



ACT
Government

Environment, Planning and
Sustainable Development

EPSDD Ref No.:

Response to DLO Request

*** All information provided should be factual.**

EGM clearance email to be saved in the Objective file and forwarded to the EPSDD DLO inbox and copy in the relevant EO.

Subject: Non-potable water Review (not contemporary language is drinking or non drinking water)

Response:

Talking points

- Water pricing should reflect the true cost of managing the water resource and promote efficient water use.
- Where concessions are applied to a portion of the community this results in cross-subsidisation, where the cost of water services are redistributed and effect the price paid by others within our community. This does not appear to be in the interest of the ACT community.
- Pricing concessions should be limited to forms of water use that has a demonstrable social and environmental benefit to the whole community, and where the recipient of the concession is experiencing economic hardship that may result in reduced community benefit.
- Integrated water management is critical for a building a water secure city. Appropriate water pricing is necessary to promote the efficient use of our water resources regardless of its source. The proposed Office of Water will provide an important role in supporting cross-agency coordination in ACT water reforms.

Notable findings from the report

- Assessment of the appropriateness of current pricing arrangements was undertaken based on the NWI pricing principles.
- The application of the NWI Pricing Principles appear to be considered in some elements of price setting by the water suppliers but not applied in full. Work is required to apply these principles to recycled water and stormwater use.
 - The application of the pricing principles as it relates to recycled and stormwater is highlighted by the Productivity Commission in its 2020 review of the National Water Reforms.
- Non-drinking water pricing is not regulated in the same manner as drinking water through the ICRC.



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- Prices are set by the utilities or relevant government agencies based on historic guidance or to mirror other ACT service agents.
 - Water charges vary significantly for different groups of surface and group water users.
- Shortfalls in revenue collected by Icon Water were found to be recovered through community service obligations. The social benefits from the community service obligations as is currently applied were found to be difficult to determine, could be more transparent and equitable.
- Public submissions received through the Review indicate that:
 - water related expenses account for between 2.5-7% of overall operating costs.
 - There was a desire for Government assistance to improve access to recycled water and stormwater reuse.
 - High intensity club water users should remain financially viable without subsidisation of water costs.
- Concessional arrangements available to water users were found to be complex to administer, not transparent, inequitable and resulted in high administration costs. The financial assistance measures applied to the WAC have resulted in significant forgone revenue.
- The Infrastructure Offset Scheme compensated golf clubs for investment in water saving measures. The effectiveness of this Scheme for improving water efficiency and reduced reliance on potable water supply is reported to be unclear.
- Cost recovery and economic viability is dependent on level of demand for water supply services such as provided by the Inner North Reticulation Network.

Recommendations:

- The Review identifies useful findings, including:
 - Indicates it may be appropriate to adjust the current arrangements in place for surface and groundwater (related to both Icon Water and INRN) to be more cost reflective and to allow for some targeted financial assistance where appropriate.
 - Recommends reforming the financial assistance, including the establishment of eligibility criteria to ensure assistance is transparent and targeted to those with limited financial capacity.
 - Recommends consideration of adjustments to non-drinking water pricing arrangements to ensure that they are simple, transparent, equitable, and that concessional arrangements are in place based on need.

In consideration of broader water policy, we would advise:

- Adjustments to the water pricing, including recycled and stormwater use, needs to be conducted in the context of broader integrated water resource planning to encourage water user behaviours in the uptake of alternative water supply options.
- The interrelated nature of the water management and water pricing requires a coordinated approach to implementing the proposed recommendations, to support the Government's



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water reform agenda. Setting the functional objectives for the Office of Water to enable strong leadership in coordination and investigation of reforms options will be important.

- Generally support the integration of non-drinking water supply (including recycled water, stormwater) into the regulated pricing framework consistent with the NWI Pricing Principles.
- Support improved transparency and equity in the application of financial assistance measures, but importantly for assistance to be targeted to areas of need.
- Financial incentives could be considered that encourage increased demand for, and support access to recycled water and stormwater sources for water users.
 - This may include the use of community service obligations in the short term to drive increased demand.
 - Promote investigations into infrastructure options and support integrated planning for the operation of wastewater treatment for reuse, for example Queanbeyan Sewerage Treatment Plant, Icon Water Sewage Strategy.
- The water abstraction charge has an important role in sending price signal on water scarcity, promoting the use of alternative water sources and water efficiency. The recommendations as presented within the report could be refined for how the WAC is levied or revenue used as a mechanism for guiding desirable behavioural responses in water users.

Related file references:

21/54251 Water pricing and options for not-for-profit organisations

21/65548 Water Abstraction Charge – criteria to guide expenditure

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