

Agenda

Minister Orr: City and Environment Directorate Regular Meeting

BRIEFING DETAILS			
Date:	Monday, 11 August 202	Time:	1.00pm – 2:00pm
Location:	via Teams	Apologies:	

BRIEFING BUSINESS				
Item	Name	Timing	Requested by	Action Officers
1.	Declaration of Interest*			All
2.	Standing Items 2.1 Weekly Brief, Media Forecast and FOI Report 2.2 Ministerials in Action and Action Items 2.3 Assembly and Cabinet Business			Dave Peffer Sam Engele Fiona Wright Bren Burkevics Alex Magee
3.	Enterprise Agreement bargaining		MO	All

Water				
4.	Water Abstraction Charge and Non-potable Water Review (25/0162552)	10	MO	Dave Peffer Sam Engele Fiona Wright
5.	Proposal to nominate Canberra as an International Wetland City	5	MO	Dave Peffer Sam Engele Fiona Wright
6.	Lake Tuggeranong Healthy Waterway <i>To provide Minister Orr a progress update on upcoming Cabinet Submission CAB25/222.</i>	5	CED	Dave Peffer Sam Engele Fiona Wright David Clapham
Climate Change and Energy				
7.	Energy and Climate Ministerial Council (ECMC) Meeting	5	CED	Dave Peffer Sam Engele Fiona Wright Bethel Sendaba
8.	Hydrogen vehicles	5	CED	Dave Peffer Sam Engele Fiona Wright Ros Malouf
Other Business				
9.	Waste Policy	5	MO	Dave Peffer Bruce Fitzgerald
Proposed Forward Agenda				



City and Environment Directorate

To: Minister for Climate Change, Environment, Energy and Water

Tracking No.: 25/0162552

Date: 14/07/2025

From: Executive Group Manager, CCEW

Subject: Water Abstraction Charge and Non-potable water review

Critical Date: 29/07/2025

Critical Reason: In normal course of business.

Recommendations

That you:

- 1. **Note** the Independent Competition and Regulatory Commission (ICRC) has recommended a new water abstraction charge (WAC) pricing methodology which, if implemented, is estimated to reduce revenue from WAC by \$42.8 million over the four-year period 2025-26 to 2028-29; and

Noted / Please Discuss

- 2. **Note** that a business case will be brought forward, as part of the 2025-26 Budget Review, which encompasses both potable and non-potable water pricing for ERC consideration.

Noted / Please Discuss

Suzanne Orr MLA *29/07/25*

Minister's Office Feedback

please add to agenda of next weekly meeting.

Background

1. The WAC is a regulatory water charge for potable and non-potable water levied by the ACT Government. The charge is intended to recover catchment management costs, reflect the environmental costs from water abstraction, and the value of the water as a natural resource.
2. The pricing methodology for the WAC has not been updated since it was last reviewed by the ICRC in 2003. Since that time, the WAC has been increased by an indexation rate of three percent or based on budget decisions. This has attracted ongoing scrutiny of the WAC, and questions were raised on the transparency or basis of the charge.
3. In 2022, the Commissioner for Sustainability and the Environment (the Commissioner) delivered a report on the State of the Lake and Waterways in the ACT, recommending that the ACT Government publish an annual detailed breakdown of how the WAC revenue is being expended. Subsequently, the Government provided in-principle agreement to this recommendation (CAB22/442).
4. To better understand the appropriateness of the current WAC rate and framework, the Environment, Planning and Sustainable Development Directorate (EPSDD) contracted Slattery and Johnson to review and provide advice on the WAC in 2023. The consultant's report raised several concerns with regards to the WAC, including:
 - a. its compliance with intergovernmental agreements, potential over-recovery of costs;
 - b. the appropriateness of its component;
 - c. the lack of transparency in its calculation; and
 - d. a misalignment between the components of the WAC and Australian Competition and Consumer Commission reporting requirements.
5. In response, on 30 October 2023, the then Treasurer provided the ICRC with a scope of work (jointly developed with EPSDD) for a review of the WAC under Section 12 of the *Independent Competition and Regulatory Commission Act 1997*, which largely requested the ICRC to:
 - a. determine whether the current WAC rate and framework (for both potable and non-potable water) adheres to intergovernmental agreements and is effective in supporting the Territory's water policy objectives; and
 - b. recommend a methodology for setting the Territory's fees and charges for potable and non-potable water going forward, and appropriate review intervals for the methodology.
6. On 21 February 2024, the ICRC's Senior Commissioner, Joe Dimasi, provided the ICRC's final report on the ACT WAC pricing methodology ([Attachment A](#)). The ICRC proposed an updated WAC methodology at the next available opportunity.
7. A joint Treasury/EPSDD business case was developed with the intent of bringing it forward as part of the 2025-26 Budget process. The Treasurer, after consultation

with colleagues, has subsequently decided on an alternative approach and will bring forward the business case as part of the 2025-26 Budget Review.

Issues

The WAC review and ICRC recommendations

8. The ICRC assessed the current WAC rate and framework and found it inconsistent with the national legislative requirements and ACT policy objectives, for reasons that:
 - a. the WAC rate has increased independent of the methodology developed by the ICRC in 2003, which took into consideration the legislative requirements and policy objectives at the time; and
 - b. the methodology has not been reviewed or developed in the last 20 years, and as a result, does not account for legislative changes introduced since 2003, up-to-date information, or the increased costs associated with addressing environmental damage.
9. The ICRC found that the 2003 methodology remains broadly appropriate and feasible, including the consideration of the scarcity costs and environmental externalities in the fees and charges for water take.
10. Given this, for the four-year period from 2024-25 to 2027-28, the ICRC proposed to set the WAC using a methodology like that developed through their 2003 review, but with changes to reflect the legislative requirements and updated information. That is, the WAC is recommended to be comprised of two separate components:
 - a. a water sustainability charge which reflects both the estimated economic value of water as a scarce resource and an estimate of negative environmental externalities associated with extracting water for consumptive purposes; and
 - b. a water planning and management (WPM) charge which reflects the costs associated with planning and managing water and catchment areas in the ACT. These costs are directly related to the provision of potable water and are not included in Icon Water's regulated costs.
11. For future periods, the ICRC recommended that the methodology be reviewed as part of the five-year price investigation process for determining Icon Water's water and sewerage service prices. Over time, as the methodology is developed and refined, better estimates will be available to more accurately signal to customers the costs of achieving a sustainable water supply.
 - a. The ICRC proposed that the next WAC methodology review commence in 2026 to inform WAC calculations to be built into the 2028-32 regulatory period.
 - b. Treasury and EPSDD agreed that, as part of this review, further consideration would be given to the water sustainability charge, particularly in the context of water affordability and whether the charge supports the Territory's water policy outcomes. [Attachment B](#) provides a summary of EPSDD's views on elements of the methodology, particularly the water sustainability charge.
 - c. Treasury and EPSDD further agreed that if the ICRC's proposed methodology is adopted the ACT's price for permanently recovering water would be used.

Non-potable Water Review

12. The Non-Potable Water Review looked at the appropriateness of current pricing frameworks for high-intensity club users of non-potable water, pricing concessions, and whether any adjustments could be made.
13. The non-potable water review final report was released in December 2021 (Attachment C). It was informed by a discussion paper released for stakeholder comment in March 2021. The final report made several recommendations including:
 - a. Ground and surface water charges (i.e WAC) be adjusted to better align with fixed and variable costs.
 - b. Assistance measures for large users be reviewed to make them simpler, more transparent and more equitable.
 - c. Short-term support be provided to some sporting clubs (those that have no other option than to use significant quantities of recycled or potable water for irrigation purposes) in exceptional circumstances such as extreme or prolonged dry weather to reflect the social benefits of community clubs.
14. Following its release, further engagement was undertaken with a range of stakeholders including the golf industry. A listening report (Attachment D) was provided to stakeholders in December 2023.
15. Since then, no substantive contact has been made with these stakeholders, as a decision was made by the then Minister for Water, Energy and Emissions Reduction to delay consideration of the recommendations (CAB22/440) until the ICRC's WAC review was complete (as this encompassed both potable and non-potable water pricing) and the outcomes agreed by Cabinet.
16. EPSDD and Treasury will continue to work together to progress this work. Options for responding to the review recommendations will form part of the business case brought forward in the 2025-26 Budget Review.

Next Steps

17. Treasury will lead the development of the business case with support from EPSDD. The business case will detail options for responding to the WAC review, and the non-potable water review. The Budget Coordination Team has advised that while processes for the 2025-26 Budget Review are not set yet, tentative timings are as follows:
 - a. Ministerial endorsement of business case early October 2025.
 - b. ERC to consider business case from late November to early December, with Cabinet to consider them mid-December 2025.
18. Based on the above, Treasury would need to commence preparation of the business case in early/mid-August 2025.

Financial Implications

19. There are no direct financial impacts associated with this brief. However, it is anticipated that implementing any changes to the WAC could reduce the combined potable and non-potable WAC revenue by around \$40 million over four years. The financial impact estimates provided below are only indicative and are likely to change based on the final configuration of the options presented in the business case.

	2025-26	2026-27	2027-28	2028-29	Total
Expense Impacts					
Expense	-	-	-	-	0
Revenue	-	-	-	-	0
Revenue Forgone	-13.46	-14.34	-15.02	-	-42.81
Net Expense	0	0	0	0	0
Staffing Impact					
Total Additional FTEs (number)	0.0	0.0	0.0	0.0	

20. Work undertaken as part of the non-potable water review suggested that removing financial assistance for golf clubs would save government around \$163,456 in 2019- 20. Although this information is dated, it does provide an indication of the potential savings. Options on this matter will be incorporated into the business case.

Consultation

Internal

21. Nil.

Cross Directorate

22. Treasury and EPSDD continue to work collaboratively to progress this work.

External

23. Nil.

Work Health and Safety

24. Nil.

Benefits/Sensitivities

25. While increases to the WAC since 2003 have lacked transparency, the ICRC found no evidence that it had been levying charges for the purpose of revenue raising. However, the ICRC noted that the ACT appears to have over recovered water management and planning costs due to the nature of reporting, which compares the total WAC revenue against costs. The ICRC’s recommended methodology would address this issue.

26. Implementing the ICRC’s recommended WAC pricing approach could have a negative budget impact and potentially reduce the Government’s capacity to fund projects that help achieve other Government priorities and policy objectives, noting WAC goes into the Territory’s consolidated revenue.

27. Conversely, the community would potentially receive cost of living benefits, for example:
- a. Potable water – average households could save approximately \$33 a year on their water and sewerage bills in 2025-26, increasing to \$74 by 2027-28. Non- residential customers using 5,000kL with 50 billable fixtures are estimated to save \$1,136 in 2025-26, increasing to \$2,472 by 2027-28.
 - b. Non-potable water – users of surface and ground water will be positively impacted through lower water charges.
28. The Government faces potential reputational risk of a delayed response to the non-potable water review, given that December 2024 marked three years since Treasury published the review report. Discussions are continuing with Treasury around how best to communicate next steps to stakeholders who participated in the review.
29. The timing of changes to the ACT Government’s fees and charges determination also needs to be considered. This is particularly important for the golf clubs. Removing the existing subsidy (known as the Market Equity Scheme) will increase their water costs. Advice will need to be provided in a timely way as they will need consider these costs as part of their broader business planning.

Communications, media and engagement implications

30. Any major changes to water pricing are expected to be announced following the 2025-26 Budget Review.
31. A communication plan will be built into the 2025-26 business case. This will consider when and how decisions of government will be communicated to key stakeholders.
- 1.

Signatory Name:	Kieran Lawton	Phone:	Microsoft Teams
Action Officer:	Maria Mangeruca	Phone:	Microsoft Teams
Signatory Name:		Phone:	
Action Officer:		Phone:	

Attachments

Attachment	Title
Attachment A	ICRC Final Report on the ACT WAC Pricing Methodology
Attachment B	EPSDD Views – ICRC proposed pricing methodology
Attachment C	Non-potable Water Review Final Report
Attachment D	Non-potable Water Review Listening Report

City and Environment Directorate

OFFICIAL

To: Minister for Climate Change, Environment, Energy and Water

Tracking No.: 25/0000222

Date: 8 August 2025

From: City and Environment Directorate

Subject: WEEKLY BRIEF - Commencing 11 August 2025

- DDG 07/08/25

Purpose

To provide you with a summary of the current work from the City and Environment Directorate. The brief also includes matters scheduled to occur from 11 to 15 August 2025.

KEY ISSUES

Climate Change, Energy and Water

Water

National Water Agreement

Chris Hepplewhite from Office of Water represented the ACT at the inaugural meeting of the National Water Agreement (NWA) Roadmap Working Group on 28 July 2025. The Roadmap Working Group (RWG) will support the National Water Committee (NWC) to:

- develop policy under the new NWA as part of joint policy roadmap (JPR) work, and
- support implementation of the NWA via development of the Joint Policy Roadmap.

The RWG provides advice to the NWC on positions or policy advice. It is not a decision-making body.

noted The Commonwealth had provided a briefing to Minister Watt regarding the NWA and more info will be sent to state and territory Water Ministers for endorsement in “weeks not months”. To prepare the Cabinet submission to seek the ACT Government’s endorsement (as per CAB24/619), the Office of Water has distributed the most recent draft of the NWA to other agencies for review with respect to potential risks and resourcing requirements.

The next National Water Committee Meeting is scheduled for 27 November 2025.

Submission of papers to the Hydrology and Water Resources Symposium

The Water Information Services (WIS) team has submitted three papers and contributed to two further papers being submitted by consultants working on projects with the ACT Government to the *Hydrology and Water Resources Symposium* to be held in Canberra in November 2025.

Submissions will be reviewed and invitations to present the papers at the symposium will be announced soon. The WIS team submitted papers on the following topics:

- Lake Tuggeranong catchment water quality modelling to inform catchment management,

- b. Water Resources Assessment for the ACT, and
- c. Water Vulnerability Assessment.

The two additional papers that we have contributed to are:

- a. A study into runoff dams in the ACT and region (led by HARC Pty Ltd)
- b. A study looking at urban runoff accounting (led by Alluvium)

Healthy Waterways Plan for Lake Tuggeranong

Office of Water and CED Communications staff briefed executives from City Operations on the *Options to Restore Lake Tuggeranong report*. Several of the pollution mitigation options that are central to cleaning up Lake Tuggeranong (e.g. enhanced street sweeping) will be delivered by City Operations (if adopted by Government).

Prior to the establishment of CED, the Office of Water has been working closely with City Operations staff at officer level for several years on Healthy Waterways initiatives. The new Directorate provides an opportunity to even better integrate delivery across government. Key discussion points included some challenges associated with scaling up activities like street sweeping and the efforts in operating rain gardens and other water quality infrastructure. OoW will continue to engage across Government as the report makes its way forward for Cabinet consideration and (pending decision of Cabinet) into public consultation.

Recognition of urban runoff as an important source of water in the Murray-Darling Basin (MDB)

noted.
You were recently provided with high level information on work underway by the Water Information Services (WIS) team to better understand and seek recognition of urban runoff as a water resource of the MDB. You asked how this work might relate to the Water Abstraction Charge (WAC). While the two pieces of work are not directly related, there is a connection to the extent that any success in recognising urban runoff from the ACT as a water resource that could be traded would in theory have an impact on water prices in the regulated water market, and so may impact the scarcity value of water component of the WAC. The impact of a change in the water market by introducing a water resource that has previously been available to downstream water users has not been modelled, however the relative volumes of urban runoff are not expected to have a significant impact on the scarcity value of water.

As Treasury progresses its review of and presentation of options on the WAC, the Office of Water will continue to provide advice, including on the implications of changes to the water trading framework for the ACT and broader water market.

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