall and stormwater capture and have invested in facilities to achieve this, we would argue that the cost of capturing and storing stormwater is met by those Clubs and not by the ACT Government or taxpayer. • ClubsACT is also of the view that the WAC should resemble the bulk water pricing rates applied by other jurisdictions. It should also recognise the important community benefit provided by NFP sporting Clubs unlike commercial water users. ClubsACT whilst supporting such a review of the WAC, we do not support the current framing of the proposal. • ClubsACT supports the principles of cost recovery and consumption-based user pays, but we strongly believe that any review of the WAC must explicitly recognise the investment costs made by sporting clubs to improve their efficiency and sustainability in water access and usage. ClubsACT strongly disagrees with this option as it is currently proposed. • Option B: Freeze WAC Settings for fixed term – • Upon the conclusion of an appropriately constructed review of the WAC, ClubsACT would accept the proposal to set the price of the WAC for a set term (proposed as 3 years) to provide price certainty for our members in preparing forward budgets. However, we believe that the extension of the proposed 3-year period to 5 years would better facilitate long term investments by our members in options to increase water availability and sustainability. ClubsACT Agrees with this Option, subject to the reasonableness of the WAC charge as outlined in this submission. • Option C: Removal of the market equity scheme – • ClubsACT strongly rejects this option. This proposal would remove the incentive for sporting clubs to invest in the infrastructure that is necessary to improve water security and water usage. It also unfairly penalises those clubs that have made significant financial investments to improve their water security and usage. ClubsACT strongly disagree with this policy option. • Option D: Provide short-term financial assistance under extreme circumstances – • ClubsACT supports this proposal in principle, particularly for clubs that have limited capacity to access and store water for irrigation purposes. Severe drought can have devastating impacts on those smaller and less financially secure clubs that have high water needs. However, the circumstances of larger clubs (with larger areas of community greenspace to maintain) that rely on storm water capture should not be overlooked. The results of extended drought are catastrophic to our industry sporting clubs in one form or another across the board, especially when facing significant disruption of natural water flows. • Regarding Attachment A of the discussion paper identifying the criteria for short-term financial assistance, we completely reject the proposition that those clubs who have a gaming machine revenue stream as part of their operations should be denied support. It is disturbing that this singularly unjustified proposition should even be included in this discussion paper. • We would like it clarified on what basis this element would be included in the proposal and retained in any final outcome. Given that the vast majority of clubs who could be seen to need and benefit from such extreme circumstances support have gaming machine revenues (to widely varying degrees), this measure would establish a support mechanism for the industry that would be denied to the majority of the intended beneficiaries in its design. It is a blunt and unsophisticated approach that ignores the varying degrees of exposure that Clubs have to gaming machine revenue or the size and number of facilities being maintained by those clubs. The proposal also bundles small and large clubs together regardless of the resources or needs because of one element of their operations. • Extreme circumstances, such as those that would indicate the need for support, occur without fear or favor to clubs. A period of severe drought impacts on all Clubs providing community facilities requiring water. Often there is also a correlation between the size and number of the facilities and green space requiring maintenance and the size of a club and its historical income streams from gaming machines. In many cases the capacity to ensure the provision of these community assets by clubs is sustained by their income from gaming machines. This makes them no less in need of support during Extreme circumstances. In extreme

Sub No.	Written submissions (verbatim)
	circumstances, short-term financial assistance should be available to all not-for-profit clubs regardless of the nature of their operations. • Many of the clubs with significant exposure to the maintenance of community facilities draw revenue from gaming machines to facilitate the provision of these facilities. It would be inequitable not to treat all clubs equally given the significant community benefit provided by the facilities they maintain with high water needs. Should a Club meet the identified eligibility criteria for support, it is beyond ridiculous to suggest that the mere existence of gaming machine revenue should in and of itself deem them no longer in need of support. ClubsACT agrees with this option subject to removal of the gaming machine revenue exclusion. • Conclusion • We request that renewed consideration be made of the issues raised in our submission and the submission lodged by the DGA. Many of the issues identified have been raised by the industry in previous consultations going back many years with little to no impact. If genuine consultation is to be seen to have occurred, it is time that the concerns of our members are factored into the decisions that are taken. • The issue of the NFP status of our members seems to be constantly ignored and it is long overdue that this specific element be factored appropriately in the pricing structures going forward. • Until the proposed review of the WAC is completed, we believe that the ‘do nothing’ option (retention of the status quo, with the Market Equity Scheme in place) as described is a logical approach. REF From: Clubs ACT Date 14 July 2023

Sub No.	Written submissions (verbatim)
17	• selected ‘neutral’ to preferred policy option • Our group considers that the broader use of non-potable could be worthwhile on the proviso that the ACT Government fully addresses the following issues: • o Management of the transition from potable water to non-potable water does not diminish access to required water levels for community sporting facilities; • o Ensuring that the cost of using non-potable water is underpinned by a competitive pricing regime that provides long-term incentive for users of non-potable water; • - this should include a category providing for subsidised use by not-for-profit organisations who are providing services (and facilities) to the ACT community; • - the cost is a critical factor for the following reasons: • 1. the availability of discretionary income and being able to meet the cost of participation is a constant consideration in the provision of organised and recreational sport to the community. • 2. the intangible value that the accessibility to, the affordability of, and the presentation of community sporting facilities provide to community well-being and cohesion cannot be underestimated. • 3. the licensed club sector is a considerable user of water as a major provider of much-needed sporting facilities to the ACT community. • The Clubs’ provision of service and facilities are important contributions to Canberra and its community, i.e. how its citizens interact and connect with each other, how a large proportion of the population is able to engage in healthy activities, and in assisting government in the provision of community facilities. • o Ensuring that non-potable water is a reliable source of water for community sporting facilities, particularly during drought seasons/years; • o Enabling the maximum efficacy of non-potable water through provision of appropriately drained community sporting facilities; • o Putting in place stringent public health measures for using treated stormwater and treated waste-water, as sources of non-potable water, on grass surfaces for community sport; o Undertaking a community-based education program to ensure that: • - the transition from a highly trusted source of potable water minimises public uncertainty about the likelihood of contaminated non-potable water, • - the community is actively engaged in understanding the value and the use of non-potable as a reliable source of water to sustain sporting facilities that are available to the community. REF From: Coalition of Major Participation Sports ACT Date 17 July 2023

End

Non-potable Water Review

Final Report

Chief Minister, Treasury and Economic Development Directorate

December 2021

Table of Contents

Definitions / Acronyms

A number of water-related terms are used throughout this paper. To ensure consistency in the meaning of each term, definitions are provided below.

ACAT	ACT Civil and Administrative Tribunal
CEP	Competition Equalisation Payment
CMTEDD	Chief Minister, Treasury and Economic Development Directorate
Effluent	Outflow of wastewater from any water processing system or device.
EPA	Environment Protection Authority
Ground water	Water located underground in permeable soil or rock. It includes both naturally occurring water and water pumped underground for storage. However, it does not include water held in underground tanks, pipes or other works.
ICRC	Independent Competition and Regulatory Commission
INRN	Inner North Reticulation Network
Integrated urban water management	A comprehensive approach to urban water services, where water supply, stormwater management and wastewater management are viewed as components of an integrated system.
kL	Kilolitres – one thousand (1,000) litres.
LMWQCC	Lower Molonglo Water Quality Control Centre
MES	Market Equity Scheme
ML	Megalitres – one million (1,000,000) litres.
Non-potable water	Water that is not of drinking quality, and has not been treated to the standards outlined in the [Australian Drinking Water Guidelines (2011)] and ACT Public Health (Drinking Water) Code of Practice. In the ACT, it is water in rivers, lakes, ponds, dams, aquifers, stormwater system and includes treated effluent as well as recycled water.
NWI	National Water Initiative
Overland flows	Rainwater that has fallen to the ground but not yet reached a defined surface watercourse, body or ground water source.
PAGA	Parliamentary and Governing Agreement of the 10th Legislative Assembly.

Potable water	Water suitable for human consumption (alternatively termed drinking water), which is of a quality suitable for drinking that meets the Australian Drinking Water Guidelines (2011).
Recycled water	Includes water sourced from wastewater (treated effluent from a water treatment plant or sewer mining scheme and greywater).
Reticulation	Distribution through a network of pipes used to transport water to the point where it is consumed.
Stormwater	Water that originates from rain falling in the urban area and is collected into the public stormwater network.
Surface water	Water on or flowing over land (including in a waterway) after having fallen as rain or hail or precipitated in any other way; or risen to the surface naturally from underground; or been returned to the environment following treatment or use.
TAMS	Territory and Municipal Services
TCCSD	Transport Canberra and City Services Directorate
UNFT	Utilities Network Facilities Tax
WAC	Water Abstraction Charge

Executive Summary

In the Parliamentary and Governing Agreement for the 10th Legislative Assembly (the PAGA) the Government has committed to ensuring clubs continue to support the community, while reducing harm from gaming.[1] One of the initiatives to achieve this goal is to:

> *"Conduct a review into water costs for high-intensity club users of non-potable water in 2021, with the goal to allow clubs to maintain operations while not requiring cross-subsidisation by other ACT water users."*[2]

The Non-potable Water Review (the Review) commenced on 1 March 2021 with the release of the Terms of Reference for the Review and a Discussion Paper. The Terms of Reference outlined the Review's objectives and process, including that the Review would be conducted by ACT Treasury supported by specialist advice from the Independent Competition and Regulatory Commission (the ICRC). The Discussion Paper set out key issues to be considered and sought feedback and input from stakeholders.

On 9 April 2021, the Standing Committee on Economy and Gender and Economic Equality (the Standing Committee) made the follow recommendation in its *Report on Inquiries into Annual and Financial Reports 2019-20 and ACT Budget 2020-21*:

> *"The Committee recommends that any recommended changes to pricing frameworks for non-potable water arising from the Non-potable Water Review into water costs for high -intensity club users of non-potable water should be consistent with the following principles: (i) the price of non-potable water should generally reflect the cost of supply; (ii) any subsidy provided should be transparent and based on a demonstrated need; and (iii) cases for support should have regard to the ongoing wider benefits to the community such as economic, social and environmental outcomes."*[3]

The Government agreed in principle to the recommendation and noted that these principles would be considered in the Review.

This Final Report (the Report) set outs the key findings and recommendations, informed by feedback from the community, and government stakeholders and advice from the ICRC.

On behalf of the Government, Treasury thanks all stakeholders, including individuals, clubs, associations, utility providers, and other ACT government agencies for taking time to participate through making submissions, and/or providing advice, information and data.

[1] PAGA 2020.
[2] PAGA 2020.
[3] SCEGE 2021.

Overview of key findings and recommendations

The Review was established to examine the costs related to non-potable water use and provide advice to the Government on the appropriateness of the current pricing frameworks in the ACT, whether any adjustments could be made, and arrangements in other jurisdictions.

The findings and recommendations in the Report reflect the associated costs, prices and revenues from non-potable water use in the ACT, and arrangements in other jurisdictions.

Key findings

The key overarching findings of the Review are:

- Non-potable water usage and costs for high-intensity club users are closely linked to weather conditions and vary significantly from year to year. The revenue received by the Government and Icon Water from charges for non-potable water is equally volatile.
- Users with access to surface and ground water sources for irrigation purposes, and to a lesser extent recycled water and stormwater, have lower water usage costs than those who only have access to potable water sources for irrigation purposes.
- While water usage costs vary from year to year, they are generally less than 10 per cent of a club's overall costs and do not have a significant impact on the ongoing financial viability of most high-intensity club users. Other factors such as member base, prices charged, and other capital and operating costs can have a greater impact on a club's financial situation.
- Various assistance measures provided by the Government have resulted in golf clubs and rural irrigators paying significantly less for surface and ground water, compared to other users.

More specific findings relating to surface and ground water are:

- Users of surface and ground water incur the costs associated with infrastructure to store and pump the water for irrigation purposes. The extent of these costs depends on a club's circumstances and are relatively fixed.
- The charges for ground and surface water (including non-potable Water Abstraction Charge (WAC)) are sufficient to recover direct costs incurred by the Government.
- Charges vary significantly for different groups of surface and ground water users. Most high-intensity club users, including golf clubs, and rural irrigators have not had to pay the non-potable WAC for surface and ground water due to a range of assistances measures. However, some of the assistance measures have recently ended.
- The existing concessional arrangements are complex to administer, not as transparent as other concessional arrangements, and result in high administration costs.
- No other jurisdiction charges for surface water collected and stored in infrastructure located on users' premises (e.g. ponds). However, they do have licence arrangements.

More specific findings relating to recycled water from LMWQCC and stormwater from INRN are:

- As demand is volatile from year to year, pricing for stormwater and recycled water broadly reflect the average cost and usage over time.
- Recycled water supply costs are relatively fixed each year. This includes costs associated with the pumps and pipes required to transport the recycled water to the end user.
- Icon Water takes into account the National Water Initiative (NWI) and ICRC pricing principles when setting non-potable water prices, and these are broadly cost reflective. However, prices reflect the cost of infrastructure that was built for a greater capacity than current usage. As a result, the water usage costs for recycled water are higher than those for surface and ground water.
- Prices for INRN stormwater were initially set having regard to the tier two price of potable water and subsequently indexed by the Wage Price Index (WPI) each year.
- Given volatility in stormwater usage, prices for INRN stormwater are broadly cost reflective, but have not fully recovered the associated costs since inception.
- Some jurisdictions have either explicitly adopted NWI pricing principles for stormwater and recycled water pricing or use them as guiding pricing principles.

Recommendations

Taking into consideration the key findings above, the Review recommends the Government consider:

1. Adjusting ground and surface water charges to better align with the fixed and variable costs. This could be achieved through increasing licensing fees to ensure that all users contribute equally to cover the fixed costs and reducing the variable non-potable WAC.
2. Reforming assistance measures to make them simpler and more transparent and equitable.
3. Continuing to provide targeted short-term support to some sporting clubs in exceptional circumstances such as extreme or prolonged dry weather to reflect the social benefits of community clubs. Assistance should be targeted towards clubs that have no other option than to use significant quantities of recycled or potable water for irrigation purposes.
4. Reviewing the application of NWI pricing principles, that suggest full cost recovery for stormwater costs, in the forthcoming review of INRN stormwater prices.

1 Introduction

1.1 Background

As part of the PAGA for the 10th Australian Capital Territory Legislative Assembly, the Government committed to undertaking a review into water costs for high-intensity club users of non-potable water in 2021 (Appendix 1 – E.8). Funding for the Review was provided as part of the 2020-21 Budget in February 2021.

1.2 Terms of Reference

The Terms of Reference for the Review are at Appendix A. They require the Review to examine costs related to the usage of non-potable water by clubs and provide recommendations on:

- The appropriateness of the current pricing framework for non-potable water, informed through an analysis of the associated costs in its supply;
- Whether any adjustments can be made to the current framework which would enable clubs to continue operating, without entailing cross subsidisation from other users;
- Whether there are other relevant arrangements which could achieve the goals set out in the PAGA, such as those adopted by other jurisdictions; and
- Any other issues identified through the Review.

The PAGA makes clear that any recommendations from the Review that aim to assist clubs in maintaining operations should not involve cross-subsidisation from other ACT water users. This means that the actual costs of non-potable water use should be reflected either in the prices charged to clubs or, if less than the costs of provision, transparently covered by a subsidy from the Government.

The Terms of Reference also note that Treasury will undertake the Review with specialist advice from the ICRC.

1.3 The Review process

A Discussion Paper was released in March 2021, through the ACT Government's YourSay website, with written submissions due by 30 April 2021. Copies of the Discussion Paper and the responses received are available on the Review's YourSay website at https://www.yoursay.act.gov.au/non-potable-water-review.

Nine submissions were received, including three from high-intensity club users, and these have formed a key source of information in the Review. Relevant excerpts are cited throughout the report to provide more context.

As part of the Review, the Government asked the ICRC to undertake an investigation into Icon Water's costs of supplying recycled water to high-intensity club users, and to provide its findings to the Government. The ICRC has relevant legal powers to access information for this purpose. Much of the detail in the report provided by the ICRC relates to Icon Water's commercial arrangements and is commercial in confidence. As a result, while the detail of the report and its findings informed the recommendations of the Review, they are only referred to at a general level in the Report.

Information regarding the operation and administration of the non-potable WAC and the INRN schemes was provided by the Environment Protection Authority (EPA) and the Transport Canberra and City Service Directorate (TCCSD), and regular contact was maintained through the course of the Review.

The Review also examines and draws upon various reports and studies conducted on economic regulation and pricing principles on non-potable water, mostly conducted by independent pricing regulators in other Australian jurisdictions. A list of key reference documents is at Appendix E.

The Final Report (the Report) of the Review will be provided to the Government for consideration.

1.4 Report structure

The remainder of the Report is structured as follows:

- **Chapter 2** provides background information on non-potable water in the ACT and its users.
- **Chapter 3** presents an overview of the information, data and submissions received.
- **Chapter 4** sets out an overview of the assessment framework used for the Review.
- **Chapter 5** examines the appropriateness of the current pricing framework for surface water and groundwater.
- **Chapter 6** examines the appropriateness of the current pricing framework for recycled water supplied by Icon Water.
- **Chapter 7** examines the appropriateness of the current pricing framework for water supplied from the INRN.
- **Chapter 8** concludes and provides recommendations in relation to the pricing framework for each source of non-potable water.

2 Types of non-potable water and its users

2.1 High-intensity club users of non-potable water in the ACT

The focus of the Review is on high-intensity club users of non-potable water who are associations incorporated in the ACT dedicated to promoting recreational, social, sporting, or athletic activities, and licenced by the EPA to take at least 3,000 kilolitres of surface and ground water each year.

2.2 Non-potable water

There are three key sources of non-potable water available to high-intensity club users for the purpose of irrigation of land providing services to the community:

- surface and ground water;
- stormwater; and
- recycled effluent (referred to as recycled water in this report).

Figure 2.1 below provides an overview of each source of non-potable water, the associated charges and the entities responsible for administering each charge.

Figure 2.1 - Overview of non-potable water sources

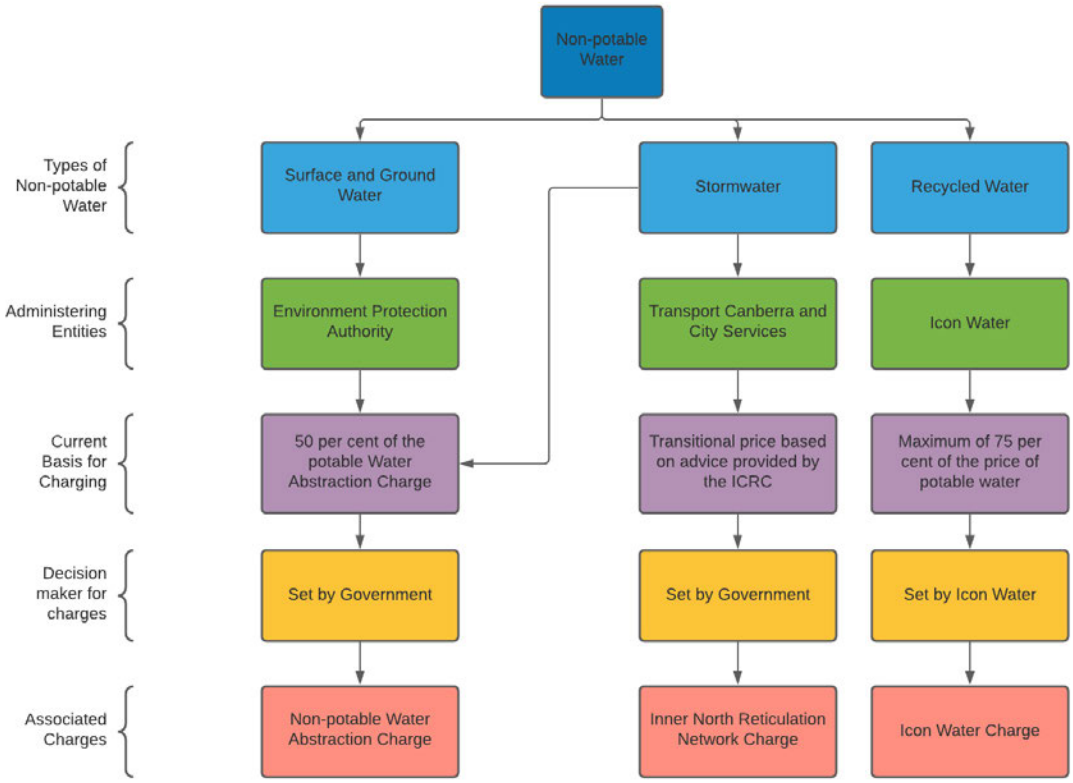


Table 2.1 below provides an overview of the associated non-potable water charges in the ACT and assistance measures available.

Table 2.1 – Water charges and assistance measures available 2021-22

Non-potable Water	Fixed Charges	Usages Charges	User type and assistance
Surface and ground water	$481 per year (administration fee)	Non-potable WAC – $0.314/kL *Set at 50 per cent of potable WAC.*	Rural irrigators receiving the Competition Equalisation Payment (CEP) • 99 per cent reduction of usage charges
			Golf clubs • Market Equity Scheme (MES) – 50 per cent reduction of usage charges • Infrastructure Offset Scheme – 100 per cent reduction of usage charges after applying MES, ended in 2020[4] • Non-potable water rebate – 100 per cent of 2020-21 usage charges • Non-potable water extension rebate – 100 per cent of usage charges from 1 July to 31 December 2021 up to applicable cap.
			Other high-intensity club users (excluding golf clubs) • Non-potable water rebate – 100 per cent on 2020-21 usage charges.
			Other users • No assistance.
Recycled water (LMWQCC)	N/A	$3.140/kL[5] *Set commercially and the non-potable WAC does not apply.*	High-intensity club users • Non-potable water rebate – 100 per cent of 2020-21 usage charges. • Non-potable water extension rebate – 100 per cent of usage charges from 1 July to 31 December 2021 up to applicable cap.
Stormwater (INRN)	N/A	$4.056/kL[6] *Originally set based on initial ICRC advice, then indexed. Non-potable WAC is applied.*	Community organisations (e.g. schools) • Community Service Obligation (CSO) payments reduce bills by 50 percent.
			High-intensity club users • Non-potable water rebate – 100 per cent of 2020-21 usage charges. • Non-potable water extension rebate – 100 per cent of usage charges from 1 July to 31 December 2021 up to applicable cap.
			Other users • No assistance

Source: Icon Water advice, ICRC 2021 and TCCSD data.

[4] Subject to remaining offset available.
[5] This is the standard recycled water prices for 2021-22. Lower prices can be negotiated between Icon Water and the user. For example, the Magpies noted in its submission to the Review that recycled water prices was $2.400/kilolitre in 2020-21.
[6] Figure is inclusive of non-potable WAC for 2021-22.

2.3 Non-potable Water Abstraction Charge framework in the ACT

The ACT Government plays a key role in water resource management. The WAC was initially implemented in 1999 as part of the *Water Resources Act 1998* (ACT), with the aim of fostering water conservation and providing a return on the use of a Territory asset. At a high level, the WAC provides a price signal to improve the efficiency of water use, and the charge is set at a level reflective of its value. The WAC is added to Icon Water's volumetric potable water charges to ensure that the full costs of service provision incurred in delivering potable water are reflected in charges.

The charge sends a signal to consumers about the true costs of water, by capturing its scarcity value along with the costs incurred by Government in providing water.

The WAC is based on a pricing framework consisting of three key components:

- the costs incurred by the ACT Government in maintaining water catchments;
- the environmental costs associated with the consumption of water in the ACT; and
- the scarcity value of water as a resource that holds significant value across the broader community.

Originally, the WAC was applied equally to both potable and non-potable water sources. In 2006, the WAC was separated into the potable WAC and non-potable WAC. The non-potable WAC was set at 50 per cent of the potable WAC.

The decision to base the non-potable WAC at 50 per cent recognised that the value of non-potable is much lower than potable water. The WAC for both potable and non-potable water has increased over time, primarily reflecting the scarcity value of water. This Review provides an opportunity to assess the level of the non-potable WAC in terms of:

- the costs incurred by the Government, which are primarily fixed; and
- the environmental costs and scarcity value.

The non-potable WAC is the volumetric charge for surface and ground water extracted by licence holders. The objective of the non-potable WAC is to encourage the efficient use of surface and ground water by ensuring that the charge paid by licence holders reflects the values set out above. This includes covering those costs incurred by Government as well as a component that reflects the value of the extracted water to the environment. Ground water comes from bores in aquifers, and its extraction has impacts on other users in the catchment.

The use of surface and ground water is regulated to ensure its impacts on the environment and availability for other users in a catchment is managed. The process of issuing a Water Access Entitlement for non-potable use by the Minister for Water, Energy and Emissions Reduction incorporates an efficient use assessment.

The ongoing water use licences have a maximum annual volume of water with ongoing compliance monitoring by the EPA. Restrictions on use can be put in place during extremely dry periods to ensure the protection of waterways and that use is equitably distributed amongst licences. Most of the costs associated with the regulation of non-potable water are fixed.

A significant component of the WAC for potable water is its scarcity value, which is set at a level to reflect the social values of potable water and the impacts of supply decreasing. It is important to note that a key difference between potable and non-potable water relates to the security of supply and the consumption purpose. If the supply of non-potable water runs out due to dry weather conditions, then there are alternative mechanisms for supply. In some cases, irrigators may pay to cart water from another catchment area (usually outside the ACT) or even purchase potable water, but the non-potable water provider is not required to find alternative sources in the same way that Icon Water and the Government would be if potable supplies run low.

For this reason the scarcity value of non-potable water is considerably lower than potable water.

2.4 Surface and ground water

The use of surface and ground water is regulated in the ACT by the EPA. All users must be licenced to use water for non-urban purposes under the *Water Resources Act 2007* (ACT). This licence is based on a water access entitlement that specifies a water management area that licensees are entitled to take surface water and groundwater from. For clubs, the water management area typically encompasses water sources such as reservoirs and bores located on or near each club's premises.

The EPA is a statutory office responsible for administering the *Water Resource Act 2007* (ACT), which aims to ensure the sustainable use and management of the Territory's water resources. As part of these responsibilities, the EPA oversees actual collection of the non-potable WAC through the regulatory process associated with the granting of licences. The EPA bills users annually based on meter readings and taking into account the MES, CEP and Infrastructure Offset Scheme.

Fees and charges

All users of surface and ground water are subject to the non-potable WAC of $0.314 per kilolitre as set out in the *Water Resources (Fees) Determination 2021* (ACT).

The non-potable WAC is set at 50 per cent of the potable WAC, which takes into consideration the differences between the two water sources, such as the associated environmental costs, availability of the resource and its relative scarcity value. The basis of the non-potable WAC is outlined in further detail earlier in this chapter.

In addition to the non-potable WAC, an annual administration fee of $481 applies to those licensed to use up to 1,000 megalitres of water in 2021-22. A higher administration fee of $9,336 applies to those licensed to use more than 1,000 megalitres.

While licence holders do not face a higher administration charge for exceeding the amount specified in their licence, a maximum of 50 penalty units[7] can be charged to those who contravene their licence conditions, under section 77A of the *Water Resources Act 2007*.

[7] Under section 133 of the *Legislation Act 2001*, a penalty unit is $160 for an offence committed by an individual and $810 for an offence committed by a corporation.

Government assistance schemes

There are several Government assistance schemes related to surface and ground water use, with each targeting specific segments of the ACT community. In addition, while the Review was being undertaken, the Government introduced a temporary rebate for high-intensity club users for all non-potable water sources.

Assistance to golf clubs

There have been two schemes that provide assistances to golf clubs through discounts and offsets to the non-potable WAC:

- The Infrastructure Offset Scheme allowed clubs to offset their non-potable WAC obligations against investments into water saving infrastructure projects undertaken by the end of 2015, with approved offsets claimable until 31 December 2020.
- The Market Equity Scheme (MES) was introduced in 2014 to provide golf clubs with a 50 per cent discount on the non-potable WAC. The scheme was introduced to provide parity between ACT and NSW golf clubs, which do not pay a charge for water stored on their own land. This aimed to provide the same support to all golf clubs regardless of their ability to invest in significant infrastructure upgrades to improve water efficiency.

The MES was intended to replace the Infrastructure Offset Scheme. However, a transitional period was subsequently implemented to allow golf clubs to claim offsets for infrastructure projects undertaken until the end of 2015, with offsets available until the end of 2020.

The aim of the Infrastructure Offset Scheme was to encourage clubs to invest in water efficiency infrastructure that would enable optimal use of ground and surface water.

The combination of these two assistance programs has meant that many golf clubs have not paid the non-potable WAC for a number of years. With the conclusion of the Infrastructure Offset Scheme in December 2020 some golf clubs will now be paying the non-potable WAC. Golf clubs will continue to receive an ongoing subsidy for water prices under the MES.

Assistance to high-intensity club users

While this Review was being undertaken, the Government put in place a temporary rebate for non-potable water usage by high-intensity club users from 1 July 2020 to 30 June 2021, and extended the rebate up to a capped amount until 31 December 2021 as part of the 2021-22 Budget.

Assistance to rural irrigators

The Competition Equalisation Payment (CEP) scheme was established in 1999 to provide a subsidy to ACT rural irrigators. The CEP was designed to reduce the impact of increased water costs experienced by ACT rural irrigators as a result of the WAC through effectively providing them with similar water charges to those applied to water from the Murrumbidgee River. This allowed them to better compete with nearby irrigators in NSW. The net cost of surface and ground water to CEP recipients is between $0.002 per kilolitre and $0.008 per kilolitre.

The CEP is only applied to irrigated agricultural production.

Assistance to ground water users through a data sharing agreement

The EPA may enter into an agreement with ground water licence holders to enable it to access ground water sources for the purpose of monitoring and data collection. In return, the licensee does not have to pay the annual licence fee, which is $481 for 2021-22. These arrangements augment ACT Government water monitoring programs.

Arrangements in other jurisdictions

There are a range of arrangements in place throughout all other Australian jurisdictions for surface and ground water, with each jurisdiction's water rights system encompassing different sources of surface and ground water.[8]

In general, water rights systems in most jurisdictions require users to obtain rights before taking water located in most surface and ground water sources such as aquifers, rivers, lakes, creeks and streams.

The treatment of overland flows[9], however, varies significantly. The ACT is the only jurisdiction that places a universal restriction on users from harvesting overland flows without a licence.[10] In other jurisdictions, overland flows are only included in the water rights system should they meet certain conditions, such as:

- in New South Wales, users must obtain a licence to collect overland flows if the users intend to harvest more than 10 per cent of average run-off, as part of the Harvestable Rights Orders;[11]
- in Queensland, overland flows can be taken for any purpose unless there is a moratorium notice or a water plan that limits what can be taken.
- in Victoria, unlicensed collection of overland flows is limited to stock and domestic purposes; and
- in non-prescribed areas of South Australia, overland flows are not limited and can be harvested without a licence on the condition that the taking of water does not detrimentally affect other users of the same water source.

Jurisdictions also differ in their setting of fees and charges associated with the use of surface and ground water. A comparison of this is set out in Table C2 of Appendix C, and covers the following:

- New South Wales (WaterNSW) – fixed annual charge based on the size of the meter and variable charge for unregulated river and ground water only, not surface water collected or stored on the premises (e.g. ponds).
- Victoria – fixed annual charges based on volume of entitlement and no variable charge.
- Queensland – fixed annual charges to cover licence fees and meter service charges, and variable charge based on water usage or harvesting charges.

[8] Productivity Commission 2003, Page 116.
[9] Rainwater that has fallen to the ground but not yet reached a surface water channel or aquifer.
[10] Productivity Commission 2003, Page 87.
[11] NSW Government 2006, Pages 1,628 to 1,631.

- South Australia – fixed annual charges reflecting access entitlements based on total water allocations, no variable charge, but a penalty charge to discourage excess taking of water.
- Western Australia – fixed annual charges to cover administrative and licence fees, and no variable charge.

In general, these jurisdictions have adopted either just a (fixed) access fee or a combination of a fixed access fee and a (variable) consumption-based charge to recover the various costs associated with surface and ground water, including:

- fixed annual fees to cover the costs involved in allocating, administering, monitoring and enforcing water rights;
    - In most jurisdictions, these fixed annual fees are calculated based on each user's total entitlement access or size of meter as a proxy for usage;
- variable usage charges where a two-part tariff pricing approach is adopted by having a charged based on entitlement and a charged based on usage, for a majority of the rural bulk water services in NSW; and
    - In its review of prices for rural bulk water services provided by WaterNSW, IPART noted that variable charges should ideally be set to recover variable costs and in some instances reflect the variability of supplementary water access.[12]
- penalty charges are in place for breaches of licence conditions such as the excess taking of water, which are in place as a deterrent and to recover some of the environmental costs associated the overuse of water.

2.5 Recycled water

The LMWQCC reuse scheme was established to supply treated effluent in the form of recycled water to nearby vineyards, water carters and golf courses for irrigation.

Fees and charges

Icon Water, the regulated sole provider of potable water and sewerage services in the ACT, provides recycled water on a commercial basis under their non-drinking water standard customer contract that can be viewed through Icon Water's webpage. The contract sets out the standard terms by which Icon Water provides recycled water services to customers connected to a recycled water network in the ACT.

The price is not regulated; however, it is currently capped by Icon Water at a maximum of 75 per cent of the current price set for potable water. This is in line with NWI pricing principles relating to substitutes available to ensure that the cost of providing non-potable water does not exceed that of potable water.

[12] IPART 2017, Pages 116 to 119.

The non-potable WAC is not included in recycled water prices as the potable WAC has already been charged to users prior to it being recycled and supplied to the recycled water users. Similarly, Icon Water has excluded the Utilities Network Facilities Tax from recycled water prices. Customers can choose whether to accept the offer or negotiate a lower rate through volume discounts.

Arrangements in other jurisdictions

The ICRC was asked to examine arrangements in other jurisdictions in Australia for the pricing of recycled water and found that Icon Water's arrangement is broadly in line with those arrangements and with the NWI pricing principles.

The ICRC also found cost allocation for determining prices was generally reflective of a user pays basis, where any revenue shortfalls were recovered through community service obligation payments or the potable water system if it was seen to provide broader social benefits from the continuing operation of such user. However, the ICRC also noted such benefits are difficult to measure. Also, the treatment of sewerage water was generally excluded from the cost of supplying recycled water, as it is a required step regardless of whether recycled water is subsequently sold to customers.[13]

The ICRC also provided a cross-jurisdictional comparison for recycled water, which showed the NWI pricing principles have been adopted in full in several jurisdictions, including Queensland, South Australia, and Western Australia. Other jurisdictions such as NSW have chosen to align with the NWI pricing principles with a focus on ensuring prices recover the costs of supplying the recycled water minus any avoided or deferred costs in the potable water and sewerage systems.[14]

For the ACT, Icon Water has stated that it takes into account *NWI Pricing Principles for recycled water and stormwater use* (2010) and the pricing principles outlined by the ICRC in the *Final report: Regulated Water and Sewerage Services Price 2018-23*.[15]

2.6 Stormwater from the Inner North Reticulation Network

The INRN is Canberra's first neighbourhood-scale stormwater harvesting and managed aquifer recharge system, constructed with financial support from the ACT and Australian Governments. The system captures urban stormwater in constructed wetlands and treats it before pumping it through a reticulation network for irrigation of urban green spaces.

The INRN provides significant environment, social and economic benefits through reducing inflows of nutrient rich stormwater into Lake Burley Griffin, potentially reducing algal blooms in the lake. It also reduces demands on potable water through providing users with fit-for-purpose stormwater for irrigation.

[13] ICRC Advice 2021.
[14] ICRC Advice 2021.
[15] Icon Water Submission 2021

TCCSD is responsible for the management of the stormwater network, which includes the management of the INRN.

Fees and charges

For 2021-22, the INRN supplied water to users at a rate of $4.056 per kilolitre, consisting of the INRN's water usage charge ($3.742 per kilolitre) and the non-potable WAC ($0.314 per kilolitre). Income generated from water sales is used for operation and maintenance and to recover capital costs over the life of the infrastructure associated with the INRN.

The price of stormwater from the INRN is based on advice provided by the ICRC in 2009 reflecting the second-tier potable water price at the time. This resulted in an initial price of $3.32 per kilolitre in 2015-16, which has increased by the WPI each year. This was a transitional price while the INRN became established. The intention is for the price to reflect the full costs of the scheme, after it has been in place for a sufficient period for these costs to be able to be reasonably estimated.

Assistance to community organisations

Community groups such as schools and churches receive a 50 per cent concession on the use of stormwater supplied through the INRN. This concession does not apply to the non-potable WAC charge, which is still required to be paid. The concession mirrors the 50 per cent price discount Icon Water provides to community organisations for potable water.

This assistance is funded by the Government under the Concessions Program.

Arrangements in other jurisdictions

There is less uniformity across jurisdictions in setting stormwater prices as there is a wide variety of stormwater harvesting and reuse schemes that differ significantly depending on particular circumstances in each jurisdiction. A summary of the pricing principles for stormwater reuse products from each jurisdiction can be found in Table C4 of Appendix C.

While there are a number of stormwater harvesting and reuse projects in New South Wales, Victoria, Queensland, and South Australia that are comparable to the INRN, there is limited publicly available information on the prices associated with these networks.

A key issue is that prices must be set to raise sufficient revenue to cover the costs of operation; however, annual revenue can differ from year to year depending on weather conditions, both in terms of supply and demand. It is also important to ensure that the prices charged for stormwater do not exceed that of potable water, as reflected in the fourth pricing principle for recycled water and stormwater use,[16] to ensure that the scheme is economically efficient in the medium to long term.

[16] NRMMC 2010, Page 16. The fourth pricing principle states that "Regard to the price of substitutes (potable water and raw water) may be necessary when setting the upper bound of a price band."

Given these complexities, approaches to regulating stormwater prices differ significantly across jurisdictions. As an example, South Australian utilities are bound to apply pricing principles, consistent with the NWI, and provide pricing statements for stormwater to the independent regulator, whereas New South Wales chose not to establish pricing principles for stormwater. Further information on stormwater harvesting projects and pricing approaches in other Australian jurisdictions can be found in Appendix D.

3 Submissions to the Discussion Paper

Nine submissions to the Discussion Paper were received from a range of stakeholders, as detailed in Table 3.1 below. A summary of each submission can be found at Appendix B.

Table 3.1 – Submissions

Organisation type	No. of submissions	Stakeholders
Golf clubs/associations	3	• GolfNSW and the ACT Monaro District Golf Association • Magpies Belconnen Golf Club (Magpies) • Yowani Country Club
Other groups/associations	3	• ACT Equestrian Association • Australian Sports Turf Managers Association • Phillip Oval Management Group (POMG)
Water service providers	1	• Icon Water
Individuals	2	• Personal Information •

Overall, the submissions highlight a range of different circumstances faced by high-intensity club users in the ACT which mostly stem from differences in access to non-potable water sources, usage requirements and associated water usage charges.

Some common themes shared across submissions include:

- water related expenses account for only a small proportion of the overall operating costs of most high-intensity club users, roughly 2.5 to 7 per cent;
- the desire for lower non-potable water charges in the ACT, with several submissions highlighting the significantly higher charges ACT organisations face in comparison to their NSW counterparts;
- support for the continuation of Government assistance schemes to provide high-intensity club users subsidised non-potable water in recognition of the community benefits they provide; and
- the desire for additional Government assistance to expand the scope of recycled water and stormwater systems to allow more users to access them, recognising that the option to access cheaper sources of water for irrigation provides a significant economic advantage to many organisations.

Further, the Magpies Belconnen Golf Club (Magpies) highlighted the club's unique circumstances relative to other golf clubs in the ACT, in that its water costs are much higher. Magpies does not have as much access to surface and ground water as other golf clubs and relies on recycled water. Magpies indicated that the cost of recycled water is significantly higher per kilolitre than other forms of non-potable water, which is the case for ground and surface water.

The submission from GolfNSW & AMDGA indicates that ACT golf clubs provide significant benefits to the ACT community that they estimate to be around $160 million per annum taking into account health, economic, environmental and charitable benefits.

Information and data from the submissions received is referred to throughout the Report in relevant chapters.

4 Review's Approach

Treasury adopted the following framework in assessing whether the current arrangements are appropriate for non-potable water in the ACT. The principles below are in line with the NWI pricing principles that were used by the ICRC in their advice on recycled water, and also cover the additional elements set out in the TOR.

- **Cost recovery / cost allocation** – prices charged for each type of non-potable water should be cost reflective and in line with the NWI assessment principles.
- **Water usage charge** – the inclusion of a water usage charge to promote efficient water use (for example, prices reflecting a scarcity value and environmental costs).
- **Substitutes / differential pricing** – prices charged should have regard to the costs associated with substitutes (for example, other types of non-potable water and potable water) and reflect the differentiation in reliability and quality of the water supply.
- **Assistance and price transparency** – degree of transparency of:
    - assistance provided by the Government (for example, CSO payment for concessions/subsidies); and
    - prices applicable to all consumers, which should reflect the relevant costs to avoid cross subsidisation between users.
- **Financial viability** – the impact of non-potable water costs on high-intensity club users' ongoing financial viability (for example, the proportion of non-potable water costs compared to overall operational costs).
- **Demand and supply volatility** – the impact of non-potable water demand and supply on high-intensity club users and providers of non-potable water.

The NWI is an intergovernmental agreement signed by the Council of Australian Governments (COAG) in 2004 to achieve a more cohesive national approach to the management, planning, and pricing of water.[17]

Four sets of pricing principles were developed to assist states and territories in meeting their commitment to the NWI,[18] covering the:

- recovery of capital expenditure;
- setting urban water tariffs;
- recovery of the costs of water planning and management activities; and
- pricing of recycled water and stormwater use.

The principles for 'pricing of recycled water and stormwater use', which includes nine pricing principles set out in Table C1 in Appendix C, are most relevant to the Review. The principles are flexible in recognition of the diverse and evolving nature of recycled water and stormwater reuse products, and the very different circumstances under which these schemes are implemented.[19]

[17] The objective of the NWI is to create a nationally compatible market for managing water resources for both rural and urban use that optimises economic, social, and environmental outcomes.
[18] NRMMC 2010, Pages 2-3.
[19] NRMMC 2010, Page 16.

The following approach was adopted to assess these principles :

1. estimate the annual usage of non-potable water by type over time, based past usage volumes and user types;
2. review the relevant capital and operating costs incurred by high-intensity clubs to access, store and purchase non-potable water;
3. review the costs incurred by non-potable water providers and the impact that volatility of demand has on ability to recoup these costs on an annual basis;
4. assess the appropriateness of government assistance measures to date;
5. consider relevant arrangements in other jurisdictions and whether they could be applied in the ACT to achieve the goals set out in the PAGA, including any suggestions made through submissions; and
6. based on the results of the above steps, assess whether any adjustments should be made to the current pricing framework, including government assistance, for all non-potable water users where appropriate.

To obtain information from the interested stakeholders, the Government released a Discussion Paper on the Yoursay.act.gov.au platform and in addition and sought submissions and made data requests to relevant directorates on the following key questions:

- costs to maintain non-potable water infrastructure;
- costs of purchasing non-potable water;
- assistance measures in place or other measures that could be considered;
- key factors impacting on the viability of clubs, including the cost of non-potable water in the short or long term;
- experiences from other jurisdictions; and
- any other matters relating to the costs of supplying non-potable water for high-intensity club users.

Further details on the assessments on each type of non-potable water is set out in the following sections.

4.1 Surface and ground water

To assist the Review's approach and to consider whether any adjustments should be made to surface and ground water related charges, the Report reviewed:

- the user types and consumption levels;
- the revenue, costs and assistances associated with surface and ground water; and
- any relevant cross-jurisdictional experiences that could be adopted in the ACT.

4.2 Recycled water

To assist with the Review's approach and to consider whether any adjustments should be made to recycled water charges in the ACT, the Government commissioned the ICRC to review Icon Water's costs to supply recycled water from the LMWQCC, and to compare these costs to the charges in place.

The ICRC's advice on appropriateness was based on most of the NWI pricing principles and closely aligns with cost-reflective approaches used within a regulatory setting.

4.3 The Inner North Reticulation Network

To assist the Review's approach and to consider whether any adjustments can be made in relation to the INRN charges, the INRN is considered from a financial and economic perspective, taking into account:

- users and their respective consumption levels;
- revenue, costs and associated concessions; and
- any relevant cross-jurisdictional arrangements that could be considered in the ACT.

While a holistic evaluation of the INRN would require consideration of other aspects such as its environmental and social impacts, it is beyond the scope of this Review and will be considered in TCCSD's triple bottom line assessment which is set to occur in 2022.

5 Surface and ground water

Box 1 – Summary of key findings for surface and ground water

- Non-potable water usage and costs for high-intensity club users are closely linked to weather conditions and vary significantly from year to year. The revenue received by the Government and Icon Water from charges for non-potable water is equally volatile.
- Users with access to surface and ground water sources for irrigation purposes, and to a lesser extent recycled water and stormwater, have lower water usage costs than those who only have access to potable water sources for irrigation purposes.
- While water usage costs vary from year to year, they are generally less than 10 per cent of a club's overall costs and do not have a significant impact on the ongoing financial viability of most high-intensity club users. Other factors such as member base, prices charged, and other capital and operating costs can have a greater impact on a club's financial situation.
- Various assistance measures provided by the Government have resulted in golf clubs and rural irrigators paying significantly less for surface and ground water, compared to other users.
- Users of surface and ground water incur the costs associated with infrastructure to store and pump the water for irrigation purposes. The extent of these costs depends on a club's circumstances and are relatively stable over time.
- The charges for ground and surface water (including non-potable WAC) are sufficient to recover direct costs incurred by the Government.
- Charges vary significantly for different groups of surface and ground water users. Most high-intensity club users, including golf clubs, and rural irrigators have not had to pay the non-potable WAC for surface and ground water due to a range of assistances measures, resulting in significant forgone revenue. However, some of the assistance measures for golf clubs have recently ended.
- These concessional arrangements are complex to administer, not as transparent as other concessional arrangements, and result in high administration costs.
- No other jurisdiction charges for surface water collected and stored in infrastructure located on users' premises (e.g. ponds). However, they do have licence arrangements.

5.1 Surface and ground water users and consumption

There are four broad categories of users of surface and ground water in the ACT as shown in Table 5.1 below. The 2019-20 data shows that there are about 13 high-intensity clubs[20] and 14 active rural irrigators[21] that account for over 60 per cent of total surface and ground water usage in 2019-20.

[20] High-intensity club users are defined to be clubs licenced by the EPA to take over 3,000 kilolitres of surface and ground water each year.

[21] This category comprises of rural irrigators receiving the CEP, and include farms, nurseries, and vineyards.

There is significant diversity in ‘other’ users, with five large users and the remaining being small.[22] The large users require a significant amount of water to maintain and carry out their operations and accounted for 23 per cent of total use in 2019-20.

The remaining small ‘other’ users and ACT Government users together account for the remaining usage of surface and ground water, about 17 per cent of the total surface and groundwater charge in 2019-20.

Table 5.1 – Surface and ground water users[23]

Category	No. of users in 2019-20	Total surface and ground water used in 2019-20 (kL)	Average usage in 2019-20 (kL)	Approximate usage range in 2019-20 (kL)
High-intensity Club Users	13	1,152,000 (42%)	89,000	2,000 to 340,000
Rural irrigators receiving the CEP	14[24]	499,000 (18%)	36,000	1,500 to 320,000
ACT Government[25]	21[26]	179,000 (7%)	89,000	400 to 74,000
Other users	126[27]	909,000 (33%)	10,000	1 to 220,000

Source: EPA WAC data as of May 2021.

Table 5.1 shows the combined surface and ground water usage across all users from 2015-16 to 2019-20. The figure shows that usage varies considerably from year to year for all groups.

Peak usage of about 3.7 million kilolitres occurred in 2017-18 and a trough of 2.7 million kilolitres in 2019-20. While there are a number of factors that drive volatility, the key one is the level of rainfall throughout the year, which impacts on both supply and demand.

Lower levels of rainfall lead to higher levels of demand for surface and ground water, and vice versa.

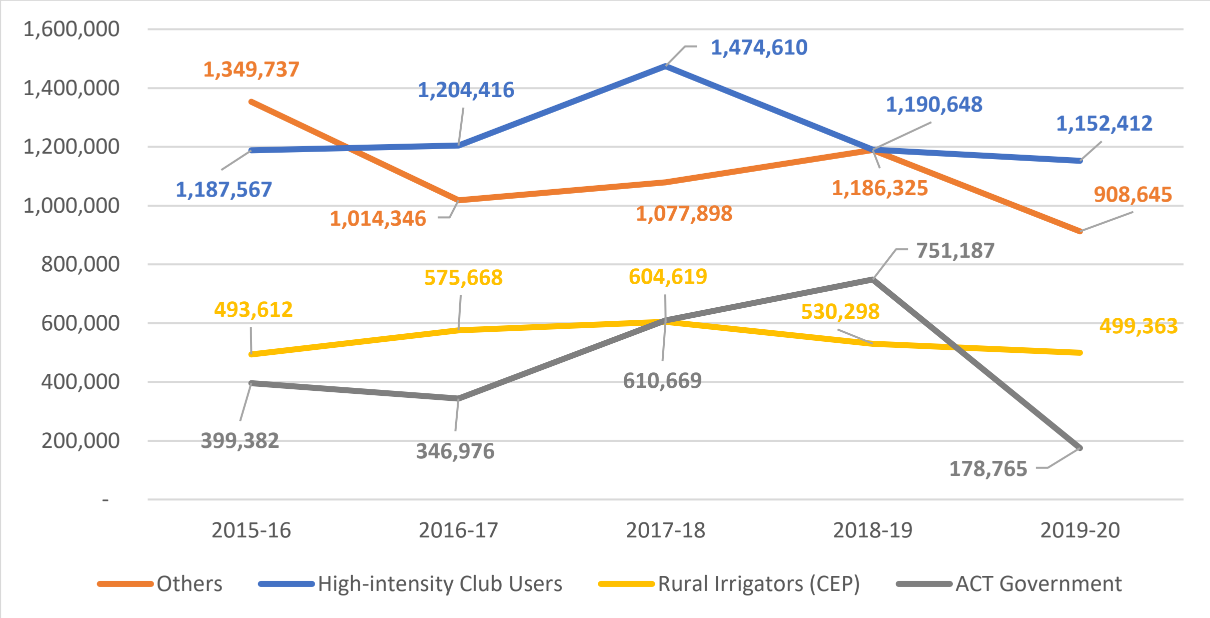
- Extremely dry weather from January 2017 to December 2019 resulted in higher-than-normal use of non-potable water.
- La Nina weather conditions, with higher rainfall, in January to April 2020 led to lower-than-normal use of non-potable water.[28]
- Above average rainfall during 2020 and 2021 resulted in little to no commercial supply of non-potable water to golf clubs by the ACT Government or Icon Water.

[22] This category is made up of users who do not fall under the other three categories.
[23] Usage figures are rounded to the nearest 1,000 kilolitres.
[24] Total number of users are 17, but 3 have no consumption in 2019-20.
[25] This category consists of licences held under various ACT Government Directorates, of which a majority belong to the Transport Canberra and City Services Directorate.
[26] Total number of users are 21, but 8 have no consumption in 2019-20.
[27] Total number of users are 126, but 38 have no consumption in 2019-20.
[28] Australian Government Bureau of Meteorology 2020.

Figure 5.1 also shows the proportions of surface and ground water used across the four broad user categories.

- High-intensity club users on average used the most surface and ground water across all categories, accounting for 37 per cent of the total volume of surface water and groundwater used in the ACT over the five-year period.
- Rural irrigators receiving the CEP on average account for 16 per cent of the total usage volume each year.
- On average, high-intensity clubs and rural irrigators consume 54 per cent of the total volume of surface and ground water each year, with the 'other' users and the ACT Government accounting for 33 per cent and 13 per cent, respectively.
- The use of surface and ground water by high-intensity club users and rural irrigators is less volatile than by ACT Government and other users

Figure 5.1 - Surface and ground water used by user category from 2015-16 to 2019-20 (kL)



Source: EPA WAC data as of May 2021

As the cheapest source of non-potable water, ground and surface water use will be maximised before alternatives are used. It should also be noted that most users in the ACT do not have access to alternative sources of non-potable water.

5.2 Non-potable WAC, revenue and costs

Revenue and regulatory costs

Revenue collected for surface and ground water taken under EPA licences from each user category over the past five years was compared with the associated regulatory costs to government.

Due to a significant amount of assistance provided, most of the revenue collected is from 'other' users despite their small proportion of total usage.

The data shows that the ACT Government and 'other' users paid on average 90 per cent of all revenue collected over the past five years. On the other hand, high-intensity club users and rural irrigators only paid about 10 per cent of total revenue collected, with a significant portion coming from administration fees.

Revenue associated with surface and ground water comes primarily from the non-potable WAC collected, with the fixed annual administration fee only being a small component. From 2015-16 to 2019-20, average annual non-potable WAC revenue was around $460,000 and average annual administration fee revenue was around $80,000. However, this revenue is heavily influenced by weather conditions. From 2015-16 to 2019-20 total charges collected ranged from about $440,000 to $620,000.

In terms of the costs to Government in administering the non-potable WAC, the main portion comes from EPA staffing costs, which average about $130,000 per year. These costs amount to roughly a quarter of the total revenue collected each year, which is not fully covered by the administration costs alone.

There are additional costs of regulating the surface and ground water licences along with their associated subsidy schemes, such as costs incurred by Shared Services and other units within Access Canberra that provide support to the EPA.[29] The costs incurred by the Government are primarily fixed.

Feedback on the Discussion Paper

The Review received a number of submissions on how much non-potable water costs contribute to operating costs and the appropriateness of the non-potable WAC for surface and ground water collected and stored in infrastructure located on users' premises (e.g. ponds).

Feedback from Golf NSW & AMDGA indicated that the annual costs of purchasing non-potable water vary significantly from club to club, ranging "from around $40,000 to over $240,000… [which accounts for] 2.5 per cent of total operating costs up to 7 per cent at most clubs."[30] However, for Belconnen Magpies Sports Clubs (Magpies) this percentage is significantly higher at 15 per cent in 2018-19 and about 20 per cent in 2019-20 due to the use of recycled water from the LMWQCC.[31] Further discussion on the cost of recycled water for Magpies is discussed in Chapter 6.

In their submission, Magpies indicated that surface and ground water accounted for only small proportion of overall costs, as the majority of non-potable water used on the premises is recycled water from the LMWQCC.[32]

[29] Some of the additional costs relates to Shared Services invoicing costs, Access Canberra finance costs, compliance work associated with debt recovery and breach of licence and audit costs.
[30] Golf NSW Submission 2021, Page 9 and 10.
[31] Golf NSW Submission 2021, Page 10 and Magpies Submission 2021, Page 7.
[32] Magpies Submission 2021.

A majority of the submissions indicated that the non-potable WAC is significantly higher than the charges faced by their NSW counterparts.[33] The two main reasons for this are that:

- charges for accessing river and ground water in NSW are much lower than the non-potable WAC; and
- surface water collected and stored on site in NSW does not attract any usage fees.

Table 5.2 was provided by Golf NSW & AMDGA, which shows the significantly higher costs faced by surface and ground water users in the ACT compared to NSW users, depending on the type of user.[34] In addition to these figures, INRN equivalent charge per ML is $3,995 for 2020-21.

Table 5.2 – Comparison of usage charges in NSW and ACT

Usage Based Charges (per ML)		
Jurisdiction/User	Pricing Scheme	Charge per ML
WaterNSW – Bulk Water (Murrumbidgee)	General Security Entitlement Charge + Combined Usage Charge (2016-17 prices)	$5.33
	Groundwater Water Management charges (2020-21 prices)	$4.64
ACT Rural Irrigators	Competition Equalisation Payment (ACT) (net cost after assistance to rural irrigators)	$2-$8
ACT Golf Clubs	Non-potable WAC (ACT) (under MES – 50 per cent reduction on $0.305 per kL – 2020-21)	$152.50
	Treated Effluent network (ACT) (Icon Water at $2.40 per kL or about 75 percent of tier two potable water price[35] – 2020-21)	$2,400
	INRN stormwater (ACT) (TCCSD at $3.995 per kL – 2020-21)	$3,995

Source: GolfNSW & AMDGA Submission 2021, page 14 and INRN prices for 2020-21.

Further to the table above, IPART has since determined the minimum access charge for 2021-22 is $221.50. The variable prices relating to non-potable water taken from the Murrumbidgee is $2.58 per ML for regulated rivers, $9.47 per ML for unregulated rivers and $5.04 per ML for ground water.[36]

A number of submissions provided suggestions on the current framework for surface and ground water:

- Personal Information submission suggested that the non-potable WAC should adopt NSW's arrangement of not charging for surface water stored on users' own land.[37]
- GolfNSW & AMDGA's submission suggested adjusting the non-potable WAC rate to more closely reflect the usage-based charges found in NSW, in particular

[33] Golf NSW Submission 2021, Page 14, Magpies Submission 2021, Pages 9 and 16 Personal Information Submission 2021, Page 2, and Personal Information Submission 2021, Page 1.
[34] GolfNSW Submission 2021, Page 14.
[35] Icon Water 2020, excluding the WAC and UNFT.
[36] IPART 2021a, IPART 2021b and IPART 2021c.
[37] Personal Information Submission 2021.

WaterNSW's bulk water charges for unregulated river water and ground water taken from the Murrumbidgee.[38]

- Magpies Belconnen Golf Club's submission, which highlighted the greater level of support provided by the NSW Government to golf courses in the NSW, stated that:[39]
    - Queanbeyan Golf Course access water from the Queanbeyan River, just prior to entering the ACT water system, in what is understood to be a small license fee of $300 per 10 years, 0.9 cents per kilolitre to an agreed volume per license, equating to a total cost of less than $1,000 per year; and
    - Yass Golf Course operates with free access to the Yass River and pumps directly for use on the Golf Course.

5.3 Government assistance programs

As outlined in Chapter 2, the Government provides a range of assistance programs to a number of surface and ground water users. Viewed overall, these assistance measures result in golf clubs and rural irrigators paying significantly less for surface and ground water, compared to other users.

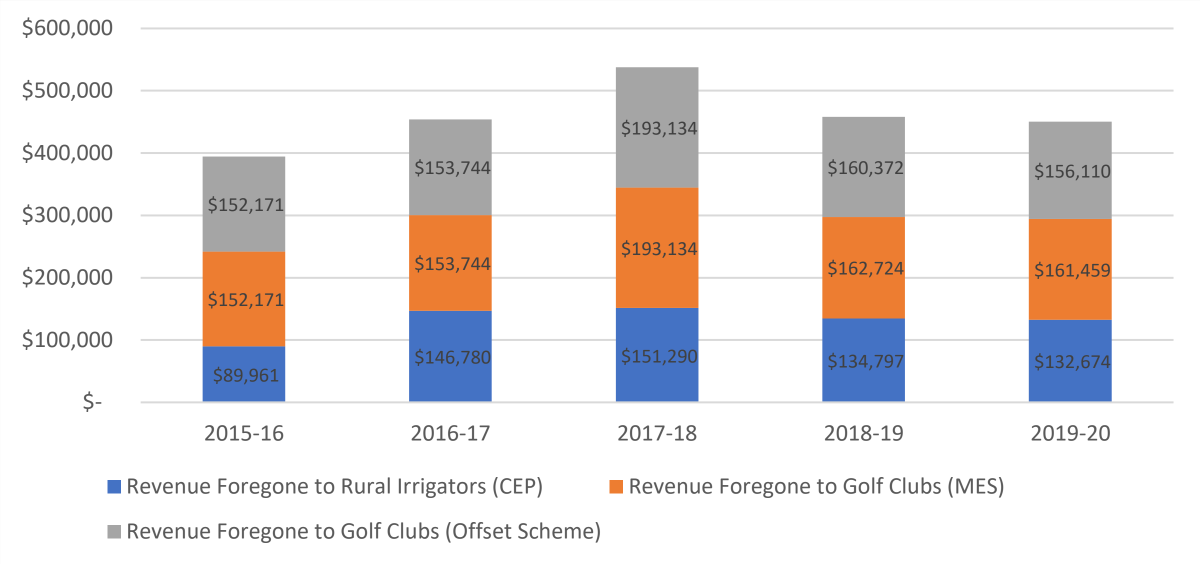
MES, Infrastructure Offset Scheme and CEP

Figure 5.2 compares the total amount of assistance provided under the MES, Infrastructure Offset Scheme and CEP to users from 2015-16 to 2019-20 and the actual non-potable WAC collected, which shows:

- About 50 per cent of the total non-potable WAC charges from 2015-16 to 2019-20 are not collected by the ACT Government as a result of assistance provided through the CEP, MES and Infrastructure Offset Scheme.
- As a result of the CEP, MES and the Infrastructure Offset Scheme, 90 per cent of all the non-potable WAC collected each year comes from ACT Government users and other users.
- Golf clubs receive a majority, about 75 per cent, of the total subsidies provided each year through the MES and the Infrastructure Offset Scheme.
- Rural irrigators receiving the CEP account for roughly 25 per cent of the total assistance provided by the ACT Government each year.

[38] GolfNSW and AMDGA Submission 2021, Page 14.
[39] Magpies Submission 2021, Page 13.

Figure 5.2 – Value of non-potable WAC assistance provided from 2015-16 to 2019-20



Source: EPA WAC data as of May 2021

The CEP and Infrastructure Offset Scheme are complex to administer relative to the MES and the amount of assistance provided. For example:

- For the CEP – each year, rural irrigators are required to submit an application to the EPA to determine their eligibility for the CEP. The process includes checking how the water was used, to ensure it aligns with those specified in the scheme.
- For the Infrastructure Offset Scheme – the EPA had to manually keep track and deduct the non-potable WAC charged from the available offset amount for each golf club before invoices could be finalised each year. Also, the EPA undertook the initial assessment process to determine which infrastructure projects would be eligible. Projects from 2002 were considered and then the offsets were monitored and backdated appropriately.
- For the MES – the EPA automatically applies the 50 per cent discount on non-potable water applicable to golf clubs' invoices in the year prior to applying any offsets available to the club.

The CEP has been in place for over twenty years, providing significant discounts to rural irrigators for agricultural production. The higher level of assistance under the CEP is for agricultural producers who are in direct competition with similar NSW businesses. However, the administration of the CEP is relatively complex as it requires applications and declaration by users each year.

While the Infrastructure Offset Scheme has compensated golf clubs for investments in water saving infrastructure, its effectiveness in promoting greater water security and less reliance on potable water is unclear as the scheme applied to infrastructure investments that were made prior to its introduction.

As of 1 July 2020, $2.9 million in offsets had not been claimed under the Infrastructure Offset Scheme. Although this suggests that golf clubs have invested a significant amount of resources to reduce their reliance on potable water or more expensive non-potable sources, further analysis shows that most of this amount applies to half of the eligible golf clubs. The other half have already exhausted or are close to exhausting their available offset amounts.

This highlights an equity issue with the Infrastructure Offset Scheme, where larger clubs have had greater opportunities and more funding available to invest in infrastructure.

The MES was introduced on the basis of providing water price parity with NSW golf clubs. However, the extent to which Canberra golf clubs eligible for the MES are in direct competition with those in NSW is subject to some debate given that membership and choices of where to play golf are influenced by a range of factors other than the price.

Further, the MES has provided significant discounts to a selected cohort of high-intensity club users, and allowed offsets to be claimed for an extended time period.

Both the CEP and MES provide assistance to a selected cohort of users regardless of their circumstances, and could be modified to ensure assistance is targeted towards those most in need.

Feedback on the Discussion Paper

GolfNSW & AMDGA have acknowledged that ACT golf clubs have benefited from both the MES and the Infrastructure Offset Scheme, stating that:

> "The general consensus amongst golf clubs is that the discount provided through the current Market Equity Scheme [MES] reduces costs for clubs, and the Infrastructure Offset Scheme incentivises clubs to invest in and develop water infrastructure.
>
> …
>
> Golf clubs in the ACT recognise the benefits of being able to offset infrastructure investment costs against the charges for accessing non-potable water. Such an arrangement incentivises clubs to make prudent investments in water management strategies. Off-set arrangements are seen as important and easily managed. Consideration should be given to the retention of proven off-set schemes (where appropriate) as well as consideration of new off-set arrangements."[40]

However, as noted earlier, they suggested similar prices currently available to rural irrigators under the CEP be made available to ACT golf clubs to reflect prices faced by NSW counterparts.

5.4 Ongoing operating and maintenance costs of infrastructure

The Discussion Paper sought feedback from high-intensity club users on the costs incurred in accessing surface and ground water, in addition to the non-potable WAC and administration fee paid. There are a range of ongoing operating and maintenance costs relating to pumps, storage tanks, dams and ponds.

[40] GolfNSW & AMDGA Submission 2021, Page 12.

Feedback on the Discussion Paper

The Review received a range of submissions with information about the non-potable water infrastructure costs for high-intensity club users.

The GolfNSW & AMDGA indicated that: [41]

> "The annual costs of operating and maintaining non-potable water infrastructure vary, ranging from as low as $2,000 to over $75,000 for each club per annum.
>
> In total, the clubs involved in this submission spend, on average, approximately $24,000 per annum, per club…
>
> …
>
> While the data provided demonstrates there are not significant changes year-on-year, there are a number of factors which influence operating and maintenance expenditure. These include:
> - Weather and rainfall.
> - Machinery/equipment failure.
> - Capital investment into new water management initiatives."

In addition, Magpies' response indicated that its annual costs to maintain infrastructure for non-potable water was $35,000 in 2018-20 and $39,000 in 2019-20, which covered electricity costs, irrigation repairs, pump maintenance, desilting of the dam to increase storage.[42]

For a smaller high-intensity club user like ACT Equestrian Association (ACTEA), there are one-off infrastructure costs associated with purchasing a new pump, battery and irrigator which total about $6,300. Ongoing costs for the ACTEA are attributed to the cost of diesel used to operate the pump, which typically amounts to $400 to $700 each year.

5.5 Capacity to expand non-potable water infrastructure

The Review also sought feedback about clubs' capacity to expand surface and ground water infrastructure.

The extent to which clubs can expand capacity depends on a range of factors as outlined in the next chapter.

Feedback on the Discussion Paper

There were a range of responses but generally the capacity to expand varies considerably depending on factors including:
- the topography of the site;
- availability of land to accommodate the infrastructure upgrade; and
- access to capital for investment in infrastructure.

[41] GolfNSW & AMDGA Submission 2021, Page 8, figures exclude depreciation costs and relate to cash outlays only.
[42] Magpies Submission 2021, Page 5.

For example, Magpies has indicated there is land available to increase capacity to expand dams and water storages, but:

> "The excessive water pricing and the resulting uncertainty on our financial future has meant we have been unable to consider longer term investment in water infrastructure."

Personal Information, the Captain of the Magpies, also indicated that Magpies has:[43]

> "…limited financial capacity to undertake such works and the course owner has no interest in such matters. Without such financial injects, we have no capacity to upgrade our water storage capabilities and must rely on…the LMWQCC."

Similarly, Phillip Oval Management Group (POMG) indicated that:

> "…[it is] unable to access non-potable water…POMG would support the extension of non-potable network to the Phillip Oval precinct as this would enable POMG to utilise non-potable water, rather than potable water as this finite resource is wasted on turf irrigation."

ACTEA also stated with regards to the costs of infrastructure that:

> "Most of these costs are beyond the capacity of a non-for-profit volunteer organisation."

ASTMA was also supportive of additional investment into non-potable water sources, and suggested prioritising the accessibility of recycled water and associated storage dams to create meaningful capacity for irrigation purposes:

> "…all of which are considered opportunities to help secure the long-term effective management of water resources and maintaining economic viability of Golf Clubs and Sportfields in the ACT."

Further, Personal Information stated that while there is capacity to increase non-potable water infrastructure at the Royal Canberra Golf Club through the use of less water-demanding grasses, this should not be undertaken without some form of assistance under the current economic circumstances.[44]

Feedback provided by GolfNSW & AMDGA on behalf of its members indicated the following for upgrading infrastructure on premises:

> "The cost of implementing these measures is significant for any clubs, ranging from $150,000…to $3 million for full resowing of drought tolerant grasses across courses.
>
> In some instances, clubs must cover the significant capital expenditure required through a levy on each round of golf. Generally, this is only viable for projects of up to $100,000, after which the cost to play becomes a barrier to participation. This makes the sport less accessible to the local community and impacts the ongoing financial viability of clubs."

[43] Personal Information Submission, Page 2.
[44] Personal Information Submission, Page 2.

On the other hand, Yowani and Royal Canberra Golf Club have made significant investments of $1.5 million and $2.3 million in the past, respectively.[45] Yowani also indicated future commitments of around $1 million to construct two extra storage dams to increase its water storage and usage capabilities, to ultimately eliminate its reliance on town water supplies.[46]

5.6 Cross-jurisdictional Analysis

Chapter 2.4 of the Report provides background information on arrangements in other jurisdictions for charging surface and ground water, which shows that most jurisdictions do not include a volumetric charge, and if they do, it is not for water collected and stored by the user.

Chapter 5.2 shows examples provided in submissions that understandably are focused on arrangements in areas close to Canberra and NSW more broadly. These examples show that the ACT charges are significantly higher, noting that there have been assistance programs in place that in most cases effectively mean the variable charge does not apply to rural irrigators or golf clubs.

The submissions generally supported an adjustment in the prices to be reflective of NSW to provide parity across the border and to acknowledge the additional benefits such as social, health and environment.

5.7 Appropriateness of the current framework for surface and ground water

To date the arrangements for surface and ground water do not seem to have adversely impacted any high-intensity club users since the introduction of the non-potable WAC in 2006, largely as a result of the targeted assistance measures.

The analysis shows that current arrangements are complex and expensive to administer and provide high levels of discounts to selected users. Assistance measures are not transparent and have undermined the policy intent of the non-potable WAC that seeks to reflect the environmental costs and scarcity value of surface and ground water.

Submissions to the Discussion Paper highlight the costs incurred by surface and ground water users in accessing this water source. These costs include maintaining, expanding and operating their infrastructure and equipment. The submissions conclude that these costs, along with the surface and ground water charges will place an unreasonable cost burden on golf clubs.

The submissions argue that the Government should continue financial assistance measures to offset the surface and ground water charges in recognition of the range of benefits that community clubs provide.

The submissions also make comparisons with other jurisdictions noting fixed annual fees are set on a user-pays principle, but only to recover costs around water licence monitoring and compliance activities.

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[45] GolfNSW Submission 2021, Page 11.
[46] Yowani Submission 2021, Page 2.

Implementing such changes in the ACT would be a significant departure from the non-potable water framework currently operating that provides price signals to reflect the environmental impact and scarcity value of surface and ground water use.

It is possible to make improvements to equity within the existing non-potable water policy framework by increasing the licensing fee to ensure that all users contribute equally to cover the fixed costs. This could be accompanied by a lower non-potable WAC to cover the environmental and scarcity costs.[47]

Increasing the transparency of the current assistance measures and ensuring that they are targeted to those users most in need of support would also improve the current arrangements. Noting the impact of weather conditions on the supply and demand for non-potable water, the need for assistance could be considered on a case-by-case basis in drier seasons. This would take into account individual circumstances of each user, such as their capacity to access ground and surface water, overall demand for potable water or more expensive non-potable water sources and the level of community benefits they provide. This could be implemented in the same way as other assistance measures, by establishing clear eligibility criteria for the assessment process and with the amount of assistance provided by the Government reported annually.

[47] It is important to note that any adjustments made to the non-potable WAC would stand to directly impact the overall prices for stormwater supplied by the INRN, given that the non-potable WAC that applies to TCCS is currently treated as a direct pass-through cost.

6 Recycled Water Supplied by Icon Water

Box 2 – Summary of key findings for recycled water supplied by Icon Water

- Recycled water supply costs are relatively fixed each year. This includes costs associated with the pumps and pipes required to transport the recycled water to the end user.
- Icon Water takes into account the NWI and ICRC pricing principles when setting non-potable water prices, and these are broadly cost reflective. However, prices reflect the cost of infrastructure that was built for a greater capacity than current usage. As a result, the water usage costs for recycled water are higher than those for surface and ground water.
- Some jurisdictions have either explicitly adopted NWI pricing principles for recycled water pricing or use them as guiding pricing principles.

6.1 Summary of ICRC's final report

The ICRC's analysis was based on commercially sensitive data from Icon Water, and the report was provided in confidence to Treasury. The information is based on the only facility in the ACT that actively recycles water and supplies recycled water to users on a commercial basis. Further, the network only has one current user – Belconnen Magpies Golf Club.[48]

The key findings from the ICRC's advice are: [49]

- recycled water from LMWQCC is a by-product of treating wastewater and there are no additional costs to produce recycled water;
- costs to supply recycled water relate to common or dedicated infrastructure and are largely fixed, such as pumps, storage tanks and pipes;
- in addition to the supply related infrastructure costs, there are also small variable costs that depend on usage and corporate overheads for billing, contract negotiation and annual price updates;
- Icon Water's prices are reflective of the total relevant costs of supplying recycled water from the LMWQCC to its user(s);
- prices are transparent and clearly listed in the contract between Icon Water and the Magpies;
- the prices are based on a network with a larger capacity than what is required at present for the current user;
- there were multiple users in the past and costs were shared between them, but since 2010 only one user has continued to use recycled water from the LMWQCC; and
- most jurisdictions in Australia, including the ACT, have adopted the NWI pricing principles, with the exception of NSW and Victoria.

In addition, the ICRC advised that based on NWI principles, recycled water prices could be adjusted to recognise the size of the network needed for the current user, which would result in a lower price than what is currently being charged.

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[48] Magpies Submission 2021, page 10 and Icon Water Submission 2021, page 1.
[49] ICRC 2021.

This approach is in line with what would apply in a regulated market where only the prudent and efficient costs of production are able to be recovered. However, as Icon Water are operating in a commercial environment the costs charged are reasonable and lower than those in the INRN.

Alternatively, the Government could consider paying a subsidy to ensure that price paid by users reflects the smaller size of the network that would be required to deliver this service. Further discussion on these options is made later in Chapter 8.

6.2 Cost-reflective prices versus usage

As noted, weather conditions are a significant contributor to how much water is used each year, and whether the source is potable or non-potable water. The ICRC also advised that water usage is seasonal and most water is used in the summer months of December, January, February and December.[50]

Coupled with the relatively high fixed costs of supplying recycled water, this means that cost-reflective prices in any given year based on actual usage would vary significantly more than other sources. For example, 2019 was a very dry year and 2020 significantly wetter year.[51] During this period, Magpies used about 76,000 kilolitres of recycled water in 2019-20 but estimated in its submission that usage could be less than 25,000 kilolitres in 2020-21.[52]

This shows that while costs are largely fixed, usage is the only other major factor that would influence what a cost-reflective price would be in any given year and that it is quite volatile year on year. For illustrative purposes, if 2020-21 usage was 25,000 kilolitres then Icon Water's recycled water price would need to more than double to recover the relevant costs in that period.[53]

Alternatively, if usage was to increase to pre-2010 levels where there were other users of the network and average annual usage was over triple current usage, prices could fall to a third of current prices.[54]

As these examples show, it would be difficult to set a cost-reflective price that was appropriate from year to year. Therefore, a balance needs to be struck when setting prices to provide certainty on what prices are on a long-term basis and the recovery of costs through these prices.

Overall, the ICRC's advice shows that Icon Water has been charging prices reflective of relevant supply costs, notwithstanding the difficulties in setting prices that are

[50] ICRC 2021, Page 20.
[51] Icon Water website accessed 24 June 2021: [Water Storage Levels | Icon Water]
[52] Magpies Submission 2021, Page 7.
[53] Magpies Submission, Page 7. Recycled water usage for 2019-20 was 76,871 kilolitres, and for 2020-21, it is estimated at less than 25,000. The magnitude of change in prices assumes the current price are largely fixed and changes in volumes reflects a commensurable change in price.
[54] The magnitude of change in prices assumes the current price are largely fixed and changes in volumes reflects a commensurable change in price.

cost-reflective given that revenue is contingent on usage levels linked to a low customer base.

Feedback on the Discussion Paper

Magpies' submission indicates significant increases in recycled water prices for Magpies from $0.09 per kilolitre in 2006 to $2.40 per kilolitre in 2020-21, and that other ACT golf clubs' net water costs are at least 90 per cent lower.[55]

Magpies' submission outlined significant increases in total non-potable water costs since 2006, from 2.5 per cent of total operating costs in 2006 to 20 per cent in 2019-20. For 2019-20, Magpies' annual water usage costs from the LMWQCC and non-potable water charges amounted to $151,111, which is a $56,000 increase from 2018-19 when total usage fell between the years.[56]

GolfNSW & AMDGA stated that:[57]

> "Investigation should occur ascertain if clubs that have a current reliance on recycled water might be able to access other forms of non-potable water directly through the recycled infrastructure, i.e. in the case of Magpies Belconnen Golf Club, if they could receive river water through the pipe currently carrying recycled water."

While river water (surface water) attracts a lower non-potable WAC per kilolitre, the price charged by Icon Water reflects the costs associated with supplying the water from the treatment plant to Magpies and does not include any costs associated with treating sewerage water to a higher standard for release. Therefore, if the same pipe and pumps were used to supply an alternative source like river water, similar costs would be incurred by the Magpies.

The Magpies also indicated:[58]

> "most ACT golf clubs net water costs are at least 90% lower than the costs paid by Magpies. Unless LMWQCC pricing is brought in line with WAC, or the MES is amended to allow for the LMWQCC pricing, then the assistance measures will continue to fail in their objectives to provide an even playing field across ACT and local NSW clubs."

The submissions received and analysis of the data show that Magpies are in a unique location and the club has limited access to lower cost non-potable water sources like surface and ground water for irrigation purposes. The situation facing Magpies does not appear to affect any other ACT golf clubs, but would affect other organisations like POMG that use potable water for irrigation purposes.

Since the time of Magpies' April 2021 submission, Icon has reverted the price for recycled water for Magpies from a lower customised price of $2.40 per kilolitre back to the standard recycled water price of $3.14 per kilolitre. However, the higher standard price for recycled water remains below the $4.056 per kilolitre paid by INRN users.

[55] Magpies Submission 2021, Page 7.
[56] Magpies Submission 2021.
[57] GolfNSW and AMDGA Submission 2021.
[58] Magpies Submission 2021.

6.3 Cross-jurisdictional Analysis

The ICRC provided a summary of the approaches used in other jurisdictions in Australia, which largely reflected NWI pricing principles being adopted. Chapter 2 provides further background on other jurisdictions in Australia and the extent at which NWI principles have been adopted.

Other jurisdictions provide some regulatory framework around how recycled water prices are set. Approaches range from a light touch approach to ensure pricing principles are adhered to (Essential Services Commission in Victoria), to a heavier regulatory approach of requiring proposals to be submitted each regulatory period (Essential Service Commission of South Australia).

Icon Water outlined in its submission that:[59]

> "In setting its non-potable water prices, Icon Water takes in to account the National Water Initiatives (NWI) *Pricing Principles for recycled water and stormwater use (2010)* and the pricing principles outlined by the ICRC in their *Final report: Regulated water and sewerage services price* 2018-23.
>
> …
>
> We recommend any future pricing framework for determining recycled water prices continue to align with the NWI and ICRC pricing principles. This could be achieved by maintaining the current approach of Icon Water setting recycled water prices or alternatively, given the complexity of separating assets on the regulatory asset base, it may be considered appropriate for CMTEDD to recommend that non-potable water prices be regulated through the ICRC."

While Icon Water notes that non-potable water such as recycled water could be regulated by the ICRC, there is not a strong case for regulation because prices are broadly reflective of the costs and have regard to the NWI and the ICRC pricing principles.

If this service was regulated it could result in higher prices, noting the very small customer based and volatility of demand. Price regulation would also impose additional regulatory costs on the community.

6.4 Appropriateness of current prices for recycled water from the LMWQCC

The setting of prices for recycled water from LMWQCC is not within the Government's remit as it is not a regulated market. Therefore, the current framework for recycled water is a commercial arrangement between Icon Water and its user. However, the Review has received a number of submissions about the significant costs incurred by the Magpies and the impact on their ongoing viability.

This is particularly the case in extreme weather conditions where for example very dry weather results in the less supply of ground and surface water and the need to use significantly more water. It also potentially widens the gap between the Magpies and other

[59] Icon Water Submission 2021.

users that are able to access greater amounts of surface and ground water, which cost significantly less even if the full non-potable WAC is charged.

While the cost of recycled water is significantly more than surface and ground water, the cost per kilolitre is lower than stormwater under the INRN used by other irrigators or those required to use potable water as they do not have access to recycled water sources.

As set out in ICRC's advice, the current recycled water prices means that while Icon Water does recover its full costs associated with providing the service and reflect an oversized network for the current user as Icon Water has lost users over the years.

In response to ICRC's advice, the Government could choose to:

1. do nothing as Icon Water's price were reflective of the full costs;
2. regulate recycled water prices to be consistent with ICRC's advice going forward;
3. provide a transparent concession through community service obligation payments to enable Icon Water to recover the full costs, but also ensure users are charged the prices reflecting the size of the network for the current user(s); or
4. in considering the significant volatility in water demand, provide some form of assistance in periods of extreme weather conditions to those users with limited access to lower cost surface or ground water that provide significant social benefits to the community.

The extreme volatility in weather conditions and resulting demand for recycled water suggests there is a case to adjust the current arrangements to address the issues raised in this Review. The 'do nothing option' does not appear to be viable.

The NWI pricing principles assist consideration of approaches to water regulation. Those principles note that light handed and flexible regulation is preferred, than formal price regulation, as it is generally more cost-efficient.[60]

Regulation of recycled water prices would also require a significant resourcing in a market with only a few users. The demand of recycled water is extremely volatile depending on weather conditions and in some years this can be zero.

Viewed overall, there is limited merit in regulating recycled water prices and it would likely not be cost-efficient due to significant costs that are incurred.

There could be some merit for the Government to further consider the third and fourth options above to be consistent with the NWI pricing principles of having light handed and flexible regulation, while also targeting assistance when most appropriate.

Providing assistance in times of need would acknowledge the impact of extreme weather that results in some years being particularly dry with some clubs incurring significant costs in purchasing recycled water compared to other clubs depending on the club's topography and

[60] NRMMC 2010.

ability to access non-potable water. The clubs that incur more significant costs generally have limited access to ground and surface water compared to other clubs.

Therefore, in recognising the economic, community and social benefits to the ACT economy, there could be merit for the Government to consider providing assistance to those that provide social benefits to the community as a whole with limited access to lower cost surface or ground water, and/or also limiting assistance to periods of extreme weather conditions.

While potable water club users have not been captured in this Review specifically, any assistance provided to clubs for recycled water may also warrant being extended to potable water club users for equity reasons. Moreover, any assistance to non-potable water user clubs should also be consistent with the general principles underlying government support and not seek to offset the normal variability in operational costs and revenues.

The merits of the options mentioned above would require further consideration by the Government as there are unique circumstances facing Magpies and other clubs using potable water for irrigation purposes.

7 The Inner North Reticulation Network

Box 3 – Summary of key findings for stormwater supplied by the INRN

- Stormwater usage and costs for high-intensity club users are closely linked to weather conditions and vary significantly from year to year. The revenue received by the Government from charges for non-potable water is equally volatile.
- Users with access to surface and ground water sources for irrigation purposes, and to a lesser extent recycled water and stormwater, have lower water usage costs than those who only have access to potable water sources for irrigation purposes.
- Prices for INRN stormwater were initially set having regard to the tier two price of potable water and subsequently indexed by the WPI each year.
- Given volatility in stormwater usage, prices for INRN stormwater are broadly cost reflective, but have not fully recovered the associated costs since inception.
- Some jurisdictions have either explicitly adopted NWI pricing principles for stormwater pricing or use them as guiding pricing principles.

7.1 INRN users and consumption

The INRN supplies stormwater to its users who have water storage tanks to receive and store the stormwater before it is pumped into their irrigation systems. The three broad user categories include the ACT Government, high intensity club users and ‘others’.

As shown in Table 7.1, there has not been a significant increase in the INRN’s customer base since it commenced operations in 2015-16. This base consists of 10 ACT Government entities belonging to either the Education Directorate or Economic Development (Sports and Recreation) within CMTEDD, two high-intensity club users (Yowani Golf Club and the Canberra Racing Club) and four other private entities.

Only two additional users have been added to the INRN since its inception, both being private entities grouped under the ‘others’ category.

Table 7.1 Users of the INRN in 2015-16 and 2019-20

Category	No. of users in 2015-16	Proportion of water use in 2015-16 (%)	No. of users in 2019-20	Proportion of water use in 2019-20 (%)
High-intensity Club Users	2	24	2	22
ACT Government	10	63	10	77
Others	4	13	6	1

Source: ACT Government data on INRN.

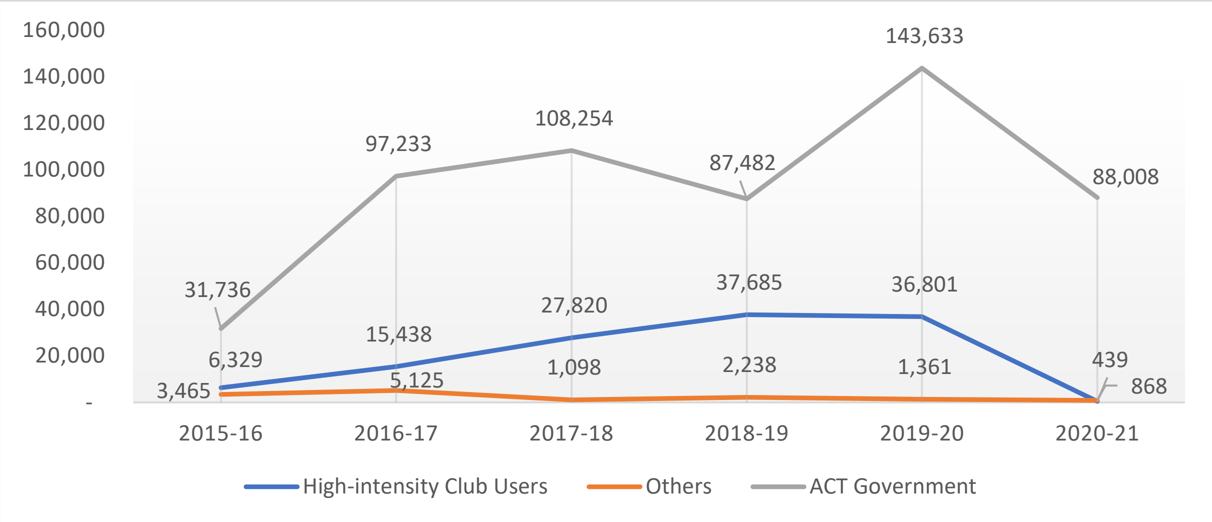
Figure 7.1 shows stormwater usage across all users from 2015-16 through to 2020-21[61]. The INRN saw little usage in 2015-16 as the network was not fully operational, but since then, usage has risen steadily until 2019-20, suggesting that users have opted to use water from the INRN on a more frequent basis. The increase in usage is also likely due to the dry period

[61] Usage figures in 2020-21 have been estimated based on usage data recorded in the first three quarters of the financial year.

leading up to 2020,[62] which provided high-intensity club users with an alternative supply of non-potable water for irrigation once their own source of surface and ground water ran dry.

The ACT Government has been the primary user of the INRN, using on average about 80 per cent of the total amount of water supplied by the INRN across all years. The other two categories, high-intensity club users and 'others' have on average accounted for about 18 per cent and 2 per cent of total usage respectively.

Figure 7.1 - INRN stormwater usage from 2015-16 to 2020-21



Source: TCCSD data as of May 2021.

The large fall in usage across all user categories in 2020-21 is the result of weather conditions and rainfall on usage, as 2020-21 was an extremely wet period, with total rainfall recorded in August 2020 being the highest the ACT has experienced in the past 20 years.[63]

Where INRN users have access to multiple sources of non-potable water, such as the two high-intensity club users that have access to their own surface water and ground water, they would opt to exhaust the lower priced source first. This is shown through the extreme fall in water used by high-intensity club users, from 36,801 kilolitres in 2019-20 to 439 kilolitres in 2020-21.

7.2 Revenue and Costs

Revenue and Government assistance programs

As outlined in Chapter 2.6, users of the INRN pay a usage charge and the non--potable WAC. The INRN's usage charge is by far the larger of the two revenue streams, accounting for over 90 per cent of the total revenue collected each year.

The ACT Government currently provides schools with a 50 per cent concession on their INRN usage charge. Since 2015-16, the INRN has provided water to three schools. Of the three schools, only one used over 100 kilolitres in any single year, with the other two using

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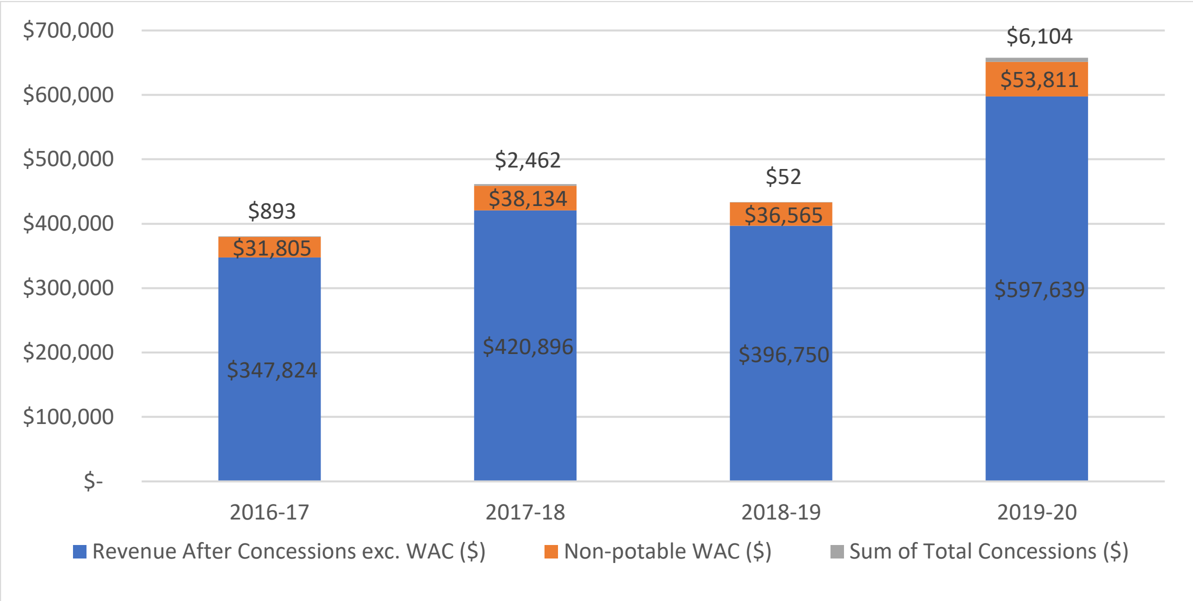
[62] Australian Government Bureau of Meteorology 2020.
[63] Australian Government Bureau of Meteorology 2021.

negligible amounts. Given the low overall usage, the total amount of concessions provided has been relatively small.

Figure 7.2 shows the total revenue collected through both the INRN usage charge and the non-potable WAC, from 2016-17 to 2019-20.[64] It also shows the assistance provided to schools as part of the 50 per cent discount on their INRN usage charges.

- on average, the annual concession amount provided by the ACT Government to schools was $2,378 accounting for less than one per cent of total INRN usage charges;
- the average revenue collected through INRN charges each year was approximately $440,000; and
- the non-potable WAC revenue collected averaged around $40,000 per year.

Figure 7.2 – Revenue and Concessions ($)



Source: TCCSD data as of May 2021

Total revenue collected by the INRN is highly dependent on weather conditions, with high levels of rainfall experienced in 2020-21 leading to lower revenue than the previous four financial years which were relatively drier. The data also highlights that given the INRN's small customer base, decisions by individual users to access alternative water sources[65] could have a significant impact on the total revenue collected.

Overall, in terms of revenue, the INRN faces similar issues as recycled water, whereby volatility in usage, a small customer base and weather conditions significantly affect revenue.

[64] The total revenue for 2020-21 has been estimated based on usage figures recorded for the first three quarters.
[65] Yowani Submission 2021.

INRN costs

The INRN's costs comprise primarily of operating and maintenance costs, depreciation costs and staffing costs.[66] A number of key observations include:

- The largest contributor to the INRN's total cost in most years has been its operation and maintenance costs, which account for approximately 43 per cent of total costs. This cost has varied significantly each year due as it depends on usage levels and the need for maintenance to the network.
- Depreciation costs make up the second largest component of total costs, and account for around 39 per cent. These costs are calculated based on a number of infrastructure assets which directly relate to the INRN's water supply elements, such as the pumps and pipes used to supply water to users.
- Staffing costs for the INRN have averaged $75,000 each year and account for 12 per cent of the total costs each year.
- Other minor components include the non-potable WAC costs, overhead costs that account for less than 1 per cent of total costs and regulatory costs incurred by the Utilities Technical Regulator.

Total revenue and cost comparison

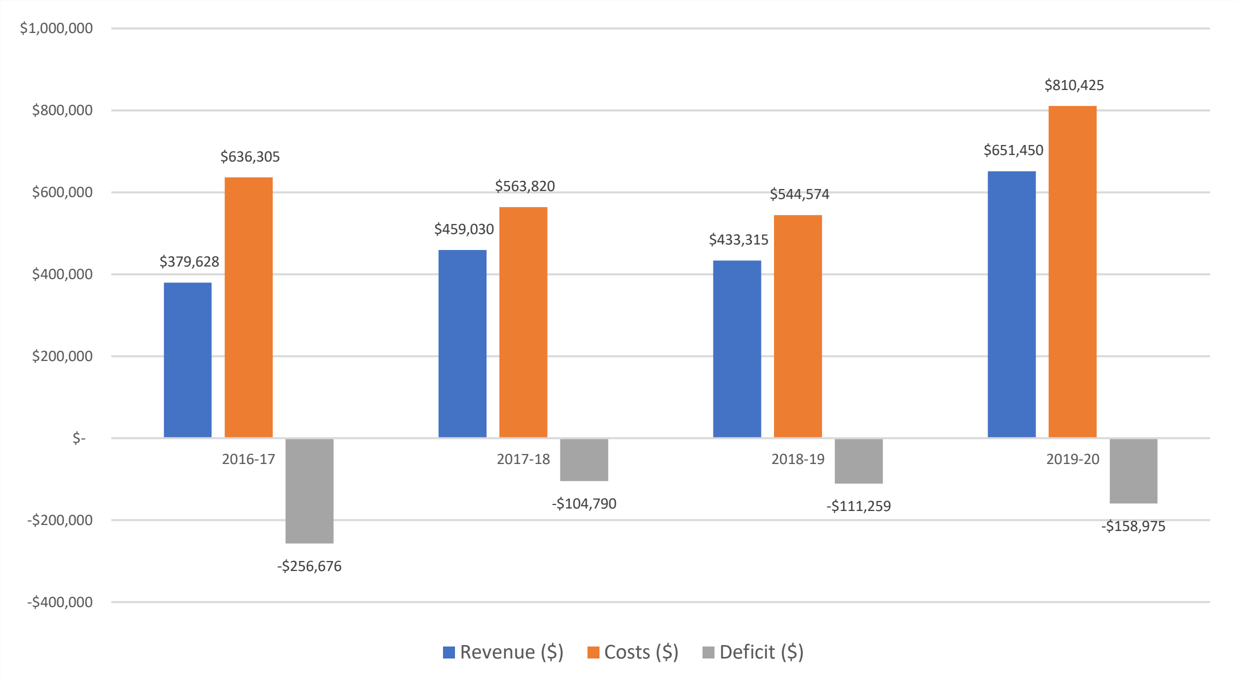
Figure 7.3 compares the total revenue and costs associated with the INRN from 2016-17 to 2019-20, with total revenue being consistently lower than total costs[67] and an average deficit of $157,925 each year. One of the primary reasons for this is that the total costs associated with the INRN are attributed to variable costs associated with operational and maintenance costs, which are positively correlated with usage. This differs from other sources of non-potable water whose costs comprise mostly of fixed costs (staffing costs for surface and groundwater, and capital infrastructure costs for recycled water).

As a result, it is unlikely that an increase in usage will guarantee a net positive outcome, and a better understanding of the relationship between operation and maintenance costs and total usage would be necessary in setting a cost-reflective price.

[66] INRN costs reported are broadly indicative and will be further investigated as part of the triple bottom line assessment in 2022.

[67] The revenue and costs for 2015-16 have been omitted due to the INRN not being fully functional till 2016-17. Similarly, 2020-21 has been excluded due to the lack of complete data for the whole financial year.

Figure 7.3 – Revenue and cost comparison



Source: TCCSD data as of May 2021

Comparison of the per kilolitre costs and revenue of supplying non-potable water

Given that the original intention for the INRN was to allow any income generated from water sales to fund its operation and maintenance costs, while also recovering capital costs over the life of its infrastructure, charges should be set to be cost-reflective.[68]

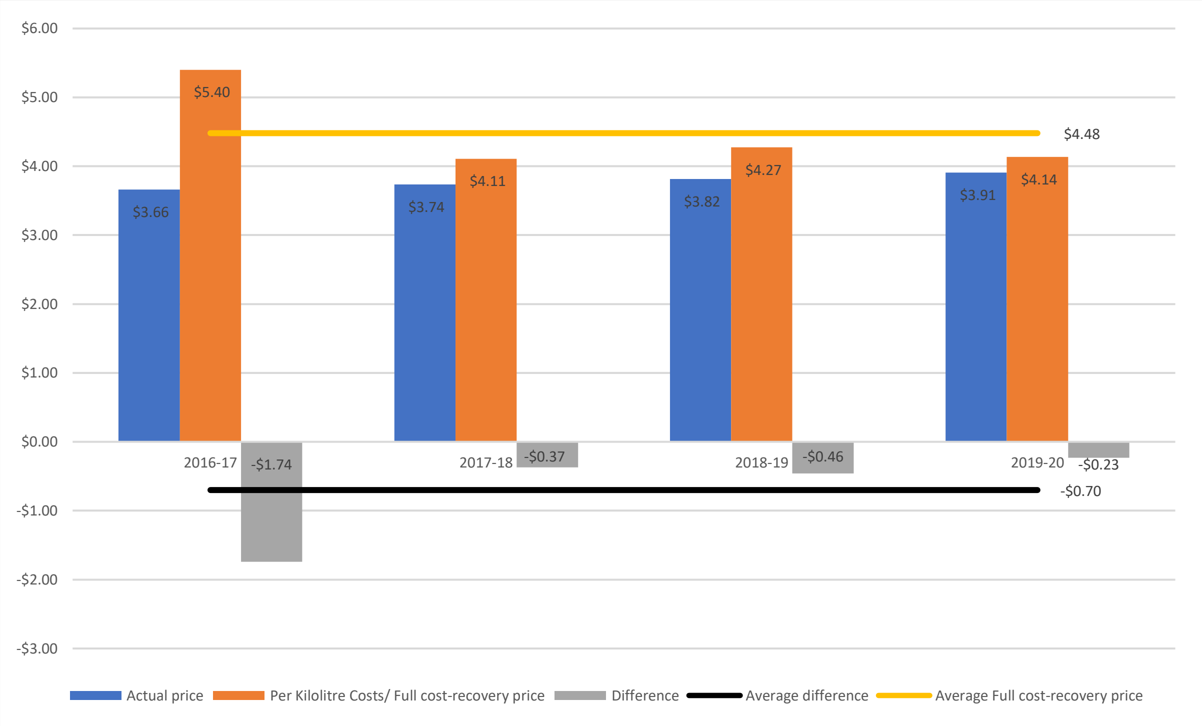
Figure 7.4 compares the actual price to purchase stormwater from the INRN each year to the full-cost recovery price necessary for the INRN to recuperate its total costs. It shows that:

- While actual prices have been consistently lower than the full-cost recovery price in all four years since the INRN was made operational, the difference in prices has narrowed significantly.
    - On average there has been a $0.70 per kilolitre deficit each year.
- The average full-cost recovery price across the four years is estimated to be $4.48 per kilolitre, which includes the non-potable WAC costs.
    - However, recognising that financial data and expected consumption volumes for the INRN are currently limited, this average price is not sufficient to determine a long-term price, although it indicates that current prices are not cost-reflective.

An INRN triple bottom line assessment is required in 2022. This will consider NWI pricing principles for stormwater and the costs of the network and charges that should apply.

[68] ACT Government 2014, Page 21.

Figure 7.4 - Revenue and costs from 2016-17 to 2019-20 ($ per kL)



Source: TCCSD data as of May 2021

7.3 Cross-jurisdictional Analysis

As shown in Chapter 2 and Appendix D, there are several examples of stormwater harvesting arrangements in other jurisdictions in Australia, with a range of approaches adopted by each jurisdiction. The Review has not received any submissions about the pricing of stormwater from INRN, noting that the customer base is primarily ACT Government users.

Approaches taken by other jurisdictions show there are a number of practical difficulties associated with pricing stormwater. This stems from the wide variety of stormwater harvesting and reuse schemes that differ substantially depending on particular circumstances within each jurisdiction.

As such, while some jurisdictions have opted to reference or implement the NWI pricing principles for stormwater, the majority have adopted different approaches to tackle this complex issue. Given these complexities, the pricing of stormwater in the ACT should aim to eventually align with the NWI pricing principles, with an emphasis placed on allowing prices to be flexible, cost reflective, and where possible set in a manner which fully recovers costs.

7.4 Appropriateness of the current pricing framework for the INRN

The current pricing framework for stormwater from the INRN, set to cover its first five years of operation, has been found to not have adversely impacted any high-intensity club users since the network became fully operational in 2016-17. However, volatility of usage and the small customer base impacts significantly on whether the network is recouping all the associated costs.

While the analysis has not identified any major issues with the pricing framework for INRN, the network warrants close monitoring as it is still maturing in terms of usage levels and customer bases. Therefore, it will be important to review the revenue and cost base associated with the INRN periodically to ensure costs incurred are appropriate and stormwater prices are set appropriately.

Further, the stormwater prices for INRN were set based on ICRC advice from 2009 and while it may have been appropriate at that time, it would be timely to review whether there is a case for an alternative fee structure to align more closely with NWI pricing principles.

Given that the INRN is to be reviewed in 2022, it would be an appropriate time to revisit the prices set, costs and overall revenue as well as the overall cost and benefits associated with the network from a wellbeing perspective.

8 Recommendations

The Report outlines a range of key findings from the Review and four broad recommendations for the Government to consider.

In summary, the findings and analysis indicate it may be appropriate to adjust the current arrangements in place for surface and ground water, for INRN stormwater prices to be more cost-reflective, for recycled water arrangements to allow for targeted assistance when needed due to extreme weather conditions and more broadly, for support to be provided in exceptional circumstances rather than as the default of ongoing levels of subsidies.

The four recommendations for the Government to consider are:

1. Adjusting ground and surface water charges to better align with the fixed and variable costs. This could be achieved through increasing licensing fees to ensure that all users contribute equally to cover the fixed costs and reducing the variable non-potable WAC.
2. Reforming assistance measures to make them simpler and more transparent and equitable.
3. Continuing to provide targeted short-term support to some sporting clubs in exceptional circumstances such as extreme or prolonged dry weather to reflect the social benefits of community clubs. Assistance should be targeted towards clubs that have no other option than to use significant quantities of recycled or potable water for irrigation purposes.
4. Reviewing the application of NWI pricing principles, that suggest full cost recovery for stormwater costs, in the forthcoming review of INRN stormwater prices.

The first and second recommendations recognise the complexity of the current arrangements for surface and ground water and the high level of discounts currently being provided to specific user groups.

High-intensity club users operate businesses that should be able to remain financially viable, without requiring subsidisation of their water costs by Government under business as usual settings. However, it may be appropriate to assist high-intensity users of water in extreme weather events in the same way as support for business may be considered in response to other extreme events.

The third recommendation recognises the unique circumstances some users face due to their limited access to surface and ground water which results in their reliance on more expensive sources such as stormwater, recycled or potable water.

Assistance measures could be designed for these users to apply in drier years when demand is significantly higher than average, and the additional water is required to retain the quality of the grounds for the benefit of the broader community. It is also recommended that eligibility criteria be established to ensure assistance is transparent and targeted to those who have limited financial capacity.

For example, assistance measures could have the following key characteristics:

- support should be provided to users that have experienced a significant increase in water usage for irrigation purposes due to exceptional circumstances such as extreme dry weather (e.g. assistance could be applied when a drought has been announced or significant reduction of rainfall over a period of time);
- support should take into account the water usage costs and its share of user operating costs (e.g. assistance could be applied to those that have water usage costs exceeding 15 per cent of overall operating costs);
- support could be provided on application for targeted assistance rather than automatically, to ensure that individual user's circumstances are taken into consideration (e.g. targeted assistance during extreme weather conditions could be provided on application with Government assessment); and
- support should be targeted to users whose services and grounds provide broader community benefits (e.g. assistance could be targeted to users that are high--intensity water users that irrigate grounds available to the public for sporting or community services).

The value of any assistance provided should be limited to ensure there is still a sufficient price signal to ensure the efficient use of water and/or to encourage users to make infrastructure investments to be more viable and less reliant on more expensive water sources used for irrigation.

Alternatively, the Government could consider whether adjustments could be made to the recycled water arrangements by way of a transparent concession funded through CSO payments to enable Icon Water to recover the full cost. This would recognise the wider social benefits of clubs being charged the price reflective of the size of the network applicable to the user.

The fourth recommendation recognises that while the INRN stormwater prices have been broadly cost-reflective, it is also timely to review this as part of the upcoming review in 2022 for the INRN.

In conclusion, there is merit in the Government considering adjustments to non-potable water pricing arrangements to ensure they are simple, transparent, and that appropriate concessional arrangements are in place for those most in need.

Appendix A: Terms of Reference

As part of the ACT Labor and ACT Greens Parliamentary and Governing Agreement (PAGA) for the 10th Australian Capital Territory Legislative Assembly, the Government has committed to undertaking a review into water costs for high-intensity club users of non--potable water in 2021 (the Review), with the aim of allowing clubs to maintain operations while not requiring cross-subsidisation from other ACT water users.

The Review will be led by ACT Treasury and will incorporate specialist advice from the Independent Competition and Regulatory Commission (ICRC) on recycled water pricing. It will examine costs related to the usage of non-potable water by clubs, such as that incurred in the form of usage charges, infrastructure costs, operation costs and maintenance costs for various sources of non-potable water.

Within this context, the Review will investigate and provide recommendations on:

- The appropriateness of the current pricing framework for non-potable water, informed through an analysis of the associated costs in its supply;
- Whether any adjustments can be made to the current framework which would enable clubs to continue operating, without entailing cross-subsidisation from other users;
- Whether there are other relevant arrangements which could achieve the goals set out in the PAGA, such as those adopted by other jurisdictions; and
- Any other issues identified through the Review.

Consultation: The Review will invite submissions from high-intensity club users of non--potable water and other Government business units involved in water supply management and regulation.

Appendix B: Summary of Discussion Paper Submissions

<table>
<tr><th>Stakeholder</th><th>Key issues raised/information provided</th></tr>
<tr><td>ACTEA</td><td>The submission provides background information on how the ACTEA operates and how it uses non-potable water.

The submission responded to a number of questions raised in the Discussion Paper:
The ACTEA estimates its non-potable water infrastructure related costs include $6,225 for one-off capital costs and $873 - $1173 in annual costs, depending on the level of rainfall each year.
These costs do not vary significantly.
There are a number of possible avenues to expand the ACTEA’s use of non-potable water. However, most options are too costly to pursue.
The ACTEA’s non-potable water usage costs were $618.64 in 2019-20 and approximately $300 in 2020-21.
The non-potable water usage costs make up roughly 3 per cent of the ACTEA’s total operational costs.</td></tr>
<tr><td>ASTMA</td><td>The submission from the Australian Sports Turf Managers Association relates to the relevance of non-potable water to the management of turf playing surfaces at facilities used for sport and recreation.

The submission supports the continuation of Government assistance programs which aid golf courses and sports fields to maintain their turf playing surfaces, coupled with further Government investment into expanding recycled water schemes to accommodate a greater amount of high-intensity water users.

The submission raises the following points:
The continual maintenance of safe, healthy and environmentally sustainable playing surfaces is important to facilitate community engagement in sports.
Drought conditions in Australia have prompted turf managers to look for alternative water sources given the prohibitive costs of potable water.
The non-potable WAC is too high, thereby siphoning away funds which could have been spent on additional water saving infrastructure.
The Government should consider the removal of charges associated with accessing surface and ground water from user’s own facilities, especially if they have incurred additional infrastructure costs.</td></tr>
<tr><td>GolfNSW & ACTMDGA</td><td>This submission was made on the behalf of golf clubs in the ACT that are impacted by the non-potable water review.
The submission responded to a number of questions raised in the Discussion Paper:
The average annual cost of operating and maintaining non-potable water infrastructure across golf clubs in the ACT was estimated to be $23,878 in 2018-19 and $24,585 in 2019-20.
These costs vary depending on a number of factors:
weather and rainfall;
machinery/equipment failure; and
capital investment into new water management initiatives.
The capacity to expand non-potable water infrastructure varies for each club, dependent on usage requirements, available land and each club’s access to capital.
The annual non-potable water usage costs amongst golf clubs varies widely from $40,000 to $240,000, depending on each clubs’ access to various types of non-potable water.</td></tr>
</table>

<table>
<tr><th>Stakeholder</th><th>Key issues raised/information provided</th></tr>
<tr><td></td><td>
The annual cost of non-potable water makes up roughly 2.5% to 7% of an ACT golf club’s overall annual operational costs, with an exception being Magpies which reported 15.2% in 2018-19 and 19.8% in 2019-20.
One additional cost that should be considered is Royal Canberra GC’s lease agreement with the ACT Government to maintain and protect the Westbourne Woods Arboretum.
One possible assistance measure suggested was to set the price of non-potable water at a level similar to NSW through administering water allocations based on each club’s indicative usage.
The impact of non-potable water pricing on each club’s viability in the short-term and long-term varies.
In response to key factors that impact viability, the submission stated that golf clubs are generally not-for-profit entities which run a very marginal business, where a minor shift in any expense line is likely to affect membership fees which will then have detrimental flow-on effects on membership numbers.
For alternative arrangements from other jurisdictions that may be considered in the ACT, the submission provides examples of pricing schemes found in NSW and VIC.
The submission requests the situation surrounding Magpies to be thoroughly examined to provide a fair and equitable outcome to the club.
In addition, the submission quantifies the benefits that golf clubs provide to the ACT community.
</td></tr>
<tr><td>Icon Water</td><td>The submission provides background information on the role and responsibilities of Icon Water, and how it operates with respect to the supply of recycled water.

The submission notes that Icon Water has revised its approach towards recycled water pricing and has provided the revision to the Independent Competition and Regulatory Commission (ICRC).

The submission recommends that any future pricing frameworks set for recycled water should align with the National Water Initiatives and the ICRC’s pricing principles.</td></tr>
<tr><td>Magpies</td><td>The submission responded to a number of questions raised in the Discussion Paper:
The club’s non-potable water infrastructure costs amounted to $35,500 in 2019-20 and $39,000 in 2020-21.
Infrastructure costs do not vary significantly from year to year.
While there is a potential to expand the club’s non-potable water infrastructure, the excessive pricing of recycled water has resulted in the club being unable to consider longer term investment into water saving infrastructure.
The club’s non-potable water costs have contributed significantly to its overall operation costs, amounting to 20% in 2019-20.
The submission notes that the Review should examine the cost of recycled water provided by Icon Water through the Lower Molonglo Water Quality Control Centre (LMWQCC).
The submission argues that the Market Equity Scheme (MES), while providing a fairly equitable support mechanism for most ACT golf clubs, does not assist the Magpies. In contrast, the MES is widening the cost paid by Magpies and other ACT golf clubs.
The submission suggests that assistance measures should work to create an equitable playing field, either through Government subsidies or changes to underlying pricing frameworks.
The submission recommends that the MES should revolve around golf clubs’ having a set allocation of non-potable water based on their usage requirements determined by each club’s previous usage. Furthermore, should any club exceed their allocated amount, they should be charged an increased penalty rate.
</td></tr>
</table>

Stakeholder	Key issues raised/information provided
	• The submission emphasises that Magpies cannot operate under the existing recycled water prices set by Icon Water. • For alternative arrangements from other jurisdictions that may be considered in the ACT, the submission provides examples of non-potable water prices for golf clubs found in NSW. ○ The submission argues that Icon Water's pricing of recycled water from the LMWQCC is based on a failed strategy to increase the sale of recycled water in the ACT.
Phillip Oval Management Group	The submission notes that the Phillip Oval precinct does not have access to non-potable water to support its turf irrigation requirements and encourages the ACT Government to develop assistance measures to reduce water prices for not-for-profit organisations who are unable to access non-potable water. The submission also supports the extension of the non-potable water network to the Phillip Oval precinct.
Yowani Country Club	The submission notes that circumstances surrounding water access, usage arrangements and water costs vary substantially between each golf club in the ACT. The submission provides information on Yowani Country Club's situation in relation to non-potable water infrastructure. The submission recommends the continuation of the Infrastructure Offset Scheme, and that the non-potable Water Abstraction Charge (WAC) be revised to resemble the bulk water pricing rates available in other jurisdictions.
Personal Information [redacted]	The submission notes that Magpies are the only user of recycled water provided by Icon Water through the LMWQCC, and that the club is facing unreasonably high prices. The submission requests that the Review allow for recycled water to be priced in a fair, reasonable and equitable way.
Personal Information [redacted]	The submission notes that various non-club water users are being cross-subsidised or provided rebates. The submission argues that non-potable water prices are currently not transparently set. The submission responded to a number of questions raised in the Discussion Paper: • Non-potable infrastructure costs vary significantly, especially when comparing between drought and non-drought years. • The cost associated with the loss or depreciation of infrastructure such as grass where non-potable water is too expensive or unavailable should be considered. • A number of assistance measures were suggested, such as assistance measures in recognition of the non-market benefits provided by ACT clubs, assistance to expand non-potable infrastructure and adopting NSW's regulation to not charge for water stored on land owned by the club.

Appendix C: Other non-potable water arrangements

Table C1 - NWI pricing principles for stormwater use[69]

Pricing Principle	Description
Principle 1: Flexible regulation	Light handed and flexible regulation (including use of pricing principles) is preferable, as it is generally more cost-efficient than formal regulation. However, formal regulation (e.g. establishing maximum prices and revenue caps to address problems arising from market power) should be employed where it will improve economic efficiency.
Principle 2: Cost allocation	When allocating costs, a beneficiary pays approach — typically including direct user pay contributions — should be the starting point, with specific cost share across beneficiaries based on the scheme's drivers (and other characteristics of the recycled water/stormwater reuse scheme).
Principle 3: Water usage charge	Prices to contain a water usage (i.e. volumetric) charge.
Principle 4: Substitutes	Regard to the price of substitutes (potable water and raw water) may be necessary when setting the upper bound of a price band.
Principle 5: Differential pricing	Pricing structures should be able to reflect differentiation in the quality or reliability of water supply.
Principle 6: Integrated water resource planning	Where appropriate, pricing should reflect the role of recycled water as part of an integrated water resource planning (IWRP) system.
Principle 7: Cost recovery	Prices should recover efficient, full direct costs — with system-wide incremental costs (adjusted for avoided costs and externalities) as the lower limit, and the lesser of standalone costs and willingness to pay (WTP) as the upper limit. Any full cost recovery gap should be recovered with reference to all beneficiaries of the avoided costs and externalities. Subsidies and Community Service Obligation (CSO) payments should be reviewed periodically and, where appropriate, reduced over time.
Principle 8: Transparency	Prices should be transparent, understandable to users and published to assist efficient choices.
Principle 9: Gradual Approach	Prices should be appropriate for adopting a strategy of 'gradualism' to allow consumer education and time for the community to adapt.

[69] NRMMC 2010.

Table C2 - Surface water and groundwater arrangements in other Australian jurisdictions

Jurisdiction	Relevant arrangements	Associated Fees and Charges
New South Wales (NSW)	The *Water Management Act 2000* (NSW) governs the issue of water access licences (WALs) and approvals for water sources (rivers, lakes, estuaries and groundwater) in New South Wales where water sharing plans have commenced. A WAL from WaterNSW is generally required to extract water from rivers or aquifers to use for irrigation, industrial or commercial purposes.[70]	<u>Fixed charges</u> • An annual metering service charge is imposed per meter owned, with the charge dependent on the size of the meter used. <u>Variable charge</u> • WaterNSW imposes a usage charge for regulated river water, unregulated river water and ground water. • These charges are reviewed by the Independent Pricing and Regulatory Tribunal (IPART).
Victoria (VIC)	Victoria's water resources are managed under a water entitlement framework set out in the *Water Act 1989* (VIC) which balances demands for water for both consumptive and environmental purposes.[71] There are several water entitlements under this framework, with each being required in different scenarios depending on where and how water is taken, and for what purpose. Several of these entitlements are relevant to the Review, being: • Water shares; • Water-use licences; and • Delivery shares. Water shares allocate water in dams to individuals and are not bound to the shareholder's property or land. There is an entitlement storage fee associated with owning a water share, which is used to cover the costs of operating and maintaining the dams in the water system. A water-use licence is an entitlement to irrigate a parcel (or parcels) of land using water from regulated river systems. Ownership of this licence is linked to the land described in the licence. In terms of fees, there is no annual fee associated with water-use licences unless they fall within a designated salinity impact zone, in which case a small fee applies. Delivery shares are entitlements to have water delivered to land in an irrigation area. Ownership of delivery shares is tied to the	<u>Fixed charges</u> • Water share – An entitlement storage fee is charged each year, based on the volume of each entitlement holder's water share. The purpose of this fee is to cover the costs of operating and maintaining the catchment dams. • Water-use licences – Typically there are no annual fees associated with this licence. However, should the licence fall within a designated salinity impact zone, a small annual fee applies. • Delivery shares – Fees depend on the water corporation managing the delivery share. <u>Variable charge</u> • None.

[70] WaterNSW 2021.
[71] Victorian Water Register 2021.

Jurisdiction	Relevant arrangements	Associated Fees and Charges
	land and stays with the property regardless of a change in ownership. Fees for delivery shares vary depending on the water corporation managing the delivery share.	
Queensland (QLD)	Under the *Water Regulation 2016 (QLD),* the Queensland Government undertakes a number of water planning and management activities to manage the state's water resources.[72] To cover some of the costs of these activities, water users in Queensland are subject to a number of fees and charges.	<u>Fixed charges</u> • Water-related application and administrative fees. • Annual water licence fees. • Meter service charges. <u>Variable charge</u> • Water usage/harvesting charges apply in water management areas where the water resource is more actively managed and regulated.
South Australia (SA)	Water resources in SA are managed under the *Landscape South Australia Act 2019* (Landscape SA Act). While there are no volumetric usage fees, SA does impose hefty penalty rates for taking water above or without an available allocation. These rates are reviewed on a quarterly basis taking into account the market value of water and the level of risk that water theft poses to the resource. Penalty rates are also progressive, with three tiers of rates that increase based on the degree of excess use.[73]	<u>Fixed charges</u> • Water-related application and administrative fees • A Landscape Water Levy is payable by holders of water licences and water access entitlements based on their total water allocation held on 1 July each year. <u>Variable charge</u> • None. <u>Penalty charge</u> • To provide an adequate disincentive to the excess taking of water, penalty rates in SA are set at a value substantially greater than the cost of purchasing water on the market.
Western Australia (WA)	Water resources in WA are managed by the Government of Western Australia under the *Rights in Water and Irrigation Act 1914* (WA). In WA, a water licence is required to take groundwater and/or surface water. A licence fee is charged on a user-pays principle, recognising that water licensees derive benefit from the regulatory services surrounding the use of surface and ground water. These services revolve around licencing, monitoring and compliance activities to ensure total water entitlements fall within their allocation limits. This in turn provides greater security to licensees, many of whom are reliant on these sources of water to run their businesses. [74]	<u>Fixed charges</u> • Water-related application and administrative fees. • Annual water licence fees. <u>Variable charge</u> • None.

[72] Queensland Government 2021.
[73] Government of South Australia 2021.
[74] Government of Western Australia 2021.

Jurisdiction	Relevant arrangements	Associated Fees and Charges
	The purpose of the licence fee is to recover the costs related to assessing water license and permit applications, not a volumetric charge for water entitlement.	

Sources: Government of South Australia 2021, Government of Western Australia 2021, Victorian Water Register 2021, WaterNSW 2021

- New South Wales – Any river, lake or estuary or any place where water occurs naturally on or below the surface of the ground. Includes overland flows collected in a dam only where the volume exceeds 10 per cent (or greater if so prescribed) of average runoff.
- Victoria – Water in a waterway (coastal, enclosed or inland waters including rivers, creeks, canals, lakes and reservoirs)[75] or bore. Unlicensed collection of overland flows is limited to stock and domestic purposes. Uses over and above this must be licensed.
- Queensland – Water in a watercourse (river, creek or other stream) lake or spring, and underground water. Groundwater sources may only be included within the rights system where a Water Resource Plan has identified a need to regulate the extraction of water. Overland flows are only licensed where a Water Resource Plan identifies this as a need. Otherwise, the collection of overland flows is only limited by dam height specifications.
- South Australia – Water in a watercourse (river, creek or other natural watercourse), lake or well and water overflowing land collected in a dam or reservoir in prescribed areas. Use of water in non-prescribed areas is subject to common law rights.
- ACT – Water in a waterway (defined as a river, creek stream or other channel, a lake, pond, lagoon or marsh), groundwater and overland flows.

Table C3 – Stormwater reuse schemes in other Australian jurisdictions

Jurisdiction	Relevant Project and details	Associated Costs and Pricing Structures
New South Wales (NSW)	Located in the regional city of Orange, the project is managed by the Orange City Council, and involves the harvesting and treatment of urban stormwater to a level suitable for potable uses. • The project encompasses two stormwater harvesting schemes at Blackmans Swamp Creek and Ploughmans Creek. • The project was designed and made operational in 18 months, with the Blackmans Swamp Creek stormwater harvesting scheme becoming operational in August 2008. • The schemes were primarily developed to augment the city's water supply in response to the millennium drought.	• The total costs associated with the Blackmans Swamp Creek scheme were $5m, while the Ploughmans Creek scheme cost $4.1 million. • In terms of pricing for the project in Orange, residents are charged the same for the use of potable water and stormwater.
Victoria (VIC)	Located south-east from Melbourne's CBD, the Clayton South Stormwater Harvesting scheme	• In a case study by Clearwater, the total budget (excluding ongoing

[75] Maritime Safety Victoria 2021.

Jurisdiction	Relevant Project and details	Associated Costs and Pricing Structures
	incorporates a wetland system to treat stormwater and enable its use for Kingston City Council to water surrounding parks and gardens. The scheme is an example of the benefits of integrated water cycle management, and how collaboration between the land-use planning and local government sectors can greatly benefit the community. • The project's design work was undertaken in September 2008, with construction commencing in January 2011 and finishing in April 2012. • Components of the scheme include a wetland, flood protection infrastructure and a stormwater harvesting system which supplies treated stormwater through pipes to nearby sporting grounds. • The scheme is able to provide up to 92 megalitres of harvestable stormwater each year.	maintenance costs) was $7.36 million. • Stormwater harvesting charges comprise of a licence service fee and a volumetric charge.
Queensland (QLD)	Brisbane City Council has constructed seven stormwater harvesting schemes located across various locations in Brisbane, with the objective of providing a sustainable source of water for the irrigation of parks and sports fields. • The seven schemes have different means of storing water, with three utilising open water storage, two using above-ground tanks and the last two utilising an in-channel storage system. • The schemes are estimated to save up to 185 megalitres per year, while also providing other benefits such as increased amenity of open spaces, improved waterway health and fostering habitat creation.	• The projects were jointly funded by the Australian Government's National Urban Water and Desalination Plan, and the Council's Clean Green and WaterSmart Initiative. • It was reported that the total cost of the project was $10.782m, with the Australian Government contribution of $5.391 million in funding.
South Australia (SA)	The Salisbury Alternative Water Scheme provides non-potable water termed Salisbury Water to the City of Salisbury and is a mix of treated stormwater and groundwater used to irrigate parks, reserves and schools. It is also used in industry and new residential developments. • The scheme consists of over 50 wetlands, managed aquifer recharge and over 150km of pipes making up the distribution network across the city. • The main benefits of the scheme were reported to be: ○ The creation of new urban ecosystems;	• Total capital investment for the project was estimated at $52 million as of 2009, with the Council, Commonwealth and State Government contributing $17.2 million, $20.3 million and $13 million respectively. • Sales of the harvested stormwater were primarily to the Council's own parks and gardens service, industrial users, schools and new residential subdivisions. • Salisbury Water is priced in accordance with State essential services regulations and guidelines,

Jurisdiction	Relevant Project and details	Associated Costs and Pricing Structures
	○ Improvement in stormwater quality; ○ reduction in mains water demand; ○ improvement to public open space amenities through a resilient water supply; and ○ the improved community awareness of non-potable water through education material developed around Salisbury Water.	with a standard usage charge of \$2.78/kL in 2020-21 and a residential supply charge of \$10 per quarter.

Sources: City of Salisbury 2021, Clearwater 2013, Cooperative Research Centre for Water Sensitive Cities (2018a, 2018b)

Table C4 - Approaches to pricing stormwater in other Australian jurisdictions

Jurisdiction	Pricing Principles
New South Wales (NSW)	The Independent Pricing and Regulatory Tribunal (IPART) has adopted a less intrusive approach in relation to regulating prices for stormwater harvesting services, and instead encourages stakeholders to enter into unregulated pricing agreements. • IPART has decided to defer determining prices for each stormwater harvesting scheme until it receives a request for a scheme-specific review.
Victoria (VIC)	The Essential Services Commission's principles for recycled water and stormwater harvesting services state that prices should be set so as to: • have regard to the price of any substitutes and customers' willingness to pay; • cover the full cost of providing the service (except for services required under specified obligations or to balance supply and demand); and • include a variable component. Where the water retailer does not propose to fully recover the costs associated with recycled water, it must demonstrate to the ESC that: • it has assessed the costs and benefits of pursuing the recycled water project; • it has clearly identified the basis on which any revenue shortfall is to be recovered; and • if the revenue shortfall is to be recovered from non-recycled water customers, either the project is required under government policies that apply to the retailer or there has been consultation with the affected customers about their willingness to pay for the benefits of greater water recycling.
Queensland (QLD)	The Queensland Competition Authority's (QCA) preferred approach is to subject stormwater reuse pricing to the same pricing principles as recycled water. This approach was selected as stormwater reuse schemes were deemed to be similar in concept to recycled water scheme.
South Australia (SA)	The Essential Services Commission of South Australia (ESCOSA) has imposed price controls for recycled water retail services set by SA Water. In setting prices, SA Water must comply with the NWI pricing principles for stormwater reuse. • SA Water is required to justify its recycled water retail services through the preparation of a pricing statement setting out a pricing schedule and pricing policy statement in respect of each regulatory year. o Recycled water retail services refer to the supply of treated sewage, greywater or stormwater.

Sources: ESC 2021, ESCOSA 2016, IPART 2019, Queensland Competition Authority 2014

Appendix D: Stormwater projects and pricing approaches in other Australian jurisdictions.

Stormwater harvesting projects

There are a number of stormwater harvesting and reuse projects found in other Australian jurisdictions which are comparable to the INRN. To assist with the consideration of these other schemes, the key findings of each scheme are set out in Table C3 of Appendix C, and outlined as follows:

- New South Wales – The stormwater harvesting project in Orange involves the treatment of urban stormwater collected from two creeks. However, unlike the INRN, the scheme at Orange treats stormwater extensively, to a level suitable for potable water uses. Given its ability to substitute for potable water, the stormwater supplied in Orange is charged at the same rate as potable water.[76]
- Victoria – The Clayton South Stormwater Harvesting scheme incorporates a wetland system to treat stormwater for use by the Kingston City Council to water surrounding parks, gardens and sporting grounds. An additional benefit of this scheme was its ability to reduce stormwater flows and reduce flooding experienced by nearby properties.[77]
- Queensland – Brisbane City Council has developed several stormwater harvesting and reuse projects with the objective of providing parks and sports fields with a sustainable source of water for irrigation.[78]
- South Australia – The Salisbury Alternative Water scheme comprises of wetlands, a managed aquifer recharge along with a pipeline for distribution across the city. The scheme prices stormwater in accordance with the State essential service regulations and guidelines, which as of 2016-17 was $2.61/kilolitre.[79]

In comparing the INRN to other stormwater harvesting and re-use schemes, it is apparent that all schemes were developed in response to the water shortage crisis brought about by the millennium drought, which highlighted the importance of developing sustainable alternative water supply options to all jurisdictions.

While each scheme may have similar intentions, they are often tailored to suit the specific needs of each community, which has resulted in schemes varying widely in scope and features. An example of this would be the stormwater harvesting scheme in Orange which treats stormwater to a level suitable for potable use, and the Clayton South Stormwater Harvesting scheme which also fulfilled a secondary purpose being to reduce flooding in the area.

[76] Cooperative Research Centre for Water Sensitive Cities 2018a, Page 25.
[77] Clearwater 2013.
[78] Brisbane City Council 2019.
[79] Cooperative Research Centre for Water Sensitive Cities 2018b, Page 4.

Therefore, while schemes in other jurisdictions provide an excellent opportunity to learn about the benefits and limitations of stormwater harvesting and reuse schemes, it would be impractical to compare their corresponding charges due. Rather, it would be more appropriate to examine approaches to stormwater pricing that are adopted by independent pricing regulators in other jurisdictions.

Pricing approaches in other Australian jurisdictions

Other jurisdictions have encountered a number of practical difficulties associated in considering approaches to regulate of stormwater prices, which stem from the wide variety of stormwater harvesting and reuse schemes that differ tremendously depending on particular circumstances within each jurisdiction. As such, while some jurisdictions have opted to reference or implement the NWI pricing principles for stormwater, it should be acknowledged that a majority have adopted different approaches to tackle this complex issue.

A summary of the pricing principles for stormwater reuse products from each jurisdiction can be found in Table C4 of Appendix C, with further details provided below.

New South Wales

In its 2019 review of pricing arrangements for recycled water and related services, the NSW Independent Pricing and Regulatory Tribunal (IPART) reviewed pricing arrangements for stormwater harvesting services provided by four public water utilities.

Through this review, IPART made the decision to not establish pricing principles for stormwater harvesting services due to the unique nature of individual schemes which make developing meaningful pricing principles difficult. Instead, IPART encourages unregulated pricing agreements between customers and stormwater service providers. Customers are protected from monopoly pricing through IPART’s regulatory framework which involves undertaking scheme-specific reviews only upon receiving requests from customers.[80]

Victoria

In its 2021 Melbourne Water Determination, the Essential Services Commission (ESC) set out various pricing principles for recycled water which included stormwater harvesting services provided by the water retailer. The principles state that prices should be set so as to:[81]

- have regard to the price of any substitutes and customers’ willingness to pay;
- cover the full cost of providing the service (except for services required under specified obligations or to balance supply and demand); and
- include a variable component.

Where the water retailer does not propose to fully recover the costs associated with recycled water, it must demonstrate to the ESC that:

- it has assessed the costs and benefits of pursuing the recycled water project;
- it has clearly identified the basis on which any revenue shortfall is to be recovered; and

[80] IPART 2019, Pages 71 and 72.
[81] ESC 2021, Page 30.

- if the revenue shortfall is to be recovered from non-recycled water customers, either the project is required under government policies that apply to the retailer or there has been consultation with the affected customers about their willingness to pay for the benefits of greater water recycling.

Queensland
In 2014, the Queensland Competition Authority (QCA) developed a long-term regulatory framework for recycled water and stormwater reuse services provided by South East Queensland (SEQ) retailers.

In considering stormwater reuse schemes, the QCA recommended that the same pricing principles that apply to recycled water schemes should be applied to stormwater schemes, given the similarities in their concepts.[82] The QCA's overarching recommendations for the pricing of recycled water services state that prices should consider:

- The revenue requirement for recycled water services should be based on the total additional cost of water recycling less avoided costs and less developer contributions;
- Where there are costs that cannot be recovered from recycled water customers, the gap should be allocated to other parties on a beneficiary pays basis;
- Recycled water volumetric prices should be based on long-run marginal costs for the established recycled water scheme where possible, less marginal avoided costs. If necessary, recycled water volumetric charges should be set lower than the long-run marginal cost to ensure demand clears supply (where the recycled water volumetric charge is higher than the potable water volumetric charge);
- Where volumetric charges do not ensure revenue adequacy, fixed charges in a two-part tariff should be set to recover remaining revenues, subject to willingness to pay;
- If the revenue requirement is still not achievable (that is, where fixed and volumetric charges exceed willingness to pay), unrecovered amounts should be allocated to potable and sewerage charges in proportion to avoided cost allocations; and
- The approach and charges should be reviewed periodically, as customer acceptance and use of recycled water increases.

However, the QCA also identified key areas of differences between the schemes, in that:

- stormwater systems may require larger volumes of storage due to the episodic nature of rainfall, resulting in fixed costs being potentially higher;
- water treatment costs for stormwater would typically be lower as the source water could be expected to be of higher quality; and
- depending on the scale, avoided costs of environmental impacts could be significant, in terms of reduced peak stormwater flows and reduced sedimentation. There may therefore be larger benefits to the broader community justifying CSOs.

[82] Queensland Competition Authority 2014, Page 122.

South Australia

In its 2016-20 price determination for SA Water's water and sewerage retail services, the Essential Services Commission of South Australia (ESCOSA) has required SA Water to comply with the NWI pricing principles (Appendix C) when setting prices for recycled water retail services.[83]

In doing so, SA Water must prepare a pricing statement to ESCOSA each regulatory year which includes:[84]

- a schedule of the prices SA Water will charge customers for the supply of recycled water retail services for that regulatory year; and
- a pricing policy statement that demonstrates how the prices meet the requirements of the NWI pricing principles.

[83] Recycled water retail services are defined as the "sale and supply of water which has been generated from sewage, greywater or stormwater and treated to a standard that is appropriate for its intended use.", and as such also apply to stormwater reuse services.
[84] ESCOSA 2016, Pages 14 and 15.

Appendix E: Reference Documents

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Essential Services Commission of South Australia 2016 (ESCOSA 2016), SA Water's retail and sewerage services: 2016-2020, available at:
https://www.escosa.sa.gov.au/ArticleDocuments/334/20160606-Water-SAWaterRegulatoryDetermination2016FinalReport-RevenueDetermination.pdf.aspx?Embed=Y

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Government of Western Australia 2021, Water licensing in Western Australia, available at:
https://www.water.wa.gov.au/licensing/water-licensing/types-of-licenses

Icon Water 2020, 2020-21 water and sewerage prices fact sheet, available at:
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2024

THE LEGISLATIVE ASSEMBLY FOR THE

AUSTRALIAN CAPITAL TERRITORY

TENTH ASSEMBLY

Tabling Statement

Non-potable Water Review
Government Response

Presented by
Mr Shane Rattenbury MLA
Minister for Water, Energy and Emissions Reduction
September 2024

Introduction

Madam Speaker, I am pleased to table the Government Response to the Non-potable Water Review to the Assembly.

The Non-potable Water Review arose from the Parliamentary and Governing Agreement for the 10th Legislative Assembly which committed to ensuring that clubs continue to support the community while reducing harm from gaming.

The Government committed to undertaking a review into water costs relating to non-potable water usage, with a focus on high intensity club users. The aim of the Review was to provide recommendations to government that allow users to maintain operations while not requiring cross-subsidisation from other ACT water users.

The Review was led by ACT Treasury and incorporated specialist advice from the Independent Competition and Regulatory Commission on recycled water pricing. It examined costs related to the usage of non-potable water by clubs, such as water usage charges, infrastructure costs, operation costs, and maintenance costs for various sources of non-potable water.

The Review provided four recommendations for ACT Government consideration:

1. adjusting ground and surface water charges to better align with fixed and variable costs;
2. reforming assistance measures to improve simplicity, transparency, and equity;

3. continuing to provide targeted short-term support to some sporting clubs in exceptional circumstances to reflect the social benefits of community clubs; and
4. reviewing the application of National Water Initiative (NWI) pricing principles in the forthcoming review of Inner North Reticulation Network stormwater prices.

Let me emphasise that the focus of the Government Response to the Review was irrigation with non-potable water.

Non-potable water is found in rivers, creeks, lakes and groundwater aquifers. Non-potable water also includes recycled stormwater such as the Inner North Reticulation Network and treated effluent from sewage treatment plants.

Irrigating with non-potable water diversifies our water sources, improves water supply resilience and lowers the use of treated drinking water.

In the ACT, non-potable licensees include primary producers, plant nurseries, large commercial operations, community clubs and associations, small businesses, schools, government irrigators and private individuals.

Any water that is fully treated to drinking water standards, and delivered from Icon Water to houses and businesses across Canberra, is out of scope for this Government Response.

The use of treated drinking water as the primary means to irrigate sports playing fields is a separate issue. The Government remains open to further engagement with this group of irrigators to encourage water efficiency.

Non-potable water pricing

I will now discuss how the government prices non-potable water.

The non-potable Water Abstraction Charge is currently $0.334 or 33.4 cents per 1,000 litres.

There are effectively three brackets of non-potable water pricing even though there is a single non-potable Water Abstraction Charge.

Approximately 20 primary producers are eligible to a 98% discount via the Competition Equalisation Payment. This is in recognition of competition with other primary producers in NSW, for providing food and produce such as apples, lucerne and grapes.

Ten ACT golf clubs receive a 50% discount of the non-potable Water Abstraction Charge, via a Market Equity Scheme. This was in an attempt to have parity in water pricing between ACT and NSW golf clubs.

The remaining approximately 150 licensed non-potable water users, some of which provide direct community benefit, pay the full non-potable Water Abstraction Charge and are not eligible for a discount.

The objective of the non-potable Water Abstraction Charge is to reflect the true value of water and promote the economically efficient and environmentally sustainable use of water as a scarce resource.

The non-potable Water Abstraction Charge, although not hypothecated, was put in place to cover costs incurred by the Government including the costs of urban and non-urban water supplies, water catchment management, environment protection of ACT streams and lakes, along with water policy development and administration.

What became apparent through developing this Government Response, alongside the current review of the ACT Water Strategy and consultation with stakeholders, was that the Government needs to take a broader look at the water fees and charges in the context of water security planning.

Government considerations

I acknowledge all the non-potable water users that took the time to provide their views to the government. Among other inputs, this feedback has helped guide and inform the Government's Response.

The cost of non-potable water and finding an amicable policy solution for all non-potable licensees is complex.

Some irrigators use very small volumes of water; while others require quite large volumes.

Some irrigators access large volumes of low-cost water; yet others routinely supplement their non-potable irrigation with more expensive treated water.

Some club-based irrigators receive additional income from gaming machines, yet others deliberately do not have gaming machines in their business models.

I recognise the community wellbeing benefits provided by golf clubs. I also recognise the additional operational stress faced by golf clubs during times of low rainfall and drought.

However, golf clubs effectively have had nil or very low water use fees since the inception of current ACT water laws in addition to the current 50% fee reduction, due to a range of exemptions, price concessions and offsets which reduction, due to a range of exemptions, price concessions and offsets which were discontinued from January 2022. This is not equitable.

Many other non-potable licensees such as sports clubs, schools and other community centric organisations provide community benefits but are not offered a discount to water fees such as the 50% fee reduction offered exclusively to golf clubs.

In setting a price for non-potable water; there are complexities in trading off zero cost of water versus maximum cost of water; to incentivise water conservation and protect downstream flow to sustain aquatic ecosystems.

It is desirable to have policy that is applicable, and equitable, to all licensees to encourage efficient water use. Policy for pricing of non-potable water should not perpetuate annual subsidies for non-essential services as a default position but be accessible and targeted in times of most need.

Government Response

The Government response agrees or agree in principle to all recommendations made by the Review.

In line with those recommendations, reinstatement of previous rebates such as the Infrastructure Offset Scheme, the Non-potable water rebate and perpetual financial assistance in the form of the Market Equity Scheme, has not been proposed.

This means that from 30 June 2025 golf clubs will be required to pay the same Water Abstraction Charge as other licensees that provide community benefits.

However, recognising the additional operational costs to maintain irrigation during drought-like conditions, financial assistance will be provided from

1 July 2025 to not-for-profit sporting community organisations that are licensed to irrigate with non-potable water as targeted short-term support.

Government will also explore a rainfall run-off exemption for non-potable water license holders. A proposed threshold for take before water charges apply would further support equity in policy application relating to run-off, without compromising water efficiency measures or causing downstream impacts.

The combined impacts of population growth and climate change means that the ACT can expect to see the demand for water increase, while the reliability of water from our current sources decrease. Further adjustments to pricing needs to strategically consider these socio-hydrological relationships and strategies to support water conservation.

In recognition of this relationship and the outcomes of the Review, the Government will review fees and charges for water take, in the context of the application of the National Water Pricing Principles and the water security policy outcomes being explored through the refresh of the ACT Water Strategy.

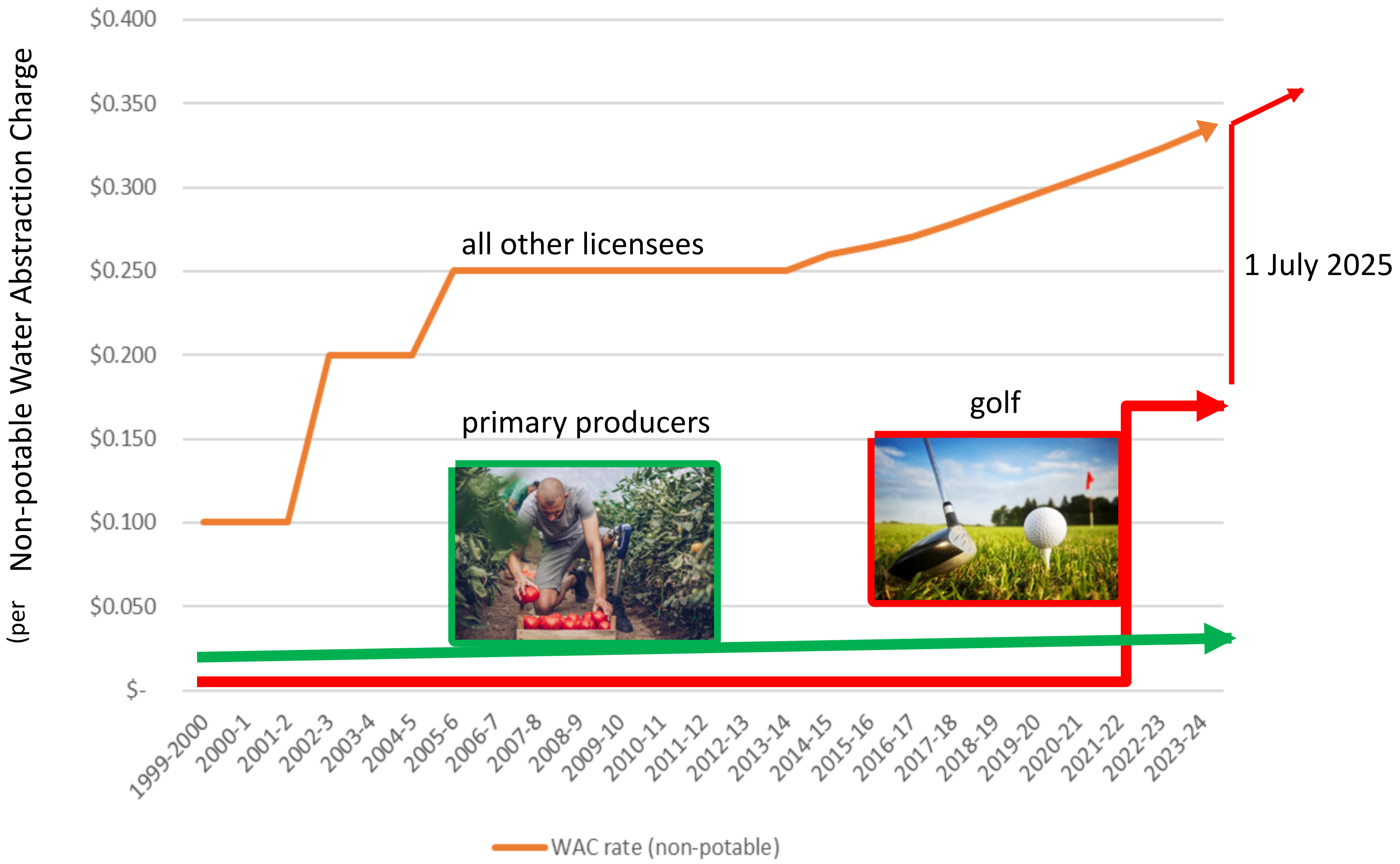
Conclusion

Madam Speaker, I commend the Government Response to the Non-potable Water Review to the Assembly.

END

Notes to Min's Office (not part of the speech – delete after noting):

1. **Refrain from using the acronym 'WAC'** – sounds like 'whack' and has negative connotation with being 'whacked' with fees. Use in full is preferred, i.e. Water Abstraction Charge.
2. **Refrain from using the term 'Independent review'** – one of the recommendations being sought from the Government Response is to have an independent review of the non-potable Water Abstraction Charge. Preference from EPSDD and Treasury is to keep language open with statement such as 'the Government is considering' so as not to be locked onto a course of action and maintain a degree of flexibility of how price method will be reviewed.
3. **Difficult message to sell:** The PAGA endorsed the Treasury Non-potable Water Review with the intent to reduce harm from gaming from large club-based irrigators. The review recommended reducing variable costs (non-potable water abstraction charges) to do this. It is important to note that the Government Response does not of itself necessarily reduce the harm from gaming and does not necessarily reduce variable costs (non-potable water abstraction charge). The Government Response may require some large club irrigators to pay full non-potable water abstraction charges, which they have not had to do since the *Water Resources Act 2007* was introduced because of a range of previous concessions offered by ACT Government.



Narrative:

- Golf clubs have paid nil water abstraction until recently (less than primary producers)
- Many other community benefit irrigators have paid full fees for the same time
- Golf clubs are reluctant to lose the 50% concession
- The proposed independent review of non-potable WAC could see prices drop for all licensees

From current	From without MES	*Note*:
↑ Cost increase	→ No change	*Organisations that fall within the same scenario will not have identical impacts.*
→ No change	↓ Cost decrease	
↓ Cost decrease		

Water Abstraction Charge (surface water only)

Scenarios	**Average surface water take** 2015-2023	**Pre-2022 cost**	**Current cost** With MES concession **Based on average take from 2015-2023*	**Cost in future** Without MES concession **Based on average take from 2015-2023*	**Cost with below average rainfall (dry years)** **Based on 2018-2019* ***Without MES*	**Cost with financial assistance in dry years** **Low rainfall years only* ***Based on below average rainfall WAC*	**Cost with rainfall run-off exemption** **Average/high rainfall years only* ***Based on average WAC and total land area*
Example Golf Club #1 **Low water take**	**Surface water**: 25,000 KL/yr	$0	$4,958 **ELIGIBLE**	$9,916 ↑	$12,358 ↑	$0 ↓ **ELIGIBLE**	$1,566 ↓ **ELIGIBLE**
Example Golf Club #2 **Medium water take**	**Surface water**: 64,500 KL/yr **Note**: Also has licensed ground water	$0	$10,772 **ELIGIBLE**	$21,543 ↑	$36,406 ↑	$16,406 ↓ **ELIGIBLE**	$12,210 ↓ **ELIGIBLE**
Example Golf Club #3 **High water take**	**Surface water**: 284,890 KL/yr	$0	$47,577 **ELIGIBLE**	$95,153 ↑	$112,892 ↑	$92,892 ↓ **ELIGIBLE**	$95,153 → **ELIGIBLE, BUT NO DAMS*** *only applies to two golf clubs
Example other licence holder #1 **Low water take**	**Surface water**: 2,166 KL/yr	$724	$724 **NOT ELIGIBLE**	$724 →	$418 ↓ *access to water may have been limited	$418 → **NOT ELIGIBLE**	$599 ↓ **ELIGIBLE**
Example other licence holder #2 **High water take**	**Surface water**: 250,728 KL/yr	$83,743	$83,743 **NOT ELIGIBLE**	$83,743 →	$125,045 ↑	$125,045 → **NOT ELIGIBLE**	$83,743 ↓ **ELIGIBLE, BUT NO DAMS**

Indicative financial impacts – financial assistance in extreme dry conditions (up to $20,000K)

**calculations have been completed for golf clubs only – other clubs may be eligible to apply for the financial assistance*

Club	Average annual **surface water** non-potable water use 2015-2023 (KL)	Average annual **groundwater** non-potable water use 2015-2023 (KL)	Annual Fees: prior to 2022 Water Abstraction Charge (annual)	Annual Fees: from 2025 Water Abstraction Charge in average conditions with no concession applied	Annual Fees: from 2025 Water Abstraction Charge in extreme dry conditions with no concession applied (applied to 2018-2019 water use as example)	Rebate amount offered by ACT Gov	Cost for clubs after financial assistance in extreme dry conditions applied (up to $20K)
Gungahlin Lakes	94,333.33	0	$0.00	$31,507.33	$36,406.00	$20,000	$16,406.00
Gold Creek	111,285.71	0	$0.00	$37,169.43	$52,271.00	$20,000	$32,271.00
Yowani	64,500.00	20,500.00	$0.00	$28,390.00	$47,060.60	$20,000	$27,060.60
Murrumbidgee	185,625.00	500.00	$0.00	$62,165.72	$104,309.20	$20,000	$84309.20
Capitol	2,375.00	56,111.11	$0.00	$19,534.36	$15,698.00	$15,698	$0.00
Federal	22,000.00	7437.50	$0.00	$9,832.13	$14,935.14	$14,935	$0.00
Kohlsdorf (Pitch n Putt)	13,000.00	Not applicable	$0.00	$4,342.00	$5,511.00	$5,511	$0.00
Fairbairn	Not applicable	62,250.00	$0.00	$20,791.50	$37,307.80	$20,000	$17,307.80
Royal	284,890.57	Not applicable	$0.00	$95,153.45	$112,892.00	$20,000	$92,892.00
Burns Golf Club (formerly Belconnen Magpies)	29,687.50	Not applicable	$0.00	$9,915.63	$12,358.00	$20,000	$0.00
TOTALS	**807,697.11**	**146,798.61**	**$0.00**	**$318,801.58**	**$438,748.75**	**$176,144**	**$270,246.60**