



QUESTION TIME BRIEF

Portfolio/s: Climate Change, Environment, Energy and Water

Water Pricing – Water Abstraction Charge Review

Talking points:

- The Government is aware that revenue collected through the Water Abstraction Charge (WAC) is considerably higher than the expenditure on water planning and management activities.
- The Government acknowledges this issue and is currently considering options to address it.
- This is a complex matter which requires the adoption of a considered and informed approach that is underpinned by a thorough understanding and assessment of the WAC's methodology. Given the wide-reaching impacts associated with any changes to water pricing, the Government will ensure that any changes are framed by an appropriate transition plan to ensure consumers are afforded additional stability.
- The Government is aware that previous stakeholder consultation on potential policy options for the Government's response to the Non-potable Water Review included a review into non-potable water pricing.
- The Government notes that addressing issues with the WAC will impact both potable and non-potable water pricing, and as such will carefully consider how to coordinate the Government's responses to resolving both these issues

Key Information

- The *State of the Lake and Waterways Report (2022)*, which was prepared by the Office for the Commissioner for Sustainability and the Environment, recommended that the ACT Government publish an annual detailed breakdown of how WAC revenue is expended. The Government's response agreed in-principle to this recommendation, noting its support for transparency in the application of charges for cost recovery and relevant expenditure.
- The Australian Competition and Consumer Commission (ACCC) has an existing statutory role under the *Water Act 2007 (Cth)* to monitor and report annually on regulated water charges.
 - The report includes Government expenditure and revenue for water planning and management activities within the Murray-Darling Basin.
- The ACT Government is required to collate and report its water management expenses to the ACCC each year. In 2022-23, the cost of water planning and management activities was \$13.4 million while revenue from the WAC was \$32.7 million.
- The ACT's method for calculating water charges has not been updated since the ICRC's 2003 review, with the Territory having since agreed to a number of policy and legislative instruments, including the *Water Act 2007 (Cth)*, 2010 National Water

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Initiative (NWI) Pricing Principles and the Commonwealth Water Charge Rules (WCRs).

Background Information

- The WAC is intended to recover water management costs not included in the provision of water supply, reflect the environmental costs from water abstraction, and the value of water as a natural resource.
- The WAC is separately determined for two categories of water abstracted under the *Water Resources (Fees) Determination 2024 (No 2)*, including:
 - Water taken for the purposes of urban water supply (i.e. potable/drinking water use) – \$0.71 per kilolitre in 2024-25; and
 - surface water or groundwater taken for non-potable use - \$0.344 per kilolitre in 2024-25.
- Revenue from the WAC is currently collected as consolidated revenue and is not hypothecated. Expenditure of consolidated revenue is set out in the ACT Budget.
- The WAC is set and collected by the ACT Government. The Independent Competition and Regulatory Commission (ICRC) has no legislative responsibilities for setting or regulating the WAC.
- As the Minister for Climate Change, Environment, Energy and Water, you are responsible for determining fees and charges under section 110 of the *Water Resources Act 2007*, which includes the WAC.

National Water Reforms

- Microeconomic reforms related to water pricing have been agreed by successive governments under the National Competition Policy, National Water Initiative (NWI, 2004), *Water Act 2007* (Cth) and the Murray-Darling Basin Plan (2012).
- The ACT is a signatory to inter-governmental agreements that give effect to these water reforms. Specifically, the ACT has 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 NWI pricing principles promotes user-pays and pricing transparency, in respect of water supply systems and cost recovery for water planning and management.

ACT Water Strategy 2014-44 Striking the Balance

- The ACT Water Strategy 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’.

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