

Agenda

Minister Rattenbury: Environment, Planning and Sustainable Development Directorate Regular Meeting

MEETING DETAILS			
Date:	Friday, 17 March 2023	Time:	9.30 – 10.30
Location:	via Microsoft Teams	Apologies:	

MEETING BUSINESS			
Item	Name	Requested by	Action Officers
1.	Declaration of Interest*		All
2.	Standing Items: 2.1 Weekly Brief, Media Forecast, FOI Report 2.2 Action Items/Ministerials in Action 2.3 Cabinet and Assembly Business 2.4 Budget	Minister's Office EPSDD	Ben Ponton Geoffrey Rutledge Bren Burkevics Alex Magee
Water			
3.	Non Potable Water Review (22/107147)	Minister's Office	Ben Ponton Geoffrey Rutledge Bren Burkevics Emma Humphreys Tom Nilsen
Energy/Emissions Reduction			
4.	Electrification of Govt Assets business case*	Minister's Office	Ben Ponton Geoffrey Rutledge Fiona Wright Ros Malouf
5.	EV charging*	Minister's Office	Ben Ponton Geoffrey Rutledge Fiona Wright Ros Malouf
6.	Car Free Day*	Minister's Office	Ben Ponton Geoffrey Rutledge Fiona Wright Alex Magee

*Denotes no papers

Proposed Forward Agenda	
Title	Requested by

out of scope

out of scope

out of scope

out of scope

out of scope

out of scope

out of scope

out of scope

out of scope

out of scope

Meeting Date	Item	Actions	Due date	AO	In progress (date/notes)	Completed (date/notes)
221111	Belconnen Healthy Waterways project	EWB to confirm if TCCS provided advice/comments	ASAP	Bren Burkevics Ralph Ogden	14/11 – email exchange between Anna McGuire and Matt Georgeson with Ralph Ogden 10/03 - endorsement to the final proposed design for the Belconnen Healthy Waterways project is being sought from TCCS	Completed
221111	Queanbeyan-Palerang Regional Council Sewerage Treatment Plan Draft EIS –update	Conservator to update the Minister for the Environment		Bren Burkevics	30/01 updates to be provided in the weekly brief 10/03 - the Planning Authority has requested further information from QPRC to address the Conservators feedback on the updated draft EIS. The Minister for the Environment has been updated via the weekly brief.	Completed
230202	Embedded Networks	Provide brief to Minister on viability/merit of short-term fix such as requiring them not to charge above the default market offer	17/02/2023	Fiona Wright	14/03 Min Info brief 23/21652 is on it's way (EGM cleared 10/03, critical date 21/03)	

230310	Yowani Development – Existing Sewer Mining Facility	Directorate to followup with TP Dynamics to ensure they are fully aware of the Direct Sale Process	ASAP	Ben Green	10/03 – in progress (23/25560)	
230310	Yowani Development – Existing Sewer Mining Facility	Any corro received in relation to this item to be provided to Development & Implementation team to action	Ongoing	Michelle ODonnell	Noted and ongoing – all corro on this item with Development and Implementation team	Completed
230310	Healthy Waterways Update – Higgins	Ensure the 5 MLAs are invited to the next public meeting once scheduled	At the appropriate time	Bren Burke Emma Humphreys		

Ministerials in action – Minister for Water, Energy and Emissions Reduction (as at 16/3/2023)			
Name	Minister	Due to Ministers Office	Status
23/24752 Ministerial-Correspondence - Rattenbury - Kellie Hughes - installing gas in new homes	Minister Shane Rattenbury	20/03/2023	with Directorate
23/24897 Ministerial-Correspondence - Rattenbury - Judi Barton - Farrer power surge	Minister Shane Rattenbury	20/03/2023	with Directorate
23/29309 Ministerial-Arrangements Brief - Rattenbury - Launch of the 2022 Waterwatch Catchment Health Indicator Program (CHIP) report - 22 March 2023	Minister Shane Rattenbury	20/03/2023	with Directorate
23/25340 Ministerial-Correspondence - Rattenbury - Brad Williams (HSBD) - SHARC Energy - old ICON Water sewer treatment facility in Southwell Park	Minister Shane Rattenbury	21/03/2023	with Directorate
23/21487 Ministerial-Arrangements Brief - Barr/Rattenbury - Media Event - REVS project closeout - 29 March 2023	Minister Shane Rattenbury	22/03/2023	with Directorate
23/26280 Ministerial-Correspondence - Rattenbury - Christian Zappa - Update on EV Fast Charging Infrastructure in the ACT	Minister Shane Rattenbury	23/03/2023	with Directorate
23/18543 Ministerial-Arrangements Brief - Rattenbury - Hydrogen Mobility Roundtable - 31 March 2023	Minister Shane Rattenbury	24/03/2023	with Directorate
23/27870 Ministerial-Correspondence - Rattenbury - Ian Bennett - Response from Future Transport and MD - Hydrogen refuelling stations	Minister Shane Rattenbury	27/03/2023	with Directorate
23/28714 Ministerial-Correspondence - Rattenbury - Paul Hutchison - EV charging stations	Minister Shane Rattenbury	29/03/2023	with Directorate

out of scope

out of scope

out of scope

out of scope

out of scope

Environment, Planning and Sustainable Development Directorate

To:	Minister for Water, Energy and Emissions Reduction	Tracking No.: 22/107147
Date:	27 February 2023	
From:	Executive Group Manager, Environment, Heritage and Water	
Subject:	ACT Government response to the (Treasury) Non-potable Water Review	
Critical Date:	10 March 2023	
Critical Reason:	To commence consultation and progress Cabinet process to finalise Government response to the Non-potable Water Review	

- DDG, Environment, Water and Emissions Reduction 28/02/2023

Recommendations

That you:

1. **Agree** to all preferred policy options presented at Attachment A;
Agreed / Not agreed / Please Discuss
2. **Agree** to the Office of Water consulting with impacted licensees on the preferred policy options;
Agreed / Not agreed / Please Discuss
3. **Note** that consultation is required ahead of Cabinet consideration of the ACT Government response to the Non-potable Water Review; and
Noted / Please Discuss
4. **Note** the consultation and Cabinet process will result in the Government Response to the Non-potable Water Review being finalised and implemented after 30 June 2023.
Noted / Please Discuss

Shane Rattenbury MLA/...../.....

Minister's Office Feedback

Background

1. The Parliamentary and Governing Agreement for the 10th Legislative Assembly committed to conduct a review into water costs for high-intensity club users of non-potable water in 2021. The goal was to allow clubs to maintain operations while not requiring cross-subsidisation by other ACT water users.
2. ACT Treasury undertook a Non-potable Water Review (the Review) in 2021 to examine the costs related to non-potable water use. Water abstracted and supplied by the water utility (Icon Water) was out of scope for the Review.
3. The Review considered the appropriateness of current pricing frameworks in the ACT, pricing concessions, whether any adjustments could be made and arrangements in other jurisdictions. The Review was published on the ACT Government Your Say website in December 2021.
4. The four recommendations of the Review were:
 - a. 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 (WAC);
 - b. reforming assistance measures to make them simpler and more transparent and equitable;
 - c. 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; and
 - d. reviewing the application of National Water Initiative pricing principles, that suggest full cost recovery for stormwater costs, in the forthcoming review of the Inner North Reticulation Network stormwater prices.
5. The WAC is imposed under section 107 of the *Water Resources Act 2007* through a disallowable instrument (DI) that you sign annually. The WAC is a pass-through charge that is collected from urban water users by Icon Water, and from non-urban users by Access Canberra (the Environment Protection Authority), with revenue passed through to ACT Treasury. The WAC for non-potable water is set at 50 per cent of the urban water supply WAC.
6. The objective of the WAC is to reflect the true value of water and promote the economically efficient and sustainable use of a scarce resource. The 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 value of the WAC also includes a component related to scarcity, as well as costs associated with the provision of environmental flows.
7. The Environment, Planning and Sustainable Development Directorate (EPSDD) is tasked with preparing a government response to the Review.

Issues

Current pricing structure

8. Prior to December 2021, golf clubs received close to a 99 per cent reduction on the WAC through the Infrastructure Offset Scheme and Non-potable Water Rebate (which included a COVID-19 rebate), both of which are now discontinued.
9. The Market Equity Scheme (MES) continues for now and provides a 50 per cent reduction on the WAC for 10 ACT golf clubs. The response to the Non-potable Water Review will consider the merit of retaining or discontinuing the MES in light of other policy options.
10. The Competition Equalisation Payment (CEP) provides a 98 per cent reduction on the WAC for approx 25 ACT primary producers. No change to the CEP is proposed.
11. The remaining 150 licensed non-potable water users pay the full WAC amount.

Policy development

12. Environmental outcomes for water resources are sought in addition to responding to the recommendations from the Treasury review that focused on the economic and social outcomes.
13. The following principles guided policy options:
 - a. **Equity** -policy options apply to all licensees and avoids cross-subsidisation.
 - b. **Efficiency** - water pricing promotes economically efficient and sustainable use of water resources.
 - c. **User pays** - pricing for water supply is consumption based and represents full cost recovery, including environmental costs.
 - d. **Financial relief – extreme circumstances** - short-term financial relief in exceptional circumstances is targeted to community clubs under strict eligibility requirements.

Preferred policy options

14. Your agreement is sought to all four preferred policy options to inform the Draft ACT Government Response to the Review. See Attachment A and Attachment D. These are summarised below:

Independent review of the non-potable Water Abstraction Charge

15. Independent review of the non-potable WAC price setting and component costs to provide increased probity, transparency and consideration of scarcity and environmental costs to inform future price setting.
16. It is proposed that price setting recommendations of the non-potable WAC be determined by the Independent Competition and Regulatory Commission (ICRC) rather than by the ACT Government making the sole pricing determination as is currently the case. This independent price setting by ICRC is important for providing public assurance that the charge represents cost recovery, environmental and scarcity costs, and serves the intended purpose of charging a non-potable WAC.

Lock in WAC for three years

17. Lock in the price setting of the WAC for three years to provide pricing certainty for licensees to prepare forward budgets. Review this arrangement in year three.

Remove the Market Equity Scheme

18. 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 for all licensees and aligns with the Treasury position to move away from perpetual financial assistance.

Government temporary financial assistance

19. 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 B](#).

Other policy options not considered further

20. The following options were analysed but were not considered to be able to deliver effectively on the response to the Review. See [Attachment A](#) for more details of each option.

Do nothing option

21. The do-nothing option maintains the current pricing structure – see above. It retains a significant 50 per cent price discount for golf club non-potable water use. This option does not benefit clubs with high reliance on 3rd party water supplied by Icon Water.

Expand the Market Equity Scheme

22. It is undesirable to expand the Market Equity Scheme to other licensees as it will expand pricing inequity and perpetuates financial assistance away from user-pays pricing principles.

Increase fixed costs, reduce variable costs

23. The option to increase fixed costs (administration fee, currently \$496/year) and reduce variable costs (WAC, currently \$0.32/KL) disproportionately and negatively impacts up to 80 of the very small water users while benefiting the larger irrigators simply by the scale of water use.
24. 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.

Tiered WAC

25. 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.

26. A tiered WAC could be seen as 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.

Surface Water Rights

27. Clubs and licensees (including golf clubs) reliant on groundwater would not benefit from this policy option. Nor would licensees that pump water from lakes, ponds, and rivers on unleased public land.
28. Surface water rights would seek to expand current exemption such as rainwater tanks and riparian rights of primary producers for stock and domestic water use.
29. A surface water 'right' would carry administrative burden to assess eligibility criteria of individual licensees with respect to annual rainfall, modelling run-off coefficients with land-use variation and carry-over capacity assumptions of ponds on leased land.

Recycled water

30. The high cost of expanding reticulated stormwater and treated effluent networks, and limited geographic access to existing networks, is a deterrent to including recycled water options within the scope of the Government response to the Review. However, National Water Initiative principles are applied in review of the Inner North Reticulation Network stormwater prices (as per Recommendation 4 of the Review).
31. A policy position on encouraging uptake of recycled water can be pursued in the refresh of the ACT Water Strategy, occurring in 2023, to maximise water security opportunities.

Community consultation

32. Consultation with stakeholders on preferred policy options is required to finalise the government response to the Non-potable Water Review ahead of Cabinet consideration. There are two options:
 - a. Option 1 (recommended): 4-week targeted consultation with license holders, closed to the public and commencing March 2023; or
 - b. Option 2: 6-week broad consultation, open to public via YourSay in March 2023.

Table the Government response to Cabinet

33. The consultation and Cabinet process will likely result in the Government Response to the Non-potable Water Review being finalised and implemented after 30 June 2023. See timeline at Attachment C.

Financial Implications

34. There will be an unmitigated cost impact to golf clubs from the removal of financial concessions that previously offset the WAC as outlined above, ranging from approximately \$4,000 to \$70,000 per club depending on individual irrigation practices and rainfall. Preliminary analysis suggests additional budget revenue of \$350,000 from golf courses depending on rainfall (equates to \$70 per member per year).
35. The proposed independent review of the non-potable WAC could provide additional confidence of the cost impact.

36. There is potential for non-ongoing expenditure of up to \$200,000/year total for financial relief to golf clubs in extreme circumstances during low rainfall years.
37. Engagement of the ICRC to review and determine the price setting for the non-potable WAC could be met within existing budget for the EPSDD.

Consultation

Internal

38. EPSDD Communications support external engagement and are resourced to assist with the Communications-on-a-Page and Talking Points material for the consultation period.

Cross Directorate

39. ACT Treasury has been engaged early in the development of policy options and supports removal of the Market Equity Scheme. Any changes that create a precedence for the WAC on potable water use would not be supported.
40. The Environment Protection Authority (EPA) administers WAC invoicing and would prefer an easily administered pricing system. EPA requests EPSDD take the lead on licensee consultation.
41. Consultation is maintained with the Transport Canberra and City Services Directorate as a licensee and non-potable network operator.

External

42. EPSDD commenced engagement in October 2022 with ACT golf clubs and the ACT Rural Landholders Association ahead of formal consultation, to build goodwill considering the delays to policy development. This supports previous engagement with the peak golf body, the ACT Monaro District Golf Association.

Work Health and Safety

43. Nil associated with this brief.

Benefits/Sensitivities

44. Golf clubs will be sensitive to any price increase for water costs associated with the removal of annual concessions.
45. Belconnen Magpies Golf Club and Federal Golf Club face large additional irrigation costs because these clubs supplement irrigation demand in most years with water supplied by Icon Water – for Magpies, treated effluent; for Federal, drinking water.
46. Separate policy development is underway to standardise non-urban water metering within the Murray-Darling Basin. The 185 ACT licensees will be sensitive to consultation scheduled in 2023 on cost implications for upgrading water meters. You will be briefed separately on the proposed policy revisions and cost impacts.

Communications, media and engagement implications

- 47. Increased water costs for golf clubs relative to the effective zero pricing of water use in previous years is likely to attract media attention and Ministerial correspondence.
- 48. Recent media articles about Belconnen Magpies Golf Club not renewing their lease due to high water costs from Icon Water will continue to be monitored and will require careful communication.

Signatory Name: Bren Burkevics Phone: 6207 8628
Action Officer: Tom Nilsen Phone: 6205 4644

Attachments

Attachment	Title
Attachment A	Policy options – at a glance
Attachment B	Relief in extreme circumstances
Attachment C	Timeline – consultation and Cabinet
Attachment D	Draft ACT Government response to the Non-potable Water Review