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Environment, Planning and Sustainable Development Directorate

To: Minister for Water, Energy and Emissions
Reduction

Tracking No.: 22/143536

Date: 6 February 2023**From:** Executive Group Manager, Environment Heritage and Water**Subject:** Belconnen Magpies Golf Club – critical decision on water pricing**Critical Date:** 10 February 2023**Critical Reason:** To inform Ministerial response to Magpies correspondence (see 23/01681)

- DDG Environment, Water and Emissions Reduction 10/ 02/2023

Recommendations

That you:

1. **Note** that the Magpies Golf Club (GC) has indicated that they will not renew their lease due to the financial pressures associated with the supply of treated effluent by Icon Water.

Noted / Please Discuss

2. **Note** that Icon Water has indicated that they have no appetite for lowering of fees associated with the supply of treated effluent to Magpies Golf Club.

Noted / Please Discuss

3. **Agree** to consider consulting your Ministerial colleagues, including the sharing of this brief with the Treasurer and the Minister for Sport and Recreation about the role and capacity of the ACT Government to provide financial assistance to Magpies GC.

Agreed / Not Agreed / Please Discuss

4. **Note** the Office of Water has finalised policy response options about non-potable water pricing and a brief about this will be submitted to you in February 2023.

Noted / Please Discuss

Shane Rattenbury MLA

10/2/23

Minister's Office Feedback

I would particularly like to discuss policy approaches to drive increased use of recycled water, and how we work with ICON to deliver more attractive pricing.

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Background

1. The ACT Treasury Non-potable Water Review and preparation of an ACT Government response to the Review has raised discussion of affordability of non-potable water pricing for golf clubs and associated social benefit that golf provides for the community.
2. Belconnen Magpies Golf Club (Magpies GC) made a submission to the Review and drafted separate correspondence to your office in 2021 about concerns of pricing and reliance of high cost treated effluent placing significant risk on the financial viability of Magpies GC.
3. There are 10 golf clubs in the ACT that irrigate with non-potable water under a Licence to Take Water issued by the ACT Government. A typical 18-hole golf course requires approximately 75ML/year minimum irrigation to maintain a basic standard and avoid costly re-establishment of putting greens if the grass dies.
4. The price of non-potable water under the *Water Resources Act 2007* is the Water Abstraction Charge (WAC), currently set at \$0.32 per 1,000 litres. ACT golf clubs receive a 50 per cent discount on the WAC with the Market Equity Scheme, bringing the effective price of licensed non-potable water to \$0.16 per 1,000 litres.
5. Treated effluent was supplied by Icon Water to Magpies at \$2.40 per 1,000 litres in 2021, but the Independent Competition and Regulatory Commission recommended a more appropriate price should be between \$1.36 and \$1.58 per 1,000 litres.
6. Magpies GC confirmed that current (26 October 2022) price of treated effluent supplied by Icon Water is \$1.15 per 1,000 litres under a 12-month discounted price. This is 667 per cent more than the price being paid by other golf clubs for non-potable untreated water.

Issues

7. Officials from the Office of Water met individually with ACT Golf Clubs in October/November 2022 as part of the non-potable water consultations.
8. During the consultations, Magpies GC raised concerns they are at a critical juncture in relation to decisions about the future and the renewals of their lease. This is because they:
 - a. are the only golf club that relies on treated effluent via private contract with Icon Water to supplement annual irrigation needs;
 - b. identified the price of treated effluent supplied by Icon Water and a lack of future pricing certainty, as the central issue affecting financial viability of Magpies GC;
 - c. their location on a ridgeline hinders access to large reliable overland flow storages and subterranean water sources; and
 - d. have a relatively small Licence to Take Water volume of 25ML/year for non-potable water from on-site sources, compared to other golf courses with licensed volumes exceeding 75ML/year.
9. Magpies GC appear to be at a financial disadvantage in relation to other golf clubs in relation to the use of non-potable water. In an average rainfall year, Magpies GC are charged \$50,000 more for non-potable irrigation than other ACT golf clubs because of Magpies GC reliance on treated effluent supplied by Icon Water under private commercial contract. Magpies GC would be charged on average \$61,500 for 75ML/year of non-potable water with components of:

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- a. \$4,000 for 25ML of ACT Government WAC; and
 - b. \$57,500 for 50ML of treated effluent from Icon Water (cost-recovery for reticulated network supply, but Magpies GC are the only network customer).
10. By comparison, other ACT golf clubs would be charged \$12,000 in WAC for an equivalent 75ML/year of non-potable water under an ACT Government issued Licence to take Water. The topographic constraints of Magpies GC is a barrier to accessing larger volumes of water from on-site ponds.
 11. The re-use of treated effluent should be seen as a positive means to enhance water security and diversify water supplies, making the ACT region more resilient to drought and future impacts of climate change. However, the expensive price of treated effluent supply is counter-intuitive to encouraging re-use of a valuable resource, that is otherwise discharged from Lower Molonglo Water Quality Control Centre to the Molonglo River.
 12. Magpies GC publicly advised on 15 December 2022 that the club will not be in a position to seek renewal of their lease from 1 April 2023, citing irrigation costs with treated effluent supplied by Icon Water as a determining factor.
 13. Federal Golf Club shared similar concerns with EPSDD officials about water costs and reliance on external supply of water to supplement irrigation needs. Although Federal Golf Club access 45ML per year of non-potable water at \$0.15 per 1,000 litres, the shortfall is met with treated drinking water from Icon Water at \$4.58 per 1,000 litres.
 14. In an average rainfall year, Federal Golf Club are charged \$132,000 more for minimum irrigation requirements than other ACT golf clubs. Federal Golf Club would be charged on average \$144,600 for 75ML/year of water with components of:
 - a. \$7,200 for 45ML of ACT Government WAC; and
 - b. \$137,400 for 30ML of treated drinking water from Icon Water.
 15. Federal Golf club emphasized that supplementing irrigation with treated drinking water in the 2019 drought, at a cost of \$460,000, placed significant strain on financial viability.
 16. The remaining ACT golf clubs have greater access to reliable sources of non-potable water and were reasonably comfortable with the current pricing point of \$0.15 per 1,000 litres.

Intervention Options for the ACT Government

17. Magpies GC have stated that they intend not to renew their lease should they not be able to address the high cost of water they are being charged.
18. As discussed with you, there are several options available for the ACT Government:
 - a. Option 1 – Do nothing. This option places reliance on Magpies GC to develop a sustainable business model that does not require government subsidisation. This option is likely to see Magpies GC wind up their business prior to the lease anniversary.
 - b. Option 2 – Pricing certainty. Improved pricing certainty could be facilitated by ACT Government negotiation with Icon Water to:
 - a. determine a pricing point that balances Icon Water utility network cost recovery and a reasonable supply charge of treated effluent;
 - b. lock in pricing over a multi-year period (e.g., 5 year); and
 - c. encourage re-use of treated effluent.

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- c. Option 3 – Financial intervention. Short-term intervention to partially subsidise the supply of treated effluent to Magpies GC in the 2022-23 financial year, if required, while longer term options are put in place to avoid future cross-subsidisation.
 - d. Option 4 – Policy development to encourage more re-use of treated effluent. A broader policy approach can encourage re-use of treated effluent more widely in the ACT. This option aims to deliver on the intent of WAC to be used to support ACT catchment management activities and improve water security and drought resilient outcomes for the Canberra region.
 - e. Option 5 – Policy development (short term relief, extreme circumstances). The government response to the Non-potable Water Review is considering a policy option for non-ongoing financial relief to clubs in extreme circumstances, with set eligibility criteria.
19. It is recommended that you continue to consult with your Ministerial colleagues about this matter to gauge the appetite for the ACT Government to assist with any of the options available.

Intervention Options for the ACT Government

20. The Office of Water has finalised policy response options for non-potable water pricing for you to consider.
21. These options will be presented to you in February 2023 for consideration and further discussion, including the option of testing response options with the relevant Cabinet sub-committee.

Financial Implications

22. There are 45 Magpies GC employees that may be without employment if Magpies GC are not financially viable.
23. Magpies GC may lose full-fee golf playing members to other golf clubs due to uncertainty of lease renewal.
24. Non-potable water fees in the 2021-22 financial year for WAC and Icon Water treated effluent were minimal because of prolonged above average rainfall.
25. Early signs for the current 2022-23 financial year period are that non-potable water fees will be relatively low because of above average rainfall, however, the prospect of hot dry summer months and an absence of rainfall cannot be ruled out, which would result in Magpies GC supplementing irrigation with treated effluent at high comparative cost.
26. Regardless of recent rainfall lowering irrigation costs, the key issue is pricing certainty into the future to allow forward planning of Magpies GC budgets.

Consultation

Internal

27. Internal deliberations within EPSDD considered water pricing policy options for the government response to the Non-potable Water Review.

Cross Directorate

28. Current ACT Government water pricing policy was confirmed with Treasury.

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External

29. Senior officials from the Office of Water met with Magpies GC on 26 October 2022 to discuss the ACT Government response to the Non-potable Water Review, which informed financial and time-critical issues in this brief.
30. The Office of Water consulted ACT Monaro District Golf Association in August and October 2022 on the development of an ACT Government response to the Non-potable Water Pricing Review and the consideration of each club's unique needs, such as Magpies GC.
31. Golf NSW and ACT Monaro District Golf Association have raised the issue of social and community benefits of golf clubs to inform policy development and appropriate pricing.
32. External consultation and negotiation with Icon Water is required to explore forward costing options to supply treated effluent for Magpies GC. However, in initial engagement in late October 2022 Icon Water Chief advised that Icon Water will maintain a position of cost-recovery without reducing fees.

Work Health and Safety

33. Nil identified.

Benefits/Sensitivities

34. Social and community wellbeing benefits will be lost if Magpies GC discontinue operations and up to 45 staff may lose their jobs.
35. Federal Golf Club are proposing an over 55's housing development within their leased area and expect revenue from this project to fund new dams to capture non-potable water. Annual fees payable to Federal Golf Club from new residents will provide a new revenue stream. This development proposal may alleviate reliance and costs associated with irrigation supplemented by treated drinking water.

Communications, media and engagement implications

36. Media attention and strong views from the membership base of Magpies GC is expected if Magpies GC discontinue operations.
37. Further engagement with all ACT golf clubs about non-potable water pricing is scheduled as part of the government response to the Non-potable Water Review.
38. Previous land development proposals by Federal Golf club have attracted media attention and community concerns.

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