



ACT
Government

Environment, Planning and
Sustainable Development

CABINET

MINISTERIAL BRIEF

To:	Minister for Water, Energy and Emissions Reduction	Cabinet No.: 23/527 Rec'd Minister's Office .../.../...
From:	Executive Group Manager, Environment, Heritage and Water	
Subject:	Exposure Draft Lodgement of Cabinet item 'Water recovery agreement with the Australian Government'	
Critical Date:	21 August 2023	
Critical Reason:	To be lodged with Cabinet Office by 10am on 21 August 2023 for exposure draft circulation	

- DDG, Environment, Water and Emissions Reduction 16/08/2023

Recommendations

That you **agree** to sign and lodge the draft Cabinet Submission ([Attachment 1](#)) and associated documents about the water recovery agreement with the Australian Government for exposure circulation.

Agreed and Signed / Not Agreed / Please Discuss

Shane Rattenbury MLA

21/8/23

Minister's Office Feedback

Background

1. In committing to the Murray-Darling *Basin Plan 2012*, the ACT Government agreed to limit the net take of water in the ACT to the Sustainable Diversion Limit (SDL).
2. To fulfil its commitment to reduce net take from the Baseline Diversion Limit (BDL) to the SDL, the ACT Government needs to provide a permanent water entitlement for 4.9 GL/year to the Commonwealth Environmental Water Holder (CEWH). This volume is called the Shared Reduction Amount for 'Bridging the Gap' between the BDL and the SDL.
3. In February 2023, the Australian Government announced that it is seeking to finalise all Bridging the Gap commitments by 2024 through its Strategic Water Purchasing Framework. This presents a new and improved opportunity for the ACT to meet its 4.9 GL water recovery commitment, contribute to the target of achieving additional water recovery through efficiency measures and receive Australian Government funding for water security.
4. In May 2023, the Environment, Planning and Sustainable Development Directorate (EPSDD) wrote to the Australian Government's Department of Climate Change, Energy, the Environment and Water (DCCEEW), with a proposal for delivering 6.36 GL to the CEWH through the Strategic Water Purchasing Framework.
5. On 10 August 2023, DCCEEW provided the draft agreement ([Attachment A](#)) to the Submission for the ACT Government's consideration. The Murray-Darling Basin Commission provided the letter ([Attachment E](#)), which gives assurances on future work through the 2026 review of the Basin Plan to recognise the ACT's water resources and mitigate risks to the ACT's water security.

Issues

6. As the proposed agreement is a Schedule to a Federal Funding Agreement and involves the permanent allocation of ACT water entitlements to the CEWH, Cabinet endorsement is required before the Minister executes the agreement ([Attachment A](#)).
7. The agreement provides for the ACT Government to allocate 6.36 GL/year of ACT surface water to the CEWH, and the Australian Government to make a one-off payment of \$58.83 million to the ACT by June 2024 through the Strategic Water Purchasing Framework.
8. This funding is only available in 2023/24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment.
9. To ensure that the agreement with the Australian Government results in improved water efficiency and security in the ACT, Cabinet support is needed to use the revenue from the Australian Government to improve the ACT's water security. The Submission seeks agreement to this course of action, subject to consideration of a detailed Water Security Investment Plan in the 2024/25 budget process.
10. The proposed 6.36 GL of water recovery is equivalent to reductions in the ACT's annual net take that can be achieved through water efficiency measures, as outlined in [Attachment B](#) to the Submission, as identified through technical investigations and consultations with Icon Water and stakeholders.
11. The Murray-Darling Basin Authority is currently conducting a technical review of the reliability, or Long-Term Diversion Level Equivalent (LTDLE) Factor, of the ACT water entitlements and is expected to provide a final decision on this in November 2023, but the

agreement is not dependent on the LTDLE Factor.

12. The draft funding agreement specifies that granting entitlements for 6.36 GL to CEWH would meet the ACT's 4.9 GL Shared Reduction Amount water recovery commitment in full and provide up to 1.46 GL additional water for environmental purposes.
13. If water access entitlements are granted to the CEWH, it is recommended that the Minister table minor amendments to update two disallowable instruments under the *Water Resources Act 2007* (ACT), as outlined in Attachment D to the Submission.
14. The Murray-Darling Basin Commission has agreed, in the letter (Attachment E) to the Submission, that the ACT's BDL and SDL will be reassessed through the 2026 Basin Plan review, to take account of improved data and modelling, establish a more accurate representation of the ACT water resource and examine how increased urban runoff since 2009 should be recognised in water accounts.

Financial Implications

15. The Cabinet Submission does not have immediate budget impacts and does not seek Cabinet's agreement to provide appropriation and/or to reduce forecast revenue.
16. To ensure that the agreement with the Australian Government results in improved water efficiency and security in the ACT, Cabinet support is needed to use the revenue from the Australian Government to improve the ACT's water security, as described in Attachment B to the Submission. The Submission seeks agreement to this course of action, subject to consideration of a detailed investment plan through the 2024/25 budget process.
17. As described in the Consultation section below, ACT Treasury expressed concerns that water efficiency measures may reduce ACT Government revenue. Independent modelling obtained by EPSDD Office of Water indicates that revenue will continue to grow as population growth will increase total water usage, but revenue will increase more slowly than in the base case of no water efficiencies. The foregone revenue is projected to be 10.7% less than the base case of no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, which is equivalent to \$4.5m in \$2023/24 dollars) and remain 10.7% lower than base case after that. The modelling is summarised in Attachment I to the Submission.

Consultation

Internal

18. EPSDD Office of Water has not consulted with other areas of EPSDD as the proposed agreement relates solely to water management.

Cross Directorate

19. EPSDD Office of Water has consulted with relevant areas of Chief Minister, Treasury and Economic Development Directorate (ACT Treasury and the Environment Protection Agency) in developing the Submission.
20. The Environment Protection Agency, which administers water access entitlements under the *Water Resources Act 2007* (ACT), has no concerns with the proposed water access entitlements or amendments to update disallowable instruments under that Act.
21. ACT Treasury (Senior Director – Economic and Regulatory Policy) has raised two key concerns about the proposed grant of permanent water entitlements to the CEWH and the

introduction of water efficiency measures. All effort has been made to work with officers and provide detailed analysis in response to these questions. ACT Treasury is expected to continue to raise these concerns during consultation on the Submission and may not support all aspects of the Submission. Those concerns are outlined below, with EPSDD's responses, which are based on Frontier Economics' modelling of the ACT's water resources and the economic impacts of water efficiency measures.

- a. "The water may be needed for urban water supply purposes in the future"
 - i. The proposed 6.36 GL is not required for ACT urban water supply purposes now or in the future, as discussed in paragraphs 26 to 28 of the Submission. The water would be available from the Lower Molonglo, which is downstream of ACT urban areas, urban water supplies and returns from sewage treatment plants and is an unregulated source.
- b. "Water efficiency measures will reduce water usage, thereby reducing Icon Water's revenue, increasing prices for water users and reducing the ACT Government's revenue from Water Abstraction Charges and Icon dividends."
 - i. As outlined in the Financial Impacts section of the Submission, Icon Water's profitability will not be affected as any reduction in revenue will be balanced by price determinations, reductions in Water Abstraction Charges payable and reductions in operating costs.
 - ii. Modelling indicates that price impacts on water users will be positive if they adopt the efficiency measures and reduce their water usage, but that water bills will increase slightly for customers who do not reduce water usage.
 - iii. ACT Government revenue from Water Abstraction Charges will grow a little more slowly than would be the case without efficiency measures. The foregone revenue will be a relatively small proportion of total water revenue, which will continue to increase with population growth.

External

- 22. EPSDD Office of Water has consulted with Icon Water in relation to the Water Security Investment Plan Outline. EPSDD will continue to work with Icon Water and will consult with ACT Treasury and TCCS Urban Services to develop a detailed Water Security Investment Plan, which EPSDD will submit for approval in the 2024-25 budget process.
- 23. EPSDD Office of Water has consulted with relevant Australian and NSW Government agencies, including DCCEE, the MDBA, CEWH and NSW Department of Planning and Environment. Those agencies have commenced the administrative and regulatory actions that are needed to enable the CEWH to use the volume of water granted by the ACT for environmental purposes outside the ACT.
- 24. EPSDD will consult relevant external stakeholders, such as key water users, when developing a detailed Water Security Investment Plan, which is being prepared for consideration through the 2024-25 budget process.

Benefits/Sensitivities

- 25. Using revenue from the proposed agreement to implement the measures summarised at Attachment B of the Submission will improve water security and environmental outcomes in

the ACT's waterways, benefiting the ACT environment and community.

26. Granting ACT water entitlements to CEWH will have positive environmental outcomes in the Murray-Darling Basin as a whole. The CEWH will use the water entitlements for environmental purposes, such as scheduled flows for aquatic habitats and species.
27. By fulfilling its water recovery commitment under the Basin Plan, the ACT Government will demonstrate its commitment to meeting its responsibilities under the Murray-Darling Basin Agreement. This will assist the resolution of other water management issues in negotiation Australian Government and NSW.

Media Implications

28. No media announcement is proposed at this stage. A joint announcement may be made by the relevant ACT and Australian Government Ministers when the agreement is executed by both parties, when entitlements have been granted or when the Australian Government makes the payment to the ACT Government.

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Summary of Attachments

1 – Draft Cabinet submission

A – Proposed water recovery agreement with the Australian Government

B – Water Security Investment Plan Outline

C – Map of ACT Waterways

D – Example Water Access Entitlement and proposed amendments to Disallowable Instruments under the *Water Resources Act 2007* (ACT)

E – Letter from Murray-Darling Basin Commission dated 26 July 2023

F – Table of Comments

G – Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary

H – Wellbeing Impact Assessment

I – Modelled impacts of water recovery on revenue and water customers



CABINET SUBMISSION

23/527

Title	Water recovery agreement with the Australian Government
Meeting type	Expenditure Review Committee
Minister	Shane Rattenbury MLA Minister for Water, Energy and Emissions Reduction
Cabinet date	Monday, 9 October 2023
Status	EXPOSURE DRAFT
Relationship to previous decisions	3 July 2019, 19/333/ECD, ACT Government participation in the Murray Darling Basin Water Infrastructure Program 29 October 2019, 19/499CAB, Water Efficiency Initiative: ACT Government participation in the Murray Darling Basin Water Infrastructure Program
Purpose	To seek Cabinet endorsement to enter into an agreement with the Australian Government to meet the ACT Government's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT
Category	Category 2 - Cabinet business
Financial impact	Yes
Treasury agreement	Yes Date provided for Treasury agreement to financial implications: 04/08/2023 Date of Treasury agreement Click or tap to enter a date.: 17/08/2023
Is ERC consideration required?	Yes If yes, select ERC meeting date: Monday, 9 October 2023
Legislative change	No - change to legislation not required
Regulatory impact	Yes Minor amendments to update two Disallowable Instruments under the <i>Water Resource Act 2007</i>
Wellbeing Impact Assessment	Yes
Primary Wellbeing Domain	Environment and climate

RECOMMENDATIONS

1) I recommend Cabinet agree:

- a. that the Minister for Water, Energy and Emissions Reduction execute the agreement at Attachment A with the Australian Government, which will provide for:
 - i. the ACT Government to meet its commitment under the Murray-Darling Basin Plan to deliver the Shared Reduction Amount of 4.9 GL of ACT surface water per year to the Commonwealth Environmental Water Holder (CEWH) for environmental purposes;
 - ii. the ACT Government to contribute further to Murray-Darling Basin environmental outcomes by delivering an additional 1.46 GL of ACT surface water per year to the CEWH for environmental purposes;
 - iii. the Australian Government to make a one-off payment of \$58.83 million to the ACT by June 2024, in accordance with the investment principles set out in the Australian Government's Strategic Water Purchasing Framework;
- b. that the funding received from the water recovery agreement, [subject to further Expenditure Review Committee consideration], will be used to offset the expenditure needed to implement a Water Security Investment Plan based on the outline at Attachment B, that would ensure positive impacts from the Agreement;
- c. the Minister for Water, Energy and Emissions Reduction will provide the detail of the expenditure profile for the Water Security Investment Plan as part of the 2024-25 budget considerations.
- d. The Minister for Water, Energy and Emissions Reduction will bring back to Cabinet a further submission on the outcomes of modelling for ACT's water security and resilience to changing climatic conditions. This will included projected dam storage levels through to 2050;
- e. the Minister for Water, Energy and Emissions Reduction will table minor amendments to update two disallowable instruments under the *Water Resources Act 2007* (ACT), as outlined in Attachment D;

2) I recommend Cabinet agree to:

- a. Table 1: Financial impacts summary; and
- b. Table 2: Implementation milestones and timeframes.

3) I recommend Cabinet note that:

- a. granting entitlements for 6.36 GL to CEWH would meet the ACT's 4.9 GL Shared Reduction Amount water recovery commitment in full and provide 1.46 GL additional water for environmental purposes;
- b. the proposed 6.36 GL of water recovery is equivalent to reductions in the ACT's annual net take that can be achieved through water efficiency measures, as identified through technical investigations and consultation with Icon Water and stakeholders (Attachment B);

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- c. recent investigations highlight the severity of climate induced risk to the Territory's water security and that water efficiency measures and investigations into alternative water supply options are needed to improve the ACT's drought and climate resilience;
- d. the proposed water recovery volume of 6.36 GL would be available from the Lower Molonglo water management area downstream of ACT urban areas, urban water supplies and sewage treatment plants (see map at [Attachment C](#)); and accordingly is not required for ACT urban water supply purposes now or in the future;
- e. any entitlements granted would be subject to the conditions outlined in [Attachment D](#);
- f. if the delegate under the *Water Resources Act 2007* (ACT) grants the entitlements, the Australian Government would make a one-off payment of \$58.83 million after the grant of entitlements, by June 2024, based on the upper bound market price for NSW High Security Entitlements within the Regulated Murrumbidgee Water Source, which is currently \$9,250 per ML;
- g. Australian Government funding for strategic water purchases is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment; and
- h. the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area by subtracting 4.9 GL from the annual permitted take, without payment for recovery;
- i. the Murray-Darling Basin Authority has agreed, in the letter at [Attachment E](#), that the ACT's Baseline Diversion Limit and Sustainable Diversion Limit will be reassessed through the 2026 Basin Plan review;

4) I recommend Cabinet note:

- a. the advice to the Chief Minister on the release of the Cabinet Decision Summary ([Attachment G](#)) as required under Section 23 of the *Freedom of Information Act 2016*; and
- b. the following summaries to be released:
 - i. Cabinet agreed to the ACT Government entering into an agreement with the Australian Government to meet the ACT's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT; and
 - ii. the agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT.

SUPPORTING ARGUMENT

BACKGROUND

- 1) The Murray-Darling *Basin Plan 2012* is a statutory instrument under section 44(3)(b)(i) of the *Water Act 2007* (Cth). It sets out the amount of water that can be taken from each area of the Basin, with the aim of achieving environmentally sustainable management of Basin water.
- 2) The Basin Plan requires the take of water to be reduced from the Baseline Diversion Limit (BDL) to a long-term Sustainable Diversion Limit (SDL) for each water resource area in the Basin, including the ACT water resource area. The Inspector-General of Water Compliance and the Murray-Darling Basin Authority (MDBA) monitor and report on SDL compliance.
- 3) In committing to the Basin Plan, the ACT Government agreed to limit the net take of water in the ACT to the SDL. Consistent with this commitment, section 17(3) of the *Water Resources Act 2007* (ACT) and Schedule 1 of the Water Resources (Water Available from Areas) Determination 2019 (No 2) specify the SDL as the limit for water take in the ACT.
- 4) To fulfil its commitment to reduce the take of surface water in the ACT from the BDL (58.34 GL/year) to the SDL (53.44 GL/year), the ACT Government needs to provide a permanent water entitlement for 4.9 GL/year to the Commonwealth Environmental Water Holder (CEWH). This volume is called the Shared Reduction Amount for 'Bridging the Gap' between the BDL and the SDL.
- 5) In committing to the Basin Plan, the ACT Government also agreed to a Basin-wide target of achieving 450 GL of annual water savings through water efficiency measures, to improve environmental outcomes as set out in Schedule 5 of the Basin Plan.
- 6) Since 2012 the ACT Government has explored several options to meet its 4.9 GL commitment and achieve additional water savings, while minimising risks and securing funding to improve the ACT's water security.
- 7) From 2019 the Commonwealth Off-Farm Water Efficiency Program funded investigations which identified a suite of water efficiency measures that could reduce demand by at least 4.9 GL. The Commonwealth Off-Farm Water Efficiency Program was not designed for urban water efficiency measures. As a result, and despite consistent attempts from the ACT Government, the cost of improving water security while meeting the water recovery commitment could not be met through that program.

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- 8) In February 2023, the Australian Government announced that it is seeking to finalise all Bridging the Gap commitments by 2024 through its Strategic Water Purchasing Framework. This presents a new opportunity for the ACT to meet its 4.9 GL water recovery commitment and receive Australian Government funding for water security measures.
- 9) Delivering a further 1.46 GL to the CEWH would secure additional funding (\$13.5 million) from the Australian Government. This would enable the ACT to implement more of the water efficiency measures that are needed to build the ACT's water security and resilience to changing climatic conditions. This funding would also be able to partially offset the cost of investigating water supply diversification options.
- 10) Providing the additional 1.46 GL water entitlement will also contribute to the overall Basin Plan target of achieving an additional 450 GL water recovery through water efficiency measures.
- 11) The Environment, Planning and Sustainable Development Directorate (EPSDD) wrote to the Australian Government's Department of Climate Change, Energy, the Environment and Water (DCCEEW) in May 2023, with a proposal for meeting the 4.9 GL water recovery commitment and providing a further 1.46 GL through the Strategic Water Purchasing Framework.
- 12) In August 2023, DCCEEW provided the draft agreement at Attachment A for the ACT Government's consideration. The Murray-Darling Basin Authority also provided the letter at Attachment E, which gives assurances on future work to recognise the ACT's water resources in full and mitigate risks to the ACT's water security.

ISSUES & OPTIONS

Objectives of proposed agreement

- 13) In negotiating the agreement at Attachment A, the ACT Government's objectives were to:
 - a. fulfil the ACT Government's water recovery commitment under the *Basin Plan 2012* without compromising the ACT's water security;
 - b. ensure that no water that is used for urban purposes is transferred out of the ACT;
 - c. ensure that granting the entitlements to the CEWH will have a positive or neutral impact on the ACT's long-term ability to comply with its SDL on annual net take of surface water;
 - d. secure funding to offset the cost of water security measures, by satisfying the Australian Government's Strategic Water Purchasing Framework investment principles;

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- e. improve the ACT's water security, which includes the quantity, quality and affordability of the ACT's water supply; and
- f. improve environmental outcomes in the ACT and the Murray-Darling Basin.

[Fulfilling the ACT's water recovery commitment under the Basin Plan](#)

14) The proposed agreement at [Attachment A](#) provides for the ACT to:

- a. fulfil its commitment under the Basin Plan to deliver the Shared Reduction Amount of 4.9 GL of ACT surface water per year to the CEWH for environmental purposes; and
- b. contribute further to Murray-Darling Basin environmental outcomes by delivering 1.46 GL of additional ACT surface water per year to the CEWH for environmental purposes.

15) If the ACT does not fulfil this commitment by June 2024, there will be several adverse consequences for the ACT:

- a. the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area, by subtracting 4.9 GL from the annual permitted take, without payment for water recovery;
- b. other jurisdictions will perceive the ACT to be avoiding its responsibilities under the Murray-Darling Basin Agreement. This will make it more difficult to resolve water management issues with other jurisdictions and improve water security in the ACT.

16) If the agreement is signed by both parties, the CEWH would apply under the *Water Resources Act 2007* (ACT) (ACT Water Act) for permanent water access entitlements for 6.36 GL of ACT surface water. The CEWH's application for entitlements to meet the water recovery commitment would be assessed by the ACT Environmental Protection Agency, consistent with the Reasonable Use Guidelines (DI2007-194) in force under section 18 of the ACT Water Act.

17) It is proposed that the entitlement would be granted from the Lower Molonglo water management area in the ACT. The water would be from the unregulated water source (i.e. not from dams), at the southern extent of the ACT and cannot be used for urban water supply. The CEWH would use the water downstream of the ACT within the broader Southern Connected Basin. The water would be accounted at the Halls Crossing flow gauge in NSW.

18) Under the *Water Resources (Water available from areas) Determination 2019 (No 2)*, sufficient water is available for take within the Lower Molonglo water management area. This has been confirmed through review of the ACT entitlement register.

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- 19) Any entitlements granted to the CEWH would be subject to conditions as outlined in Attachment D. To facilitate this, the Minister for Water, Energy and Emissions Reduction is required to table minor amendments to update two disallowable instruments under the ACT Water Act, as outlined in Attachment D.
- 20) Legal advice provided by the ACT Government Solicitor in October 2020 confirmed that the ACT Water Act allows for water access entitlements to be granted to the CEWH to use in-stream for environmental purposes, even if that use is outside the ACT. The advice also confirmed that because the CEWH will not abstract water from any waterway in the ACT, the ACT will not need to issue a water access licence to the CEWH, nor will the CEWH be liable to pay any water abstraction charge to the ACT.
- 21) To enable the CEWH to use the water for environmental purposes downstream of the ACT, the Murray-Darling Basin Authority will need to amend water accounting protocols under the Murray-Darling Basin Agreement and the NSW Government will need to make amendments to relevant water sharing plans and water accounting arrangements. The relevant agencies are currently drafting and seeking advice and approvals for these amendments.
- 22) When the Murray-Darling Basin Authority and NSW agencies have made these amendments, NSW will credit 6.36 GL per year into a CEWH account in Burrinjuck Dam, for CEWH to use as needed for environmental purposes. These changes to Basin water accounting protocols and NSW water management arrangements will enable the CEWH to use the water outside the ACT, but the ACT is not dependent on these arrangements being in place. The ACT will have met its water recovery commitment under the Basin Plan as soon as it has granted the water access entitlements to CEWH.
- 23) The Murray-Darling Basin Authority is currently conducting a technical review of the reliability, or Long-Term Diversion Level Equivalent (LTDLE) Factor, of the ACT water entitlements and is expected to provide a final decision on this in November 2023, but the agreement is not dependent on the LTDLE Factor.
- 24) The draft funding agreement at Attachment A specifies that granting entitlements for 6.36 GL to CEWH would meet the ACT's 4.9 GL Shared Reduction Amount water recovery commitment in full and provide 1.46 GL additional water for environmental purposes.

Water not used for urban purposes

- 25) The ACT Government must not transfer any “water or water entitlement that is used for urban purposes” for use outside the ACT, unless that volume of water has been transferred into the ACT from another State. This is specified in Clause 9(3), Schedule E of Schedule 1 (Murray Darling Basin Agreement), Water Act 2007 (Cth).
- 26) Accordingly, any entitlements for ACT water granted to the CEWH must only be for water that is not used for urban purposes.
- 27) The proposed 6.36 GL water entitlement is not used for urban purposes and will not need to be used for urban purposes in the future for the following reasons:
- a. Water will not be taken from urban water supply dams or catchments:-The ACT will not hold, release or change water flows from urban water supply dams or catchments in the ACT to deliver water under any entitlements for CEWH. The entitlements would only be granted from an “unregulated” water source, that is, a river rather than a dam, downstream of the urban water supply system.
 - b. Water entitlement would be from the Lower Molonglo: - It is not feasible for the ACT to use the water for urban purposes at this point. The water will flow out of the ACT even if no entitlements have been granted to CEWH. If treated wastewater were recycled in future, it would be extracted upstream of this point, and sufficient water would still flow past this point to satisfy the 6.36 GL entitlement.
 - c. Actual net take will remain within the SDL:- Modelling conducted by eWater indicates that actual net take will remain within the SDL beyond 2146 even under a scenario of high climate change (3 degrees C) and an ACT population of 1.3 million.
 - d. Even in dry years, water available exceeds 6.36 GL: - modelling from the stream flow gauge at Halls Crossing in NSW indicates that a minimum volume of approximately 30 GL of unallocated ACT water flows out of the ACT in all years. The modelling shows that on average, more than 200 GL of unallocated ACT water flows out of the ACT.

Australian Government funding

- 28) The proposed agreement at Attachment A provides that the Australian Government would make a one-off payment to the ACT after the entitlements have been granted to the CEWH.

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- 29) The funding amount is based on the upper bound market price for NSW High Security Entitlement within the Regulated Murrumbidgee Water Source. This would be a payment of \$58.83 million, based on the current upper bound market price of \$9,250 per ML. The NSW High Security Entitlement has a comparable level of resource reliability (LTDLE factor) to the proposed ACT water entitlement.
- 30) The proposed funding agreement satisfies the investment principles set out in the Australian Government Strategic Water Purchasing Framework, in that it provides eligible entitlements, achieves the SDL at an appropriate market rate and can deliver environmental utility.
- 31) This funding is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment under the Basin Plan. The ACT will only receive the funding if the agreement is concluded and entitlements granted by 30 June 2024.
- 32) Investing the funding received from the Australian Government to implement a Water Security Investment Plan (Attachment B) would result in positive impacts for the ACT's water security, drought resilience and water affordability.
- 33) Subject to Cabinet agreement, the Minister for Water, Energy and Emissions Reduction would provide the detailed expenditure profile for the Water Security Investment Plan as part of the 2024-25 budget considerations.

Improving the ACT's water security

Investing in water security planning and management

- 34) Developing a Water Security Investment Plan based on the outline at Attachment B will improve the long-term water security of the ACT, including the environmental sustainability, economic sustainability, affordability and climate resilience of the ACT's water resources.
- 35) Water resource assessments currently being conducted by the ACT Office of Water, and those recently conducted by Icon Water, indicate that the ACT's water security remain highly vulnerable to future pressures including drought, climate change and population growth.
- 36) Preliminary modelling results by the ACT Office of Water indicate a decline in the long-term mean annual flows in ACT waterways by about 30% and 45% under more likely and worst-case climate change scenarios respectively, by the year 2050. Without water efficiency measures,

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water restrictions or supply augmentation, Icon Water modelling indicates that this could result in minimum active dam storages dropping to 14% and 0% respectively by 2050.

- 37) Icon Water proposed some water security investment in its 2022-23 submission to the Independent Competition and Regulatory Commission (ICRC). The ICRC water price determination did not incorporate the costs of all the investment proposed by Icon Water. The Icon Water proposed water security measures remain unfunded.
- 38) An outline of measures that could be used to provide water security for the ACT is at Attachment B. The measures can be broadly described as: water resource planning; demand management; investigations into supplementary water supplies; and environmental improvement.
- 39) These water security measures are based on technical investigations funded by the Commonwealth Off-Farm Water Efficiency Program, consultations with Icon Water and other stakeholders, and Icon Water's draft Drought Management Plan.
- 40) Icon Water's drought management planning has identified that water security measures are required irrespective of the proposed water recovery agreement. Completing the proposed measures will improve water security through water conservation, reduction in water consumption per capita and diversification of water supply options.
- 41) Using Australian Government funds for these water security measures would offset costs for water security planning and management that would otherwise need to be met by the ACT Government budget and by ACT water users through water price determinations (for potable water use) and Water Abstraction Charges (for potable and non-potable water use).
- 42) Implementing water efficiency measures will slow the growth of Icon Water and ACT Government revenue during the implementation period, as outlined in the Financial Impacts section below. Modelling indicates that the impacts will be relatively small compared with total water revenues and relatively short-term due to future population growth in the ACT.

Reassessment of Basin Plan limits for the ACT

- 43) The Murray-Darling Basin Authority has agreed, in the letter at Attachment E, that the ACT's BDL, SDL and water accounting protocols will be re-assessed through the 2026 Basin Plan review, to take account of improved data and modelling, establish a more accurate representation of the ACT water resource and examine how increased urban runoff since 2009 should be recognised in water accounts.

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- 44) This re-assessment of the BDL and SDL will contribute further to assuring the long-term water security for the ACT and maintaining the ACT's paramount rights to water resources proclaimed under the *Seat of Government Acceptance Act 1909* (Cth).

Improving environmental outcomes in the ACT and the Murray-Darling Basin

- 45) Using the revenue from the proposed agreement to implement water security measures will improve environmental outcomes in the ACT's waterways, for example by reducing inefficient use of water.
- 46) The EPSDD Office of Water will monitor, evaluate and report on the environmental outcomes of the agreement and investment in water security, through annual public reports under the ACT Water Strategy.

FINANCIAL IMPACT

- 47) If agreed, the Australian Government would make a one-off payment of \$58.83 million to the ACT Government on the granting of the water entitlements to CEWH.
- 48) If the ACT Government only granted an entitlement to the Shared Reduction Amount of 4.9 GL, the ACT would only receive \$45.3 million. This would only partly meet the cost of water efficiency measures and water security planning. It would not be sufficient to complete investigations for water supply diversification.
- 49) Delivering a further 1.46 GL to the CEWH would secure an additional \$13.5 million and would enable the ACT to achieve at least 6.36 GL in water savings through efficiency measures. The additional investment could support water supply investigations to build the ACT's water security and resilience to changing climatic conditions.
- 50) This Submission seeks Cabinet's agreement that, subject to further consideration by Expenditure Review Committee, revenue received through this agreement is used to offset the expenditure to improve the ACT's water security, by implementing a Water Security Investment Plan based on the outline at Attachment B.
- 51) Table 1 identifies the anticipated revenue from the proposed agreement. The Minister for Water, Energy and Emissions Reduction would provide the detail of the expenditure profile for the Water Security Investment Plan as part of the 2024/25 budget process that would be offset by this revenue.

Table 1: Financial impacts summary

	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	2026-27 \$'000	Total \$'000
Revenue/savings/offsets impacts	58.8	0	0	0	58.8
– Revenue					
Foregone WAC revenue (based on achieving 6.36 GL water savings by 2034/35)	-0.5	-0.8	-1.3	-1.8	-4.4
Expenditure on water efficiency and security measures	TBC	TBC	TBC	TBC	TBC

- 52) The Water Abstraction Charge raises revenue to recover water planning and management costs incurred by the ACT Government. In 2021-22, \$29.8M of revenue was raised through this charge on water users. Expenditure on water planning and management reported to the Australian Competition and Consumer Commission (ACCC) for the 2021-22 year was \$11.8M. If the ACT Government does not secure and reinvest the Australian Government funding for water recovery, it will be necessary to reassess the level of cost recovery and investment of revenue from Water Abstraction Charge to improve the ACT's water security.
- 53) Modelling conducted by Frontier Economics indicates that implementing water security measures is projected to have minimal net impacts on Icon Water's profitability, slightly slow the growth in ACT Government revenue from Water Abstraction Charges and increase water prices for customers but not necessarily their total bills. The impact on water customers would depend on the effect of water efficiency measures on individual water usage. These impacts are described in Attachment I and summarised below.
- 54) If water efficiency measures save 6.36 GL by 2034 and the Independent Competition and Regulatory Commission (ICRC) increases customers' water prices to mitigate Icon Water's decline in revenue per dwelling:
- the ACT Government's revenue from the Water Abstraction Charge would not decline as a result of implementing water security measures, but would not increase at the same rate as the base case of no water efficiency or savings;
 - the ACT Government's revenue from the Water Abstraction Charge, which Icon Water pays and passes on in full to customers, is projected to be 10.7% less than the base case of

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no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, which is equivalent to \$4.5m in \$2023/24 dollars) and remain 10.7% lower than base case after that;

- c. if 10% of the 6.36 GL water savings are achieved from non-potable water use, the foregone nominal revenue in 2034-35 will be approximately \$5.6m instead of \$5.9m;
- d. the revenue impacts are directly proportional to the total volume of water saved in the ACT, thus saving 4.9 GL would result in a revenue reduction of 8.2% (\$4.5m foregone nominal revenue in 2034/35) and the additional saving of 1.46 GL (to deliver the full proposed 6.36 GL) would result in a revenue reduction of 2.5% (\$1.4m foregone nominal revenue in 2034/35);
- e. Icon Water's revenue (excluding the pass-through of the Water Abstraction Charge) is projected to be 0.48% less than the base case of no water savings by 2034/35, (\$1.23m foregone nominal revenue in 2034/35, which is equivalent to \$0.94m in \$2023/24 dollars) however this will be offset by an equivalent reduction in operational expenditure, meaning there will be no net impact on Icon Water's profitability;
- f. customers' water bills will vary depending on whether their water usage is reduced through the suite of water efficiency measures outlined in Attachment B;
 - i. a typical residential customer's bill is projected to increase by 6% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 12.6% (from 200 kL to 175 kL per year);
 - ii. the bill of a residential customer with high water usage is projected to increase by 8% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 8.4% (from 300 kL to 275 kL per year);
 - iii. the bill of a commercial customer with high water usage is projected to increase by 12% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 11.4% (from 1,000 kL to 886 kL per year);
 - iv. price impacts on customers would be nearly proportional to the total volume of water saved in the ACT, with slight variations due to the two-tier structure of water usage charges;

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- v. the relative impacts on customers of the ACT saving 0 GL, 4.9 GL, 1.46 GL and 6.36 GL are summarised in Tables 2 and 3.

Table 2: Change in bills if customer's water usage remains constant

Type of customer	Impact type	Total water savings achieved in ACT			
		0 GL	4.9 GL	1.46 GL*	6.36 GL
Residential customer – typical water usage	Bill amount	\$1,733.51	\$1,808.42	NA	\$1,834.73
	Increase in bill	\$0	\$74.91	\$26.31	\$101.22
	% bill increase	0%	4.3%	1.7%	6%
Residential customer – high water usage	Bill amount	\$2,435.62	\$2,585.72	NA	\$2,638.44
	Increase in bill	\$0	\$150.10	\$52.72	\$202.82
	% bill increase	0%	6.2%	1.8%	8%
Commercial customer – high water usage	Bill amount	\$7,350.38	\$8,026.82	NA	\$8,264.39
	Increase in bill	\$0	\$676.44	\$237.57	\$914.01
	% bill increase	0%	9.2%	2.8%	12%

* 1.46 GL water recovery can only be additional to 4.9 GL SRA, so bill amount is not applicable for 1.46 GL.

Table 3: Change needed in customer's water usage to keep bill constant

Type of customer	Total water savings achieved in ACT			
	0 GL	4.9 GL	1.46 GL	6.36 GL
Residential customer – typical water usage	0%	-9.7%	-2.9%	-12.6%
Residential customer – high water usage	0%	-6.4%	-2%	-8.4%
Commercial customer – high water usage	0%	-8.7%	-2.7%	-11.4%

- 55) Water consumers' costs would rise if efficiency measures were mandated but not funded by government. This Submission proposes that efficiency measures be funded, at least in part, through revenue received from the Australian Government, so that the full implementation of the water security measures is not passed on to consumers. This means that consumers can reduce their water consumption, and potentially their water use bills, without needing to meet the full upfront cost of water efficiency measures. This will improve water affordability in the ACT, particularly for low-income households and high water use households and businesses.

WELLBEING IMPACT SUMMARY

- 56) The proposed agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT. A Wellbeing Impact Assessment is at [Attachment H](#).

CONSULTATION

[External stakeholders](#)

- 57) EPSDD Office of Water has consulted with relevant Australian and NSW Government agencies, including DCCEEW, the MDBA, CEWH and NSW Department of Water. Those agencies have commenced the administrative and regulatory actions that are needed to enable the CEWH to use the volume of water granted by the ACT for environmental purposes downstream of the ACT.
- 58) EPSDD will consult relevant external stakeholders, such as key water users, when developing a detailed Water Security Investment Plan, which will be prepared for consideration through the 2024-25 Budget process.

[ACT Government agencies](#)

- 59) EPSDD Office of Water has consulted with relevant areas of CMTEDD (Policy and Cabinet, Treasury and the Environment Protection Agency) in developing this submission.
- 60) EPSDD Office of Water has consulted with Icon Water in relation to the Water Security Investment Plan Outline. These discussions confirmed the imperative to implement new measures and alignment in water security planning.
- 61) EPSDD will continue to work closely with Icon Water and will consult with ACT Treasury and TCCS Urban Services to develop a detailed Water Security Investment Plan, which EPSDD will submit for approval in the 2024-25 budget process.
- 62) The Table of Comments is at [Attachment E](#).

MEDIA/COMMUNICATIONS

- 63) No media announcement is proposed at this stage. A joint announcement may be made with the Australian Government when the agreement is executed by both parties, when entitlements have been granted or when funding is received from the Australian Government.

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- 64) A future media announcement could be made on the Government's investment into water security measures and addressing cost of living pressures for urban water supply, subject to 2024-25 Budget consideration.

IMPLEMENTATION

- 65) Table 2 outlines the timetable for execution of the agreement and subsequent steps.

Table 2: **Implementation milestones and timeframes**

Milestones	Date to be completed
1. ACT and Australian Government Ministers execute water recovery agreement	November 2023
2. CEWH applies for water entitlement	November 2023
3. Delegate for Water Resources Act decides on entitlement application	December 2023
4. Minor changes to Disallowable Instruments under <i>Water Resources Act 2007</i>	December 2023
5. If entitlements are granted, payment is received from Australian Government	Early 2024
6. Water Security Investment Plan considered in 2024/25 Budget process	Early 2024
7. Implementation of Water Security Investment Plan commences	July 2024

HUMAN RIGHTS IMPACT

- 66) The proposal is consistent with the *Human Rights Act 2004*.

Minister's signature  Date 21/8/23

ATTACHMENTS

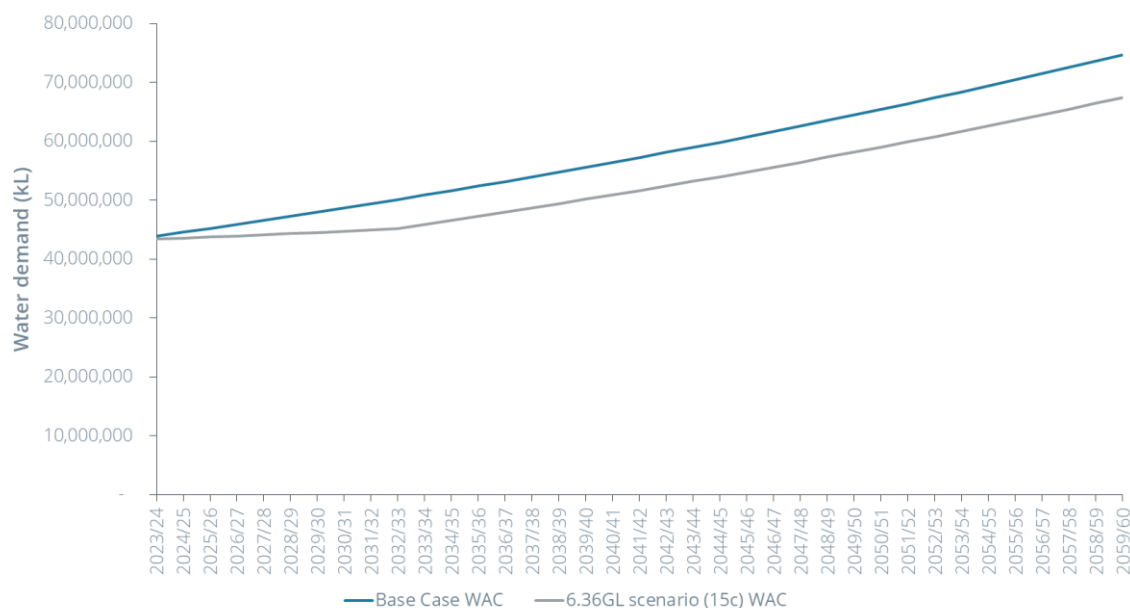
A	Proposed water recovery agreement with the Australian Government
B	Water Security Investment Plan Outline
C	Map of ACT Waterways
D	Example Water Access Entitlement and proposed amendments to Disallowable Instruments under the <i>Water Resources Act 2007</i> (ACT)
E	Letter from Murray-Darling Basin Authority dated 26 July 2023
F	Table of comments
G	Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary
H	Wellbeing Impact Assessment
I	Modelled impacts of water recovery on revenue and customers' bills

Modelled impacts of water recovery on revenue and customers

Modelling conducted by Frontier Economics indicates that implementing water efficiency measures is likely to have the following financial impacts. The results presented below are for implementing a set of efficiency measures for potable water use that achieve a total of 6.36GL in water savings after ten years (with incremental implementation of 0.636GL per year). The summaries also outline the implications of achieving some of the water savings through non-potable water efficiencies.

1. **Water Demand / Volume delivered:** The water efficiency measures would reduce the total water demand (i.e. the volume of water that Icon Water delivers to its customers) as compared to a base case (in the absence of the efficiency measures). As shown in Figure 1, over the 10-year period that the efficiencies are being implemented the total volume delivered only slightly increases, whereas more growth is expected in the base case (given population growth and the resultant increase in Icon Water customers).

Figure 1: Icon Water volume delivered (100% potable water scenario)



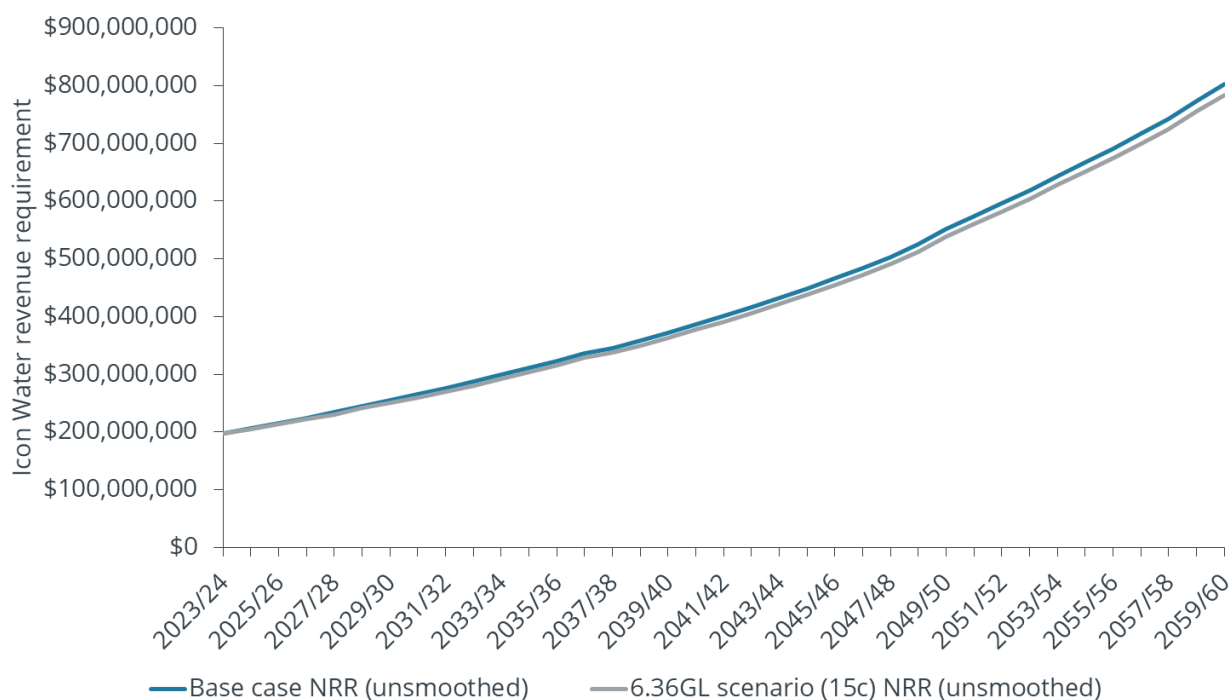
Source: Frontier Economics

- 1.1. If some of the water savings are achieved through non-potable water efficiencies, there will be proportionally less decline in water volumes delivered by Icon Water, compared with the base case. For example, if 10% of the water savings (0.636 GL) are made from non-potable water use and 90% (5.734 GL) from potable water use, the volume delivered by Icon Water would decline by 5.734 GL rather than by 6.36 GL.
- 1.2. Non-potable water use comprises only 10% of the ACT's total net annual take of water (2 GL from a total of 22 GL net take in typical rainfall years) so it is unlikely that significantly more than 10% of the water savings can be achieved from non-potable water use.

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2. **Icon Water's Revenue:** As shown in Figure 2, the impacts on the Icon Water's revenue are limited as most of the change in revenue requirement is expected to be met through changes in the water tariffs determined by the Independent Competition and Regulatory Commission (ICRC).¹ There are also some savings from reduced operating and Water Abstraction Charges. Figure 2 shows Icon Water revenue to 2060 for (a) base case and (b) saving 6.36 GL water by 2034, with ICRC tariff adjustments. Table 1 presents the corresponding 10-yearly figures.

Figure 2: Icon water revenue impacts (100% potable water scenario)



Source: Frontier Economics

Table 1: Net revenue (unsmoothed, nominal) – 15c/kL² opex savings, ICRC tariff changes

	2029/30	2039/40	2049/50	2059/60
Base case	\$254.7m	\$371.7m	\$551.6m	\$802.3m
Difference from base to 6.36 GL scenario	-\$3.8m	-\$8.7m	-\$12.9m	-\$19.3m
% difference to 6.36GL scenario	-1.5%	-2.3%	-2.3%	-2.4%

Source: Frontier Economics

¹ The ICRC uses Icon Water's net revenue requirement in conjunction with the ICRC's final decision on demand forecasts, to calculate the prices to be charged for water and sewerage services.

² Icon Water advised Frontier Economics in 2020-21 that Icon Water's variable costs will reduce by \$0.15/kL of water savings (adjusted annually for inflation).

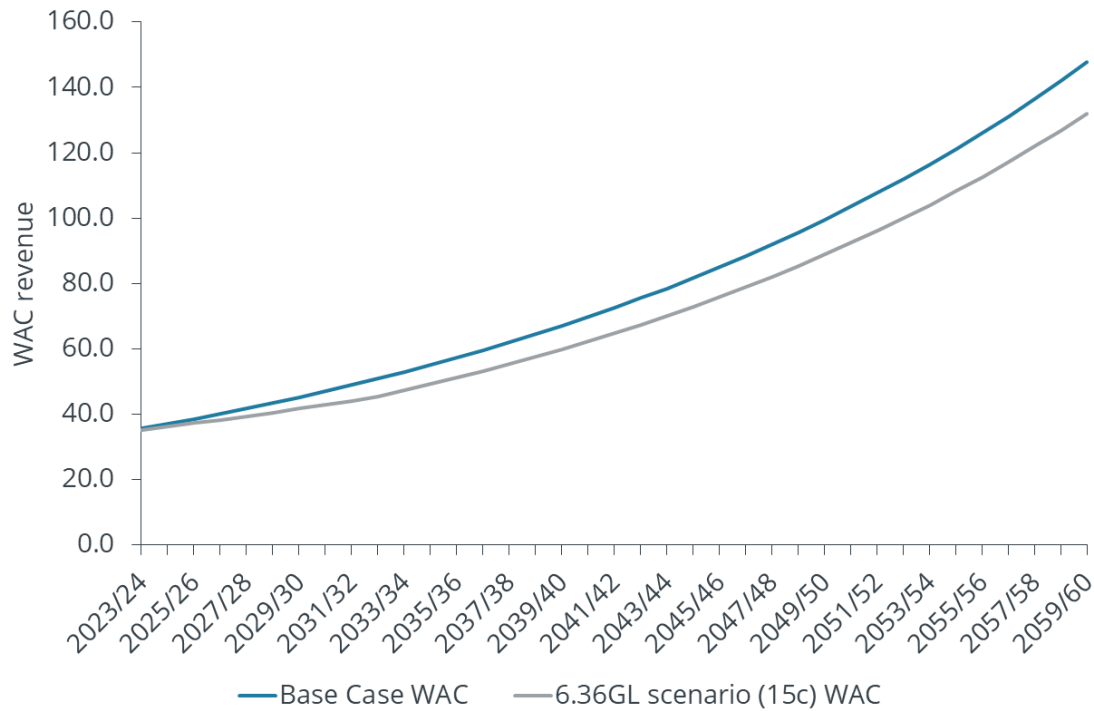
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- 2.1. If no water efficiency measures are introduced, Frontier Economics' modelling projects that Icon Water's revenue would grow annually by inflation plus the projected 1.49% annual increase in the number of dwellings in the ACT.
 - 2.2. If potable water efficiency measures save 6.36 GL by 2034 and ICRC price determinations increase customers' water prices to meet Icon Water's revenue requirement despite the overall decline in water usage, Icon Water's revenue is projected to increase at a lower rate until 2034. The flatter growth in revenue to 2034 is in line with delivering around 1% less water per dwelling per year while the number of dwellings is increasing by 1.49% per year. After 2034, water usage per dwelling is assumed to remain constant and Icon Water's revenue is projected to grow annually in line with inflation plus the projected 1.49% annual increase in the number of dwellings in the ACT.
 - 2.3. Improving water efficiency will reduce Icon Water's revenue in 2039/40 at the base case tariffs by \$45.1m. ICRC price regulation enables tariffs to adjust (increase), which would offset \$34.3m at new demand. Reduced water take also reduces the Water Abstraction Charges payable to ACT government by \$7.2m, and reduced operating costs (e.g. water treatment) will result in \$1.5m savings in operational expenditure³. Overall, this scenario leads to an \$8.7m reduction in Icon Water revenue at 2039/40 — a 2.3% difference. The \$8.7m reduction in Icon Water's revenue will however be offset for Icon Water by the \$8.7m reduction in expenditure on Water Abstraction Charges and operational costs.
 - 2.4. Icon Water's revenue excluding the pass-through of the Water Abstraction Charge is projected to be 0.48% less than the base case of no water savings by 2034/35, (\$1.23m foregone nominal revenue in 2034/35, which is equivalent to \$0.94m in \$2023/24 dollars) but this will be offset by an equivalent reduction in operational expenditure, meaning there will be no net impact on Icon Water's profitability.
 - 2.5. Similarly, there will be no net impact on Icon Water's profitability if some of the water savings are made from non-potable water use.
 - 2.6. Improving water efficiency may delay Icon Water's capital expenditure on new water supply infrastructure but this has not been modelled.
3. **ACT Govt Revenue impacts:** As shown in Figure 3, the water efficiency measures will also reduce Water Abstraction Charge payments to the ACT Government, since lower water deliveries require lower water take compared to the base case. Table 2A provides 10-yearly figures, assuming 100% of the savings are achieved from potable use.
- If some of the water savings are achieved through non-potable water efficiencies, there will be a slightly smaller difference in revenue compared with the base case. The current abstraction charge for urban water is \$0.69 per kL whereas the current abstraction charge for non-potable water is \$0.334 per kL. Based on this fee structure, if 10% of the savings are achieved from non-potable water use, the difference in revenue compared with base case in 2034/35 will be approximately \$5.6m instead of \$5.9m.

³ Icon Water advised Frontier Economics in 2020-21 that Icon Water's variable costs will reduce by \$0.15/kL of water savings (adjusted annually for inflation).

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Figure 3: WAC revenue (100% potable water scenario)



Source: Frontier Economics

Table 2A: Water Abstraction Charge revenue – 10-yearly change compared with base case

	2029/30	2039/40	2049/50	2059/60
Base case	\$45.2m	\$67.1m	\$99.5m	\$147.7m
Difference from base to 6.36 GL scenario	-\$3.5m	-\$7.2m	-\$10.7m	-\$15.8m
% difference to 6.36GL scenario	-7.8%	-10.7%	-10.7%	-10.7%

Source: Frontier Economics

Table 2B: Water Abstraction Charge revenue – Breakdown of change as at 2034/35

Water recovery scenario	Volume saved	WAC difference from base case	% difference from base case
Base case – zero	0 GL	\$0	0%
Shared Reduction Amount	4.9 GL	-\$4.5m	-8.2%
Additional recovery volume	1.46 GL	-\$1.4m	-2.5%
Total proposed recovery volume	6.36 GL	-\$5.9m	-10.7%

Source: Frontier Economics

Note: Tables 2A and 2B assume operational costs of 15c/kL⁴

⁴ Icon Water advised Frontier Economics in 2020-21 that Icon Water's variable costs will reduce by \$0.15/kL of water savings.

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- 3.1. If no water efficiency measures are introduced, the ACT Government's revenue from the Water Abstraction Charges that Icon Water pays is projected to grow annually by approximately 4% in line with inflation (2.5%) plus the projected 1.49% increase in the number of dwellings in the ACT.
- 3.2. If water efficiency measures save 6.36 GL by 2034, the ACT Government's revenue from the Water Abstraction Charge that Icon Water pays and passes on in full to customers, is projected to be 10.7% less than the base case of no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, which is equivalent to \$4.5m in \$2023/24 dollars). After 2034, ACT revenue from the Water Abstraction Charge is projected to remain 10.7% lower than base case while growing in line with inflation plus dwelling numbers.
- 3.3. Table 2B provides a breakdown of the difference in Water Abstraction Charge revenue as at 2034/35, for the scenario of achieving 6.36 GL water savings by that date. The revenue impacts are directly proportional to the water savings volumes.
- 3.4. As with the change in water demand, in real terms the WAC revenue increases slightly over the period when the efficiencies are implemented, whereas more growth is expected in the base case.
4. **Price impacts on customers:** Although price rises would result from the efficiency measures, the impact on a particular customer depends on how their demand interacts with the efficiency measures. Tables 3 to 10 depict the potential impacts on residential customers with typical and high water usage and on non-residential customers using 1,000 kL and 5,000 kL per year, resulting from the ACT saving 4.9 GL or 6.36 GL from potable water efficiency measures. The price impacts on customers vary based on whether the customer reduces their own water usage through water efficiency measures. The third column in each table identifies by what percentage the example customer would need to reduce their water usage, to keep their water bill constant.
5. Price impacts on customers would be nearly proportional to the total volume of water saved in the ACT, with variations due to the two-tier structure of water usage charges. The relative impacts on customers' bills that would result from the ACT saving 0 GL, 4.9 GL, 1.46 GL or 6.36 GL from potable water efficiency measures focused are summarised in Tables 11 and 12.

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Table 3: 6.36 GL saved – Change in typical residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	175 kL
Tier 2 Usage Charge	0 kL	0 kL	0 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-12.6%
Annual Bill (2034/35)	\$1,733.51	\$1,834.73	\$1,733.51
Percentage change in bill	0%	6%	0%

Table 4: 6.36 GL saved – Change in large residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	100 kL	100 kL	75 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-8.4%
Annual Bill (2034/35)	\$2,435.62	\$2,638.44	\$2,435.62
Percentage change in bill	0%	8%	0%

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Table 5: 6.36 GL saved – Change in water usage and bill for non-residential customer using 1,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	800 kL	800 kL	686 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-11.4%
Annual Bill (2034/35)	\$7,350.38	\$8,264.39	\$7,350.38
Percentage change in bill	0%	12%	0%

Table 6: 6.36 GL saved – Change in water usage and bill for non-residential customer using 5,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	4,800 kL	4,800 kL	4,181 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-12.4%
Annual Bill (2034/35)	\$35,434.75	\$40,412.72	\$35,434.75
Percentage change in bill	0%	14%	0%

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Table 7: 4.9 GL saved – Change in typical residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	181 kL
Tier 2 Usage Charge	0 kL	0 kL	0 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-9.7%
Annual Bill (2034/35)	\$1,733.51	\$1,808.42	\$1,733.51
Percentage change in bill	0%	4.3%	0%

Table 8: 4.9 GL saved – Change in large residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	100 kL	100 kL	81 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-6.4%
Annual Bill (2034/35)	\$2,435.62	\$2,585.72	\$2,435.62
Percentage change in bill	0%	6.2%	0%

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Table 9: 4.9 GL saved – Change in water usage and bill for non-residential customer using 1,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	800 kL	800 kL	kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-8.7%
Annual Bill (2034/35)	\$7,350.38	\$8,026.82	\$7,350.38
Percentage change in bill	0%	9.2%	0%

Table 10: 4.9 GL saved – Change in water usage and bill for non-residential customer using 5,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	4,800 kL	4,800 kL	4,326 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-9.5%
Annual Bill (2034/35)	\$35,434.75	\$39,118.85	\$35,434.75
Percentage change in bill	0%	10.4%	0%

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Table 11: Change in bills if customer's water usage remains constant

Type of customer	Impact type	Total water savings achieved in ACT			
		0 GL	4.9 GL	1.46 GL*	6.36 GL
Residential customer – typical water usage (200kL per year)	Bill amount	\$1,733.51	\$1,808.42	NA	\$1,834.73
	Increase in bill	\$0	\$74.91	\$26.31	\$101.22
	% bill increase	0%	4.3%	1.7%	6%
Residential customer – high water usage (300kL per year)	Bill amount	\$2,435.62	\$2,585.72	NA	\$2,638.44
	Increase in bill	\$0	\$150.10	\$52.72	\$202.82
	% bill increase	0%	6.2%	1.8%	8%
Non-residential customer – typical water usage (1,000kL per year)	Bill amount	\$7,350.38	\$8,026.82	NA	\$8,264.39
	Increase in bill	\$0	\$676.44	\$237.57	\$914.01
	% bill increase	0%	9.2%	2.8%	12%
Non-residential customer – high water usage (5,000kL per year)	Bill amount	\$35,434.75	\$39,118.85	NA	\$40,412.72
	Increase in bill	\$0	\$3,684.10	\$1,293.87	\$4,977.97
	% bill increase	0%	10.4%	3.6%	14%

* 1.46 GL water recovery can only be additional to 4.9 GL Shared Reduction Amount, so bill amount is not applicable for 1.46 GL.

Table 12: Change needed in customer's water usage to keep bill constant

Type of customer	Total water savings achieved in ACT			
	0 GL	4.9 GL	1.46 GL	6.36 GL
Residential customer – typical water usage (200kL per year)	0%	-9.7%	-2.9%	-12.6%
Residential customer – high water usage (300kL per year)	0%	-6.4%	-2.0%	-8.4%
Non-residential customer – typical water usage (1,000kL per year)	0%	-8.7%	-2.7%	-11.4%
Non-residential customer – high water usage (5,000kL per year)	0%	-9.5%	-2.9%	-12.4%

CABINET SUBMISSION

23/527



Title	Water recovery agreement with the Australian Government
Meeting type	Expenditure Review Committee
Minister	Shane Rattenbury MLA Minister for Water, Energy and Emissions Reduction
Cabinet date	Monday, 9 October 2023
Status	EXPOSURE DRAFT
Relationship to previous decisions	3 July 2019, 19/333/ECD, ACT Government participation in the Murray Darling Basin Water Infrastructure Program 29 October 2019, 19/499CAB, Water Efficiency Initiative: ACT Government participation in the Murray Darling Basin Water Infrastructure Program
Purpose	To seek Cabinet endorsement to enter into an agreement with the Australian Government to meet the ACT Government's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT
Category	Category 2 - Cabinet business
Financial impact	Yes
Treasury agreement	Yes Date provided for Treasury agreement to financial implications: 04/08/2023 Date of Treasury agreement Click or tap to enter a date.: 17/08/2023
Is ERC consideration required?	Yes If yes, select ERC meeting date: Monday, 9 October 2023
Legislative change	No - change to legislation not required
Regulatory impact	Yes Minor amendments to update two Disallowable Instruments under the <i>Water Resource Act 2007</i>
Wellbeing Impact Assessment	Yes
Primary Wellbeing Domain	Environment and climate

RECOMMENDATIONS

1) I recommend Cabinet agree:

- a. that the Minister for Water, Energy and Emissions Reduction execute the agreement at Attachment A with the Australian Government, which will provide for:
 - i. the ACT Government to meet its commitment under the Murray-Darling Basin Plan to deliver the Shared Reduction Amount of 4.9 GL of ACT surface water per year to the Commonwealth Environmental Water Holder (CEWH) for environmental purposes;
 - ii. the ACT Government to contribute further to Murray-Darling Basin environmental outcomes by delivering an additional 1.46 GL of ACT surface water per year to the CEWH for environmental purposes;
 - iii. the Australian Government to make a one-off payment of \$58.83 million to the ACT by June 2024, in accordance with the investment principles set out in the Australian Government's Strategic Water Purchasing Framework;
- b. that the funding received from the water recovery agreement, [subject to further Expenditure Review Committee consideration], will be used to offset the expenditure needed to implement a Water Security Investment Plan based on the outline at Attachment B, that would ensure positive impacts from the Agreement;
- c. the Minister for Water, Energy and Emissions Reduction will provide the detail of the expenditure profile for the Water Security Investment Plan as part of the 2024-25 budget considerations.
- d. The Minister for Water, Energy and Emissions Reduction will bring back to Cabinet a further submission on the outcomes of modelling for ACT's water security and resilience to changing climatic conditions. This will included projected dam storage levels through to 2050;
- e. the Minister for Water, Energy and Emissions Reduction will table minor amendments to update two disallowable instruments under the *Water Resources Act 2007* (ACT), as outlined in Attachment D;

2) I recommend Cabinet agree to:

- a. Table 1: Financial impacts summary; and
- b. Table 2: Implementation milestones and timeframes.

3) I recommend Cabinet note that:

- a. granting entitlements for 6.36 GL to CEWH would meet the ACT's 4.9 GL Shared Reduction Amount water recovery commitment in full and provide 1.46 GL additional water for environmental purposes;
- b. the proposed 6.36 GL of water recovery is equivalent to reductions in the ACT's annual net take that can be achieved through water efficiency measures, as identified through technical investigations and consultation with Icon Water and stakeholders (Attachment B);

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- c. recent investigations highlight the severity of climate induced risk to the Territory's water security and that water efficiency measures and investigations into alternative water supply options are needed to improve the ACT's drought and climate resilience;
- d. the proposed water recovery volume of 6.36 GL would be available from the Lower Molonglo water management area downstream of ACT urban areas, urban water supplies and sewage treatment plants (see map at [Attachment C](#)); and accordingly is not required for ACT urban water supply purposes now or in the future;
- e. any entitlements granted would be subject to the conditions outlined in [Attachment D](#);
- f. if the delegate under the *Water Resources Act 2007* (ACT) grants the entitlements, the Australian Government would make a one-off payment of \$58.83 million after the grant of entitlements, by June 2024, based on the upper bound market price for NSW High Security Entitlements within the Regulated Murrumbidgee Water Source, which is currently \$9,250 per ML;
- g. Australian Government funding for strategic water purchases is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment; and
- h. the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area by subtracting 4.9 GL from the annual permitted take, without payment for recovery;
- i. the Murray-Darling Basin Authority has agreed, in the letter at [Attachment E](#), that the ACT's Baseline Diversion Limit and Sustainable Diversion Limit will be reassessed through the 2026 Basin Plan review;

4) I recommend Cabinet note:

- a. the advice to the Chief Minister on the release of the Cabinet Decision Summary ([Attachment G](#)) as required under Section 23 of the *Freedom of Information Act 2016*; and
- b. the following summaries to be released:
 - i. Cabinet agreed to the ACT Government entering into an agreement with the Australian Government to meet the ACT's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT; and
 - ii. the agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT.

SUPPORTING ARGUMENT

BACKGROUND

- 1) The Murray-Darling *Basin Plan 2012* is a statutory instrument under section 44(3)(b)(i) of the *Water Act 2007* (Cth). It sets out the amount of water that can be taken from each area of the Basin, with the aim of achieving environmentally sustainable management of Basin water.
- 2) The Basin Plan requires the take of water to be reduced from the Baseline Diversion Limit (BDL) to a long-term Sustainable Diversion Limit (SDL) for each water resource area in the Basin, including the ACT water resource area. The Inspector-General of Water Compliance and the Murray-Darling Basin Authority (MDBA) monitor and report on SDL compliance.
- 3) In committing to the Basin Plan, the ACT Government agreed to limit the net take of water in the ACT to the SDL. Consistent with this commitment, section 17(3) of the *Water Resources Act 2007* (ACT) and Schedule 1 of the Water Resources (Water Available from Areas) Determination 2019 (No 2) specify the SDL as the limit for water take in the ACT.
- 4) To fulfil its commitment to reduce the take of surface water in the ACT from the BDL (58.34 GL/year) to the SDL (53.44 GL/year), the ACT Government needs to provide a permanent water entitlement for 4.9 GL/year to the Commonwealth Environmental Water Holder (CEWH). This volume is called the Shared Reduction Amount for 'Bridging the Gap' between the BDL and the SDL.
- 5) In committing to the Basin Plan, the ACT Government also agreed to a Basin-wide target of achieving 450 GL of annual water savings through water efficiency measures, to improve environmental outcomes as set out in Schedule 5 of the Basin Plan.
- 6) Since 2012 the ACT Government has explored several options to meet its 4.9 GL commitment and achieve additional water savings, while minimising risks and securing funding to improve the ACT's water security.
- 7) From 2019 the Commonwealth Off-Farm Water Efficiency Program funded investigations which identified a suite of water efficiency measures that could reduce demand by at least 4.9 GL. The Commonwealth Off-Farm Water Efficiency Program was not designed for urban water efficiency measures. As a result, and despite consistent attempts from the ACT Government, the cost of improving water security while meeting the water recovery commitment could not be met through that program.

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- 8) In February 2023, the Australian Government announced that it is seeking to finalise all Bridging the Gap commitments by 2024 through its Strategic Water Purchasing Framework. This presents a new opportunity for the ACT to meet its 4.9 GL water recovery commitment and receive Australian Government funding for water security measures.
- 9) Delivering a further 1.46 GL to the CEWH would secure additional funding (\$13.5 million) from the Australian Government. This would enable the ACT to implement more of the water efficiency measures that are needed to build the ACT's water security and resilience to changing climatic conditions. This funding would also be able to partially offset the cost of investigating water supply diversification options.
- 10) Providing the additional 1.46 GL water entitlement will also contribute to the overall Basin Plan target of achieving an additional 450 GL water recovery through water efficiency measures.
- 11) The Environment, Planning and Sustainable Development Directorate (EPSDD) wrote to the Australian Government's Department of Climate Change, Energy, the Environment and Water (DCCEEW) in May 2023, with a proposal for meeting the 4.9 GL water recovery commitment and providing a further 1.46 GL through the Strategic Water Purchasing Framework.
- 12) In August 2023, DCCEEW provided the draft agreement at [Attachment A](#) for the ACT Government's consideration. The Murray-Darling Basin Authority also provided the letter at [Attachment E](#), which gives assurances on future work to recognise the ACT's water resources in full and mitigate risks to the ACT's water security.

ISSUES & OPTIONS

[Objectives of proposed agreement](#)

- 13) In negotiating the agreement at [Attachment A](#), the ACT Government's objectives were to:
 - a. fulfil the ACT Government's water recovery commitment under the *Basin Plan 2012* without compromising the ACT's water security;
 - b. ensure that no water that is used for urban purposes is transferred out of the ACT;
 - c. ensure that granting the entitlements to the CEWH will have a positive or neutral impact on the ACT's long-term ability to comply with its SDL on annual net take of surface water;
 - d. secure funding to offset the cost of water security measures, by satisfying the Australian Government's Strategic Water Purchasing Framework investment principles;

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- e. improve the ACT's water security, which includes the quantity, quality and affordability of the ACT's water supply; and
- f. improve environmental outcomes in the ACT and the Murray-Darling Basin.

Fulfilling the ACT's water recovery commitment under the Basin Plan

14) The proposed agreement at Attachment A provides for the ACT to:

- a. fulfil its commitment under the Basin Plan to deliver the Shared Reduction Amount of 4.9 GL of ACT surface water per year to the CEWH for environmental purposes; and
- b. contribute further to Murray-Darling Basin environmental outcomes by delivering 1.46 GL of additional ACT surface water per year to the CEWH for environmental purposes.

15) If the ACT does not fulfil this commitment by June 2024, there will be several adverse consequences for the ACT:

- a. the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area, by subtracting 4.9 GL from the annual permitted take, without payment for water recovery;
- b. other jurisdictions will perceive the ACT to be avoiding its responsibilities under the Murray-Darling Basin Agreement. This will make it more difficult to resolve water management issues with other jurisdictions and improve water security in the ACT.

16) If the agreement is signed by both parties, the CEWH would apply under the *Water Resources Act 2007* (ACT) (ACT Water Act) for permanent water access entitlements for 6.36 GL of ACT surface water. The CEWH's application for entitlements to meet the water recovery commitment would be assessed by the ACT Environmental Protection Agency, consistent with the Reasonable Use Guidelines (DI2007-194) in force under section 18 of the ACT Water Act.

17) It is proposed that the entitlement would be granted from the Lower Molonglo water management area in the ACT. The water would be from the unregulated water source (i.e. not from dams), at the southern extent of the ACT and cannot be used for urban water supply. The CEWH would use the water downstream of the ACT within the broader Southern Connected Basin. The water would be accounted at the Halls Crossing flow gauge in NSW.

18) Under the *Water Resources (Water available from areas) Determination 2019 (No 2)*, sufficient water is available for take within the Lower Molonglo water management area. This has been confirmed through review of the ACT entitlement register.

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- 19) Any entitlements granted to the CEWH would be subject to conditions as outlined in Attachment D. To facilitate this, the Minister for Water, Energy and Emissions Reduction is required to table minor amendments to update two disallowable instruments under the ACT Water Act, as outlined in Attachment D.
- 20) Legal advice provided by the ACT Government Solicitor in October 2020 confirmed that the ACT Water Act allows for water access entitlements to be granted to the CEWH to use in-stream for environmental purposes, even if that use is outside the ACT. The advice also confirmed that because the CEWH will not abstract water from any waterway in the ACT, the ACT will not need to issue a water access licence to the CEWH, nor will the CEWH be liable to pay any water abstraction charge to the ACT.
- 21) To enable the CEWH to use the water for environmental purposes downstream of the ACT, the Murray-Darling Basin Authority will need to amend water accounting protocols under the Murray-Darling Basin Agreement and the NSW Government will need to make amendments to relevant water sharing plans and water accounting arrangements. The relevant agencies are currently drafting and seeking advice and approvals for these amendments.
- 22) When the Murray-Darling Basin Authority and NSW agencies have made these amendments, NSW will credit 6.36 GL per year into a CEWH account in Burrinjuck Dam, for CEWH to use as needed for environmental purposes. These changes to Basin water accounting protocols and NSW water management arrangements will enable the CEWH to use the water outside the ACT, but the ACT is not dependent on these arrangements being in place. The ACT will have met its water recovery commitment under the Basin Plan as soon as it has granted the water access entitlements to CEWH.
- 23) The Murray-Darling Basin Authority is currently conducting a technical review of the reliability, or Long-Term Diversion Level Equivalent (LTDLE) Factor, of the ACT water entitlements and is expected to provide a final decision on this in November 2023, but the agreement is not dependent on the LTDLE Factor.
- 24) The draft funding agreement at Attachment A specifies that granting entitlements for 6.36 GL to CEWH would meet the ACT's 4.9 GL Shared Reduction Amount water recovery commitment in full and provide 1.46 GL additional water for environmental purposes.

Water not used for urban purposes

- 25) The ACT Government must not transfer any “water or water entitlement that is used for urban purposes” for use outside the ACT, unless that volume of water has been transferred into the ACT from another State. This is specified in Clause 9(3), Schedule E of Schedule 1 (Murray Darling Basin Agreement), Water Act 2007 (Cth).
- 26) Accordingly, any entitlements for ACT water granted to the CEWH must only be for water that is not used for urban purposes.
- 27) The proposed 6.36 GL water entitlement is not used for urban purposes and will not need to be used for urban purposes in the future for the following reasons:
- a. Water will not be taken from urban water supply dams or catchments:-The ACT will not hold, release or change water flows from urban water supply dams or catchments in the ACT to deliver water under any entitlements for CEWH. The entitlements would only be granted from an “unregulated” water source, that is, a river rather than a dam, downstream of the urban water supply system.
 - b. Water entitlement would be from the Lower Molonglo: - It is not feasible for the ACT to use the water for urban purposes at this point. The water will flow out of the ACT even if no entitlements have been granted to CEWH. If treated wastewater were recycled in future, it would be extracted upstream of this point, and sufficient water would still flow past this point to satisfy the 6.36 GL entitlement.
 - c. Actual net take will remain within the SDL:- Modelling conducted by eWater indicates that actual net take will remain within the SDL beyond 2146 even under a scenario of high climate change (3 degrees C) and an ACT population of 1.3 million.
 - d. Even in dry years, water available exceeds 6.36 GL: - modelling from the stream flow gauge at Halls Crossing in NSW indicates that a minimum volume of approximately 30 GL of unallocated ACT water flows out of the ACT in all years. The modelling shows that on average, more than 200 GL of unallocated ACT water flows out of the ACT.

Australian Government funding

- 28) The proposed agreement at Attachment A provides that the Australian Government would make a one-off payment to the ACT after the entitlements have been granted to the CEWH.

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- 29) The funding amount is based on the upper bound market price for NSW High Security Entitlement within the Regulated Murrumbidgee Water Source. This would be a payment of \$58.83 million, based on the current upper bound market price of \$9,250 per ML. The NSW High Security Entitlement has a comparable level of resource reliability (LTDLE factor) to the proposed ACT water entitlement.
- 30) The proposed funding agreement satisfies the investment principles set out in the Australian Government Strategic Water Purchasing Framework, in that it provides eligible entitlements, achieves the SDL at an appropriate market rate and can deliver environmental utility.
- 31) This funding is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment under the Basin Plan. The ACT will only receive the funding if the agreement is concluded and entitlements granted by 30 June 2024.
- 32) Investing the funding received from the Australian Government to implement a Water Security Investment Plan (Attachment B) would result in positive impacts for the ACT's water security, drought resilience and water affordability.
- 33) Subject to Cabinet agreement, the Minister for Water, Energy and Emissions Reduction would provide the detailed expenditure profile for the Water Security Investment Plan as part of the 2024-25 budget considerations.

Improving the ACT's water security

Investing in water security planning and management

- 34) Developing a Water Security Investment Plan based on the outline at Attachment B will improve the long-term water security of the ACT, including the environmental sustainability, economic sustainability, affordability and climate resilience of the ACT's water resources.
- 35) Water resource assessments currently being conducted by the ACT Office of Water, and those recently conducted by Icon Water, indicate that the ACT's water security remain highly vulnerable to future pressures including drought, climate change and population growth.
- 36) Preliminary modelling results by the ACT Office of Water indicate a decline in the long-term mean annual flows in ACT waterways by about 30% and 45% under more likely and worst-case climate change scenarios respectively, by the year 2050. Without water efficiency measures,

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water restrictions or supply augmentation, Icon Water modelling indicates that this could result in minimum active dam storages dropping to 14% and 0% respectively by 2050.

- 37) Icon Water proposed some water security investment in its 2022-23 submission to the Independent Competition and Regulatory Commission (ICRC). The ICRC water price determination did not incorporate the costs of all the investment proposed by Icon Water. The Icon Water proposed water security measures remain unfunded.
- 38) An outline of measures that could be used to provide water security for the ACT is at Attachment B. The measures can be broadly described as: water resource planning; demand management; investigations into supplementary water supplies; and environmental improvement.
- 39) These water security measures are based on technical investigations funded by the Commonwealth Off-Farm Water Efficiency Program, consultations with Icon Water and other stakeholders, and Icon Water's draft Drought Management Plan.
- 40) Icon Water's drought management planning has identified that water security measures are required irrespective of the proposed water recovery agreement. Completing the proposed measures will improve water security through water conservation, reduction in water consumption per capita and diversification of water supply options.
- 41) Using Australian Government funds for these water security measures would offset costs for water security planning and management that would otherwise need to be met by the ACT Government budget and by ACT water users through water price determinations (for potable water use) and Water Abstraction Charges (for potable and non-potable water use).
- 42) Implementing water efficiency measures will slow the growth of Icon Water and ACT Government revenue during the implementation period, as outlined in the Financial Impacts section below. Modelling indicates that the impacts will be relatively small compared with total water revenues and relatively short-term due to future population growth in the ACT.

Reassessment of Basin Plan limits for the ACT

- 43) The Murray-Darling Basin Authority has agreed, in the letter at Attachment E, that the ACT's BDL, SDL and water accounting protocols will be re-assessed through the 2026 Basin Plan review, to take account of improved data and modelling, establish a more accurate representation of the ACT water resource and examine how increased urban runoff since 2009 should be recognised in water accounts.

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- 44) This re-assessment of the BDL and SDL will contribute further to assuring the long-term water security for the ACT and maintaining the ACT's paramount rights to water resources proclaimed under the *Seat of Government Acceptance Act 1909* (Cth).

Improving environmental outcomes in the ACT and the Murray-Darling Basin

- 45) Using the revenue from the proposed agreement to implement water security measures will improve environmental outcomes in the ACT's waterways, for example by reducing inefficient use of water.
- 46) The EPSDD Office of Water will monitor, evaluate and report on the environmental outcomes of the agreement and investment in water security, through annual public reports under the ACT Water Strategy.

FINANCIAL IMPACT

- 47) If agreed, the Australian Government would make a one-off payment of \$58.83 million to the ACT Government on the granting of the water entitlements to CEWH.
- 48) If the ACT Government only granted an entitlement to the Shared Reduction Amount of 4.9 GL, the ACT would only receive \$45.3 million. This would only partly meet the cost of water efficiency measures and water security planning. It would not be sufficient to complete investigations for water supply diversification.
- 49) Delivering a further 1.46 GL to the CEWH would secure an additional \$13.5 million and would enable the ACT to achieve at least 6.36 GL in water savings through efficiency measures. The additional investment could support water supply investigations to build the ACT's water security and resilience to changing climatic conditions.
- 50) This Submission seeks Cabinet's agreement that, subject to further consideration by Expenditure Review Committee, revenue received through this agreement is used to offset the expenditure to improve the ACT's water security, by implementing a Water Security Investment Plan based on the outline at Attachment B.
- 51) Table 1 identifies the anticipated revenue from the proposed agreement. The Minister for Water, Energy and Emissions Reduction would provide the detail of the expenditure profile for the Water Security Investment Plan as part of the 2024/25 budget process that would be offset by this revenue.

Table 1: Financial impacts summary

	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	2026-27 \$'000	Total \$'000
Revenue/savings/offsets impacts	58.8	0	0	0	58.8
– Revenue					
Foregone WAC revenue (based on achieving 6.36 GL water savings by 2034/35)	-0.5	-0.8	-1.3	-1.8	-4.4
Expenditure on water efficiency and security measures	TBC	TBC	TBC	TBC	TBC

- 52) The Water Abstraction Charge raises revenue to recover water planning and management costs incurred by the ACT Government. In 2021-22, \$29.8M of revenue was raised through this charge on water users. Expenditure on water planning and management reported to the Australian Competition and Consumer Commission (ACCC) for the 2021-22 year was \$11.8M. If the ACT Government does not secure and reinvest the Australian Government funding for water recovery, it will be necessary to reassess the level of cost recovery and investment of revenue from Water Abstraction Charge to improve the ACT's water security.
- 53) Modelling conducted by Frontier Economics indicates that implementing water security measures is projected to have minimal net impacts on Icon Water's profitability, slightly slow the growth in ACT Government revenue from Water Abstraction Charges and increase water prices for customers but not necessarily their total bills. The impact on water customers would depend on the effect of water efficiency measures on individual water usage. These impacts are described in Attachment I and summarised below.
- 54) If water efficiency measures save 6.36 GL by 2034 and the Independent Competition and Regulatory Commission (ICRC) increases customers' water prices to mitigate Icon Water's decline in revenue per dwelling:
- the ACT Government's revenue from the Water Abstraction Charge would not decline as a result of implementing water security measures, but would not increase at the same rate as the base case of no water efficiency or savings;
 - the ACT Government's revenue from the Water Abstraction Charge, which Icon Water pays and passes on in full to customers, is projected to be 10.7% less than the base case of

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no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, which is equivalent to \$4.5m in \$2023/24 dollars) and remain 10.7% lower than base case after that;

- c. if 10% of the 6.36 GL water savings are achieved from non-potable water use, the foregone nominal revenue in 2034-35 will be approximately \$5.6m instead of \$5.9m;
- d. the revenue impacts are directly proportional to the total volume of water saved in the ACT, thus saving 4.9 GL would result in a revenue reduction of 8.2% (\$4.5m foregone nominal revenue in 2034/35) and the additional saving of 1.46 GL (to deliver the full proposed 6.36 GL) would result in a revenue reduction of 2.5% (\$1.4m foregone nominal revenue in 2034/35);
- e. Icon Water's revenue (excluding the pass-through of the Water Abstraction Charge) is projected to be 0.48% less than the base case of no water savings by 2034/35, (\$1.23m foregone nominal revenue in 2034/35, which is equivalent to \$0.94m in \$2023/24 dollars) however this will be offset by an equivalent reduction in operational expenditure, meaning there will be no net impact on Icon Water's profitability;
- f. customers' water bills will vary depending on whether their water usage is reduced through the suite of water efficiency measures outlined in Attachment B;
 - i. a typical residential customer's bill is projected to increase by 6% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 12.6% (from 200 kL to 175 kL per year);
 - ii. the bill of a residential customer with high water usage is projected to increase by 8% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 8.4% (from 300 kL to 275 kL per year);
 - iii. the bill of a commercial customer with high water usage is projected to increase by 12% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 11.4% (from 1,000 kL to 886 kL per year);
 - iv. price impacts on customers would be nearly proportional to the total volume of water saved in the ACT, with slight variations due to the two-tier structure of water usage charges;

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- v. the relative impacts on customers of the ACT saving 0 GL, 4.9 GL, 1.46 GL and 6.36 GL are summarised in Tables 2 and 3.

Table 2: Change in bills if customer's water usage remains constant

Type of customer	Impact type	Total water savings achieved in ACT			
		0 GL	4.9 GL	1.46 GL*	6.36 GL
Residential customer – typical water usage	Bill amount	\$1,733.51	\$1,808.42	NA	\$1,834.73
	Increase in bill	\$0	\$74.91	\$26.31	\$101.22
	% bill increase	0%	4.3%	1.7%	6%
Residential customer – high water usage	Bill amount	\$2,435.62	\$2,585.72	NA	\$2,638.44
	Increase in bill	\$0	\$150.10	\$52.72	\$202.82
	% bill increase	0%	6.2%	1.8%	8%
Commercial customer – high water usage	Bill amount	\$7,350.38	\$8,026.82	NA	\$8,264.39
	Increase in bill	\$0	\$676.44	\$237.57	\$914.01
	% bill increase	0%	9.2%	2.8%	12%

* 1.46 GL water recovery can only be additional to 4.9 GL SRA, so bill amount is not applicable for 1.46 GL.

Table 3: Change needed in customer's water usage to keep bill constant

Type of customer	Total water savings achieved in ACT			
	0 GL	4.9 GL	1.46 GL	6.36 GL
Residential customer – typical water usage	0%	-9.7%	-2.9%	-12.6%
Residential customer – high water usage	0%	-6.4%	-2%	-8.4%
Commercial customer – high water usage	0%	-8.7%	-2.7%	-11.4%

- 55) Water consumers' costs would rise if efficiency measures were mandated but not funded by government. This Submission proposes that efficiency measures be funded, at least in part, through revenue received from the Australian Government, so that the full implementation of the water security measures is not passed on to consumers. This means that consumers can reduce their water consumption, and potentially their water use bills, without needing to meet the full upfront cost of water efficiency measures. This will improve water affordability in the ACT, particularly for low-income households and high water use households and businesses.

WELLBEING IMPACT SUMMARY

- 56) The proposed agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT. A Wellbeing Impact Assessment is at [Attachment H](#).

CONSULTATION

[External stakeholders](#)

- 57) EPSDD Office of Water has consulted with relevant Australian and NSW Government agencies, including DCCEEW, the MDBA, CEWH and NSW Department of Water. Those agencies have commenced the administrative and regulatory actions that are needed to enable the CEWH to use the volume of water granted by the ACT for environmental purposes downstream of the ACT.
- 58) EPSDD will consult relevant external stakeholders, such as key water users, when developing a detailed Water Security Investment Plan, which will be prepared for consideration through the 2024-25 Budget process.

[ACT Government agencies](#)

- 59) EPSDD Office of Water has consulted with relevant areas of CMTEDD (Policy and Cabinet, Treasury and the Environment Protection Agency) in developing this submission.
- 60) EPSDD Office of Water has consulted with Icon Water in relation to the Water Security Investment Plan Outline. These discussions confirmed the imperative to implement new measures and alignment in water security planning.
- 61) EPSDD will continue to work closely with Icon Water and will consult with ACT Treasury and TCCS Urban Services to develop a detailed Water Security Investment Plan, which EPSDD will submit for approval in the 2024-25 budget process.
- 62) The Table of Comments is at [Attachment E](#).

MEDIA/COMMUNICATIONS

- 63) No media announcement is proposed at this stage. A joint announcement may be made with the Australian Government when the agreement is executed by both parties, when entitlements have been granted or when funding is received from the Australian Government.

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- 64) A future media announcement could be made on the Government's investment into water security measures and addressing cost of living pressures for urban water supply, subject to 2024-25 Budget consideration.

IMPLEMENTATION

- 65) Table 2 outlines the timetable for execution of the agreement and subsequent steps.

Table 2: **Implementation milestones and timeframes**

Milestones	Date to be completed
1. ACT and Australian Government Ministers execute water recovery agreement	November 2023
2. CEWH applies for water entitlement	November 2023
3. Delegate for Water Resources Act decides on entitlement application	December 2023
4. Minor changes to Disallowable Instruments under <i>Water Resources Act 2007</i>	December 2023
5. If entitlements are granted, payment is received from Australian Government	Early 2024
6. Water Security Investment Plan considered in 2024/25 Budget process	Early 2024
7. Implementation of Water Security Investment Plan commences	July 2024

HUMAN RIGHTS IMPACT

- 66) The proposal is consistent with the *Human Rights Act 2004*.

Minister's signature _____ Date ____/____/____

ATTACHMENTS

A	Proposed water recovery agreement with the Australian Government
B	Water Security Investment Plan Outline
C	Map of ACT Waterways
D	Example Water Access Entitlement and proposed amendments to Disallowable Instruments under the <i>Water Resources Act 2007</i> (ACT)
E	Letter from Murray-Darling Basin Authority dated 26 July 2023
F	Table of comments
G	Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary
H	Wellbeing Impact Assessment
I	Modelled impacts of water recovery on revenue and customers' bills

Proposed funding agreement

Schedule X

Australian Capital Territory Bridging the Gap Project

FEDERATION FUNDING AGREEMENT – ENVIRONMENT

Table 1: Formalities and operation of schedule	
Parties	Commonwealth Australian Capital Territory (ACT)
Duration	This Schedule is expected to expire on 30 June 2024.
Purpose	The Murray-Darling Basin Plan sets water recovery targets to bring the Basin back to a sustainable level of environmental health while continuing to support agriculture and securing the future of Basin communities. This Schedule will support the Australian Capital Territory (ACT) in delivering its water recovery target, or Shared Reduction Amount (SRA), of 4.9 gigalitres per year (GL/y) Long Term Average Annual Yield (LTAAY) to meet the Sustainable Diversion Limit (SDL) under the Murray—Darling Basin Plan (The Project). As a result of this project, the Commonwealth Environmental Water Holder (CEWH) will hold water access entitlements under the <i>Water Resources Act 2007</i> (ACT) to use up to 6.36 GL/y (nominal) of high reliability ACT surface water (Murrumbidgee high security equivalent). This schedule acknowledges that the transfer of no less than 4.9 GL/y LTAAY entitlement to the CEWH as a result of the project will fulfil the ACT's commitment to deliver its SRA under the current Murray—Darling Basin Plan. It also recognises that water recovered above the ACT's SRA of 4.9 GL/y will be attributed as an over recovery against the ACT's water resource unit. Noting, while there is no set position between government signatories to the Basin Plan on accounting for over recovered water against the SDLs at the time of entering into this agreement, any over recovered volumes can be accredited to the CEWH to achieve environmental outcomes consistent with the intent of the Basin Plan.

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Agreed financial contributions	The Commonwealth will provide a total financial contribution to the ACT of \$58.83 million (GST exclusive) in respect of this Schedule. Table 1: Agreed financial contributions <table><tr><th>(\$ million)</th><th>2022-23</th><th>2023-24</th><th>Total</th></tr><tr><td>Estimated total budget</td><td>0</td><td>58.83</td><td>58.83</td></tr><tr><td>Less Estimated Commonwealth Contributions</td><td>0</td><td>58.83</td><td>58.83</td></tr><tr><td>Balance of State (other) Contributions</td><td>0</td><td>0</td><td>0</td></tr></table>	(\$ million)	2022-23	2023-24	Total	Estimated total budget	0	58.83	58.83	Less Estimated Commonwealth Contributions	0	58.83	58.83	Balance of State (other) Contributions	0	0	0
(\$ million)	2022-23	2023-24	Total														
Estimated total budget	0	58.83	58.83														
Less Estimated Commonwealth Contributions	0	58.83	58.83														
Balance of State (other) Contributions	0	0	0														
Additional terms	Terms subject to funding Total funding from the Commonwealth to the ACT under this Schedule will be \$58.83 million for the ACT to deliver the SRA to the CEWH. The funding would be delivered once the ACT grants up to 6.36 GL/y of eligible water entitlements to the Commonwealth prior to 30 June 2024. The issued entitlements must reduce the ACT’s annual permitted take by no less than 4.9 GL/y LTAAY to be eligible. The Commonwealth will provide a single payment to the ACT once the entitlements have been granted to the Commonwealth Environmental Water Holder under the <i>Water Resources Act 2007</i> (ACT). Terms not subject to funding In accordance with Milestone 3 of this Schedule, the ACT is required to provide annual volumetric reporting on its annual take and annual water resource made available to the CEWH. This reporting will be delivered annually under section 71 of the <i>Water Act 2007</i> (Cth).																

Table 2: Performance requirements, reporting and payment summary		
Performance milestones	Report due	Payment
Milestone 1 – Establishment of ACT water accounting register Establishment of an ACT water accounting protocol and register to enable auditable accounting of water delivered to the CEWH at Halls Crossing.	December 2023	Non-financial milestone
Milestone 2 – Grant of entitlements Granting of 6.36GL/y water access entitlement to the Commonwealth Environmental Water Holder in perpetuity, including 4.9GL/y LTAAY that meets the ACT’s SRA and achieves the SDL, and 1.46GL/y additional recovery. The payment is based on \$9,250/GL.	31 March 2024	\$58.83 million
Milestone 3 – Annual reporting Non-financial, volumetric annual reporting in line with reporting requirements under section 71 of the <i>Water Act 2007</i> (Cth).	By 31 December 2024.	Non-financial milestone

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The Parties have confirmed their commitment to this Schedule as follows:

Signed *for and on behalf of the
Commonwealth of Australia by*

Signed *for and on behalf of the
Australian Capital Territory by*

The Honourable Tanya Plibersek MP
Minister for the Environment and Water

The Honourable Shane Rattenbury MP
Minister for Water, Energy and
Emissions Reduction

Date: / /

Date: / /

Water Security Investment Plan Outline

Context: ACT's water supplies, usage and population

The ACT lies in the Murrumbidgee River catchment within the Murray–Darling Basin. The ACT stores water in the Cotter, Bendora, Corin and Googong Dams for urban supply. Additional water can be pumped from the Murrumbidgee River to the Googong Reservoir or to the Stromlo Water Treatment Plant. Icon Water manages these major urban water supplies. In addition, the ACT Government and private users use stormwater and groundwater for irrigation of some urban areas.

Under the *Seat of Government Acceptance Act 1909*, the ACT also has paramount rights to the waters of the Queanbeyan and Molonglo Rivers and their tributaries (east of the railway line).

Unlike other jurisdictions in the Murray–Darling Basin, the ACT reserves water for environmental flows before taking water out of waterways for human use. The [ACT Water Strategy 2014-44](#) identified that on average over the long term, only about 6% of the ACT's water resources are taken for human use. In prolonged droughts, however, the ACT's water resources decline to levels that cannot sustain both environmental flows and unrestricted take for human use. The ACT has already experienced prolonged droughts that resulted in water use restrictions, each drought causing significant adverse environmental, economic and social impacts.

Based on 2021 Census data, ACT Treasury projects the ACT population to increase from 453,5581 people in 2021 to 784,043 people in 2060, an increase of more than 330,000 people in 40 years. This will increase demand on the ACT's water supply, as will population growth in NSW around the ACT.

Issues for water security: climate change and extreme droughts

“Water security” means ensuring adequate quantity, quality and affordability of water for humans and ecosystems (‘Water security and the global water agenda’, United Nations, 2013). The ACT region needs long-term water security, to support projected population growth while maintaining the health of ecosystems in the ACT region. Extreme droughts, resulting from climate change, are the main challenges to ensuring water security for a growing population.

As noted in the [ACT Climate Change Strategy 2019-2025](#), increased levels of greenhouses gases in the atmosphere as a result of human activities are causing changes in the global climate. These changes include increased average temperatures, changes in rainfall patterns and increased severity of extreme weather events, including prolonged droughts. Climate modelling used in the ACT Climate Change Strategy predicts that rainfall in the region will become more seasonally variable, decreasing in spring and winter and increasing in summer and autumn. This is expected to result in:

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- more variable and reduced surface water inflows
- changes in the fill season and draw down patterns of ACT water storages
- increased evaporation rates
- more frequent and prolonged droughts
- less certainty in water supplies, and
- overall increased demand on water resources.

Regional climate modelling also projects that heatwaves will become hotter, longer and more frequent. This will increase evaporation, reduce inflows and increase demand on water supplies.

Icon Water climate change assumptions align with these projections. Icon Water has been including climate change in water security assessments since the early 2000s.

The ACT Government has recognised that “water security has already been significantly influenced by climate change, rainfall patterns are shifting, and the severity of droughts has increased” and has agreed to “ensure climate projections are considered in long-term planning and decision-making regarding water use and water restrictions” (ACT Legislative Assembly, Resolution on Water Security, 27 November 2019).

The ACT Whole-of-Government Climate Change Risk Assessment (2022) identifies several priority climate risks relating to the water resource and the related socio-ecological systems. These include:

- B2 – increased frequency of droughts leading to dam and water storage impacts resulting in reduction of drinking water supply (high risk)
- N1 – increasing temperature and changing frequency and intensity of bushfires leading to longer, more intense fire seasons resulting in elevated environmental losses and ecosystem disruption (extreme risk)
- N5 – extreme weather events (e.g. heavy rainfall, flooding, severe storms) leading to erosion, sedimentation and/or contamination, resulting in poor water quality and negative impacts on aquatic and riparian ecosystems (high risk).

The recent drought in the ACT (2017-2020) applied the greatest stress to the source water system in the ACT’s history. Following the drought, Icon Water undertook a review of its water supply strategy and water security modelling. The updated model is forecasting less water available in droughts, meaning that the source water system is not as secure in the medium to long term as previously assessed. The outcomes of the updated water security modelling have also brought forward the timeframes for progressing investigations into Icon Water’s next system augmentation, which is now forecast to be required around 2040.

The ACT Office of Water is currently conducting phase 1 of a Vulnerability Assessment of the ACT’s water resources and ecosystems. This also indicates that the ACT’s water security is not assured and that water supplies remain highly vulnerable to future pressures including drought, climate change and population growth.

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Preliminary modelling results by the ACT Office of Water indicate that by the year 2050, long-term mean annual flows in ACT waterways may decline by about 45% under a worst-case climate change scenario or by about 30% under a more likely scenario. Analysis of modelled data supplied to the Office by Icon Water indicates that a prolonged drought could result in minimum active dam storages dropping to 0% under a worst-case climate change scenario or to 14% under a more likely scenario (assuming moderate population growth). The associated water restrictions could cost the community \$150 million per year under a worst-case climate change scenario or \$40 million per year under a more likely scenario.

These model projections indicate that there is a need for investment to ensure that the ACT's water supplies are secure in the long term and resilient to climate impacts.

Icon Water customers also recognise the need to invest in water security. Participants in Icon Water's 2021-22 customer survey considered water security an important area for investment as population growth and climate change continues. Two-thirds of participants in the quantitative customer survey supported greater investment to explore future alternate water options. Members of Icon Water's Customer Advocacy Forum were in favour of investment due to its potential to reduce future water use and costs.

The projected changes in population, climate and the frequency and duration of droughts will place pressure on the ACT's water supplies and increase risks to water security both for human use and for environmental values. These risks need to be mitigated to ensure the long term environmental and economic sustainability, climate resilience and affordability of the ACT's water supply system.

Previous investment in water security

In 2019, the ACT Legislative Assembly noted "the ACT Government's achievements in ensuring the ACT's long term water security, in particular, the significant investment made by the ACT Government:

- (a) to increase water storage, with capacity in the ACT growing around 35 percent from 205 gegalitres to 278 gegalitres since 2012;
- (b) to add new water sources, including stormwater harvesting and reuse at the neighbourhood level in the inner north;
- (c) to oversee major reductions in demand on water resources through increased efficiency as a result of water sensitive urban design and permanent water conservation measures; and
- (d) in 2010, the ACT introduced a scheme of permanent water conservation measures, administered through Icon Water, which includes rules and guidance around matters such as garden and lawn watering, pool filling, and cleaning with potable water which are mandatory and enforceable" (ACT Legislative Assembly, Resolution on Water Security, 27 November 2019).

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Since 2019 EPSDD and Icon Water have been coordinating risk assessments, technical investigations and strategic planning, to take account of updated climate change projections and provide a firm basis for improving the ACT's future water security. This includes EPSDD's investigations of urban water efficiency measures (2019-2022) funded through the Commonwealth Off-Farm Efficiency Program; reviewing and refreshing the ACT Water Strategy in 2023/24; and catchment management planning through the Healthy Waterways program. Icon Water is continuing work on drought management and water system planning. This work includes water resource model enhancements and investigating drought management supply measures.

The Office of Water and Icon Water are each continuing work to quantify the nature, timing and extent of future vulnerabilities in the ACT's water resources and urban water supplies. Phase 2 of the Vulnerability Assessment is proposed for 2024-25.

Future work needed

In the context of climate change, assessment of water security, national water reforms and changing community views on water supply issues, there is a need for the ACT Government to review its water policies and planning. Responding to the water security assessment requires coordinated approach, recognising the shared responsibilities across Government and Icon Water. There is also a need to review the government's level of service requirements for Icon Water, which are currently defined until 2030.

Actions to improve the ACT's long-term water security are outlined in [Figure 1](#). These activities can be summarised as:

- Implementing statutory functions established under the *Water Resources Act 2007*, strengthening water governance arrangements, reviewing water policy settings and progressing water governance reforms;
- Building the analytical capability of the ACT Government (within the Office of Water) to conduct regular water resource assessments, including within these assessments the impact of climate change to inform water planning;
- Preparing a long-term Water Security Plan in partnership with Icon Water that would set out the ACT Government's direction on:
 - meeting the water security objectives of achieving adequate quantity, quality and affordability
 - water supply diversification options (investigations led by Icon Water)
 - demand management through water efficiency measures
 - permanent and temporary conservation measures (reviews led by Icon Water)
 - community education and engagement activities;
- Implementing actions set out in the Water Security Plan in partnership with Icon Water.

Government investment in water security planning and demand management is needed to implement the policy direction established through the ACT Water Strategy and to maintain water affordability for community. Without government investment, the full cost of water security planning and demand management measures would need to be met by Icon Water customers through retail water pricing by the ICRC. The cost of water planning and

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management activities conducted by the ACT Government is recovered through the Water Abstraction Charge.

To ensure its long-term water security, the ACT Government also needs to engage actively in initiatives under the Murray-Darling Basin water reforms and renewed national policy under the National Water Initiative. These include:

- reassessment of the ACT's Baseline and Sustainable Diversion Limits through the 2026 review of the Basin Plan,
- revision of the ACT's accredited Water Resources Plan, and
- development and implementation of an ACT and cross-border water trading framework.

Investment opportunity

The proposed water recovery agreement with the Australian Government offers a unique opportunity to secure Australian Government funding which can, at least partially, offset the cost of water security planning and implementation for the ACT and consequently reduce costs for ACT water users.

If Australian Government funding is secured in 2023-24 through the water recovery agreement, the Office of Water, in consultation with Icon Water, will develop a Water Security Investment Plan for consideration through the 2024-25 budget process. This will set out a five to ten year business plan for implementing the measures summarised in Figure 1 and Table 1 and discussed in this Outline.

The measures listed in Table 1 are based on EPSDD and Icon Water's investigations to date. There is a high level of assurance that the proposed 6.36 GL water savings can be achieved through water efficiency measures within the level of the proposed Australian Government funding. EPSDD engaged independent experts to identify the level of water savings that could be achieved, provide cost estimates for each measure and evaluate the reliability of savings. The outcomes are summarised in "Murray-Darling Basin Water Efficiency Program: Water savings opportunities summary report", Institute of Sustainable Futures, October 2020. EPSDD has consulted further with stakeholders since 2020 to confirm the most feasible and reliable water saving measures.

EPSDD will continue to consult with stakeholders, to review and refine proposed water security measures, prior to submitting a detailed investment plan for consideration through the 2024-25 budget process. The outcomes of the Vulnerability Assessment, investigations into supply diversification options and initial outcomes of demand management measures will inform the long-term Water Security Plan.

In typical rainfall years, approximately ninety per cent of ACT's net water take is used for potable water supplies so water efficiency and security measures need to focus primarily on potable water supplies and demand management. There are also opportunities to improve the efficiency of non-potable water use, for example through technology improvements in irrigation of those open spaces where non-potable water is currently used.

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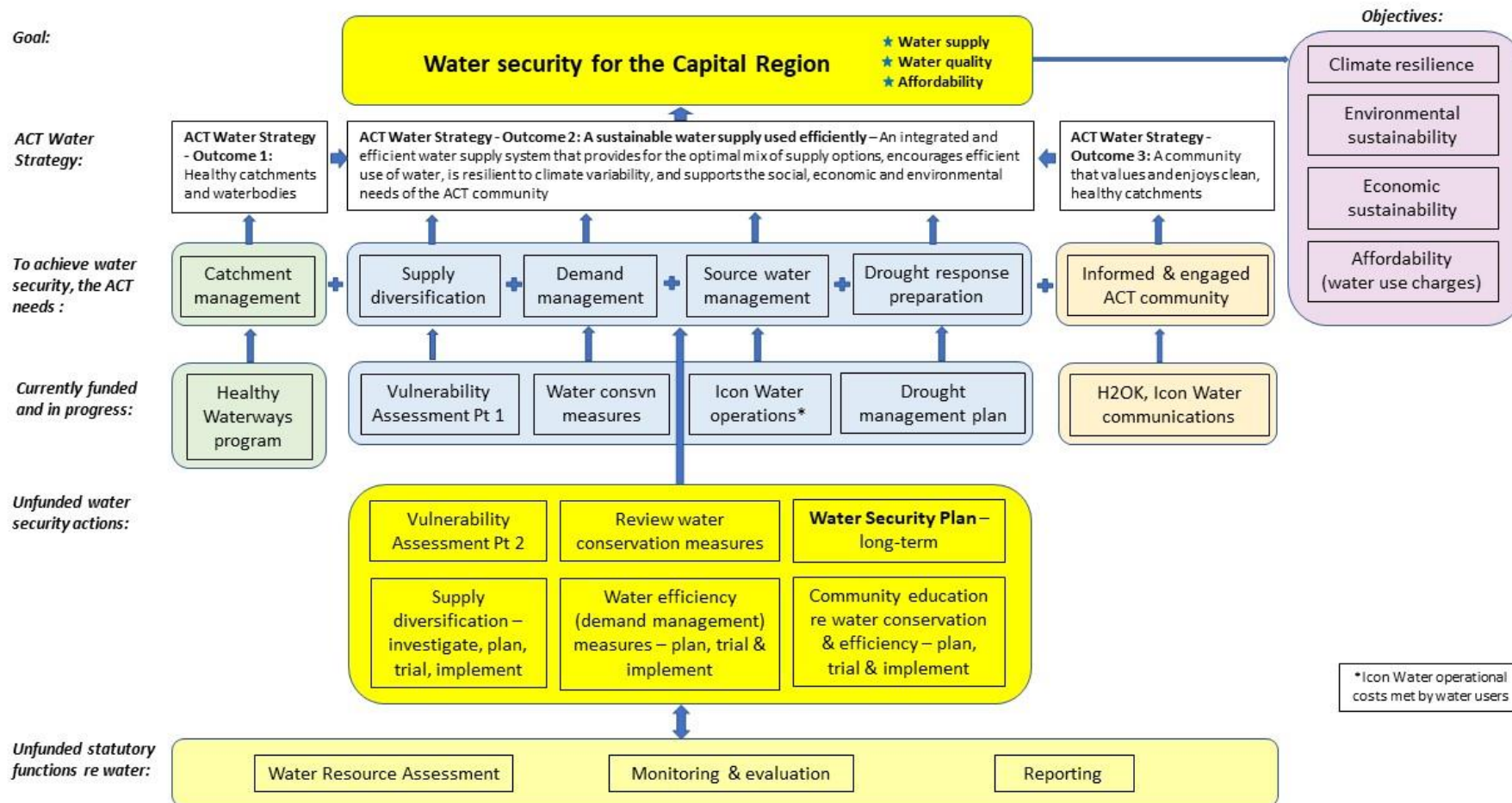
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The ACT Government uses high volumes of water in irrigating playing fields and parks and could achieve significant water savings and financial savings by upgrading irrigation systems. An independent study conducted in 2019/20 identified that it may be feasible for the ACT Government to save more than half the estimated 3.7 GL of potable water it currently uses for irrigating playing fields and parks, achieving substantial water bill savings (“ACT Irrigation Infrastructure Upgrades: Feasibility Study”, Hydroplan, March 2020).

Activities to reduce the demand on water supplies is complementary to the diversification of water supplies. The proposed water security investment plan would set out activities to implement water efficiency measures in parallel with supply investigations.

Implementing the preferred options for supply diversification would be beyond the scope of the Investment Plan and would be considered through later processes.

Figure 1. Water security for the Capital Region



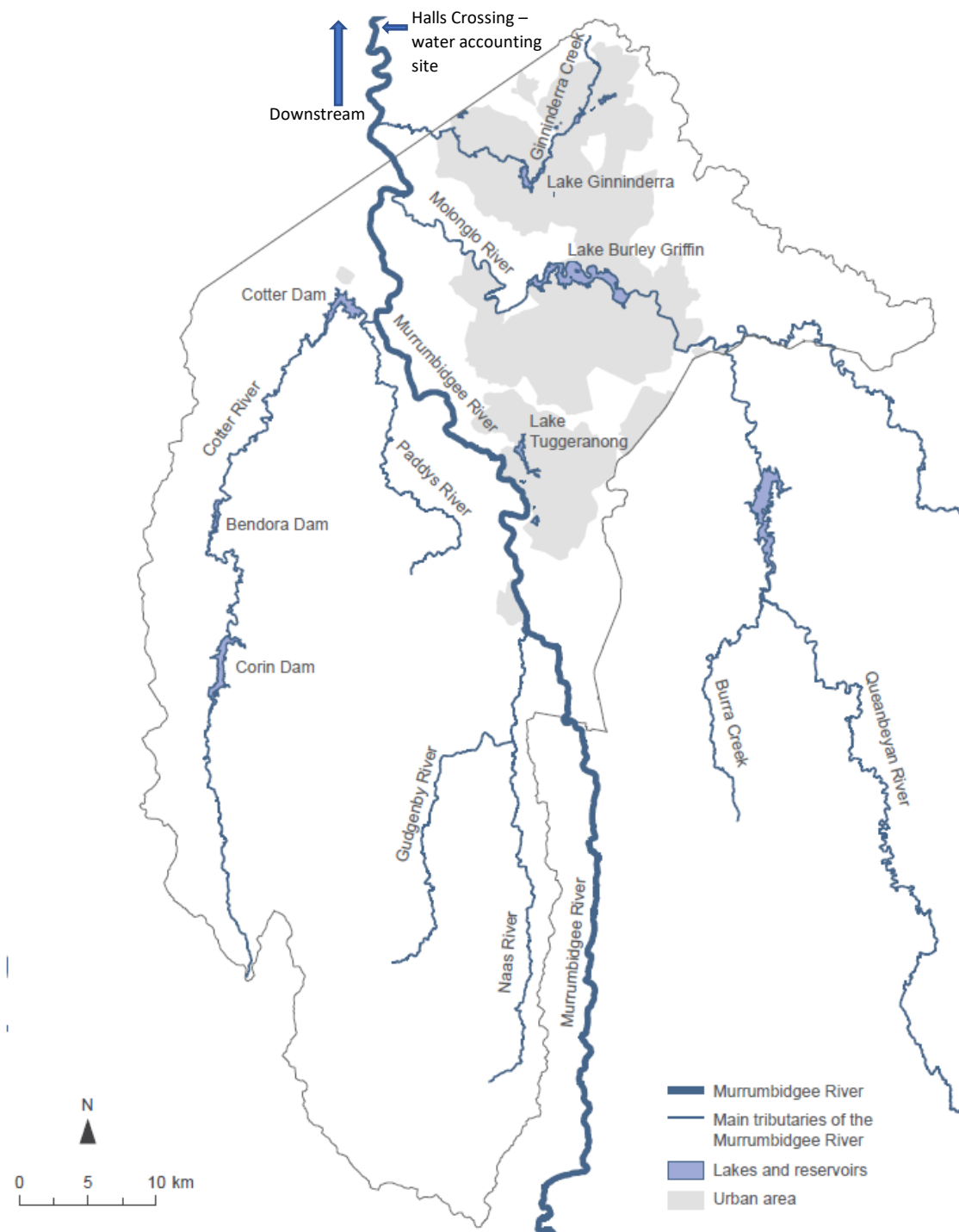
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Table 1: Water Security Investment Plan – outline of proposed measures

#	Type of measure	Outcome	Proposed activities
1	Water security modelling, analysis and decision support tool	Future vulnerability of ACT's water resources quantified and decision support tool established and used	Phase 2 of ACT water resources Vulnerability Assessment and associated modelling completed, with climate projections incorporated, and a tool is established to support evidence-based water policy and planning decisions
2	Supply diversification options	Preferred portfolio of supply diversification options identified	Investigation, shortlisting and finalisation of a preferred portfolio of supply diversification options, by Icon Water in collaboration with ACT Government
3	Water efficiency measures (demand management)	ACT actual annual net take of water for urban purposes reduced by at least 6.36 GL by 2034 compared with base case	Design and implementation of water efficiency programs to support users to achieve long-term savings in both potable and non-potable water use, including: 1. irrigation audits and upgrades (e.g. on sports grounds); 2. water audits, water-efficient fittings and smart metering for businesses in high water-use industries (e.g. horticulture, laundries); 3. community education to increase water awareness and encourage water efficiency; 4. water-efficient fittings for vulnerable households, including public, community and private housing; 5. water-efficient fittings/incentives for general households; 6. water audits and water-efficient fittings for selected high water-use ACT government facilities and schools; 7. review of Water Sensitive Urban Design codes or guidelines and input into Icon Water review of permanent and temporary Water Conservation Measures.
4	Water Security Plan	Water Security Plan completed and published	Preparation of a long-term Water Security Plan through collaboration between the ACT Government and Icon Water and in consultation with water customers and stakeholders

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Map of ACT waterways



Example Water Access Entitlements and proposed amendments to Disallowable Instruments under the *Water Resources Act 2007* (ACT)

D.1 Example Water Access Entitlements

The following text is an example of the type of information and conditions that may be included in water access entitlements granted to the Commonwealth Environmental Water Holder. Entitlements are granted at the discretion of the delegate under the *Water Resources Act 2007*.

Section 19(2) of the *Water Resources Act 2007* specifies that the amount of water “must be stated as the lesser of a percentage of the total amount of water available for taking in the water management area and a stated maximum volume”.

The percentage of water is the maximum volume under the entitlement (e.g. 4.9 GL) divided by the total surface water available for take from watercourses (42.7 GL) under the ACT Sustainable Diversion Limit.

Example entitlement 1 – for Shared Reduction Amount – no administrative fee applicable

Details of Entitlement Holder

Name: Commonwealth Environmental Water Holder

ABN:

Address: GPO Box 858, Canberra ACT 2601

Details of Entitlement

(a) **Stated maximum volume (ML per annum):** 4,900

(b) **Percentage (%) of water available in Water Management Area:** 11.475410

Note: The Volume entitled is the lesser of (a) or (b)

Water Management Area (WMA): ACT (Surface Water) Water Resource Plan Area

Sub Water Management Area: Lower Molonglo

Water Source: Surface water

Transferable: Yes

Entitlement Conditions

1. This Water Access Entitlement is issued for the purpose of fulfilling the Territory’s commitments under section 6.05 of the *Basin Plan 2012* (Cth)
2. This Water Access Entitlement is restricted to use for achieving environmental outcomes of the Murray-Darling *Basin Plan 2012* and any future Basin Plans that are agreed by the Territory.
3. This Water Access Entitlement may be transferred or traded in whole or part to another person or the Environment Protection Authority, subject to approval by the Environment Protection Authority.

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Note: Stream flow records from gauge 410777 at Halls Crossing in NSW will be used to account for use of water under this Water Access Entitlement, unless a gauge is installed closer to the downstream border of the ACT (Surface Water) Water Resource Plan Area, in which case that gauge will be used.

Example entitlement 2 – for additional volume – administrative fee applicable

Details of Entitlement Holder

Name: Commonwealth Environmental Water Holder

ABN:

Address: GPO Box 858, Canberra ACT 2601

Details of Entitlement

(a) **Stated maximum volume (ML per annum):** 1,460

(b) **Percentage (%) of water available in Water Management Area:** 3.419204

Note: The Volume entitled is the lesser of (a) or (b)

Water Management Area (WMA): ACT (Surface Water) Water Resource Plan Area

Sub Water Management Area: Lower Molonglo

Water Source: Surface water

Transferable: Yes

Entitlement Conditions

1. This Water Access Entitlement is restricted to use for achieving environmental outcomes of the Murray-Darling *Basin Plan 2012* and any future Basin Plans that are agreed by the Territory.
2. This Water Access Entitlement may be transferred or traded in whole or part to another person or the Environment Protection Authority, subject to approval by the Environment Protection Authority.

Note: Stream flow records from gauge 410777 at Halls Crossing in NSW will be used to account for use of water under this Water Access Entitlement, unless a gauge is installed closer to the downstream border of the ACT (Surface Water) Water Resource Plan Area, in which case that gauge will be used.

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D.2 Proposed amendments to Disallowable Instruments under the *Water Resources Act 2007*

If water access entitlements are granted to the Commonwealth Environmental Water Holder, the Minister for Water, Energy and Emission Reductions will propose the following amendments to update two disallowable instruments under the *Water Resources Act 2007* (ACT).

Water Resources (Water Available from Areas) Determination 2019 (No 2)

Schedule 1

Amendment 1

Drafting instruction

Delete:

4.2 GL per annum (take by Runoff Dams), plus

Replace with:

4.64 GL per annum (take by Runoff Dams), minus

4.9 GL per annum shared reduction amount (towards the Basin-wide water recovery target),
plus

Reason

Changing the runoff dam take volume from 4.2 GL to 4.64 GL and listing the 4.9 GL shared reduction amount will make the Determination consistent with the ACT's Sustainable Diversion Limit set out on page 14 of the ACT [Water Resources Plan](#), which was accredited under the *Basin Plan 2012* in 2019, after the Determination was last updated.

This amendment will also clarify that the ACT will take the shared reduction amount into account when managing water "so as to not exceed the ACT's surface water Sustainable Diversion Limit" as set out in this Determination and in section 17(3) of the *Water Resources Act 2007* (ACT).

Water Resources (Fees) Determination 2022 (No 2)

Amendment 3

Section 5(1) No fee is payable for an application for a grant of a water access entitlement under section 20 of the *Water Resources Act 2007* if—

Drafting instruction

Delete:

No fee is payable for an application **for** a grant of a water access entitlement under section 20 of the *Water Resources Act 2007* if—

Replace with:

No fee is payable for an application **or** a grant of a water access entitlement under section 20 of the *Water Resources Act 2007* if—

Reason: Fees currently apply to the grant of water access entitlements, not to applications, but fees may apply to applications in future.

Letter from the Murray-Darling Basin Authority



Office of the Chief Executive

Ref: EC23-000435

Mr Geoffrey Rutledge
Deputy Director General
Environment, Planning and Sustainable Development Directorate
GPO Box 158
CANBERRA ACT 2601

Dear Geoffrey

I am writing in relation to several matters regarding the Australian Capital Territory's (ACT) water recovery efforts and sustainable diversion limit (SDL) settings: notably establishing a long-term diversion limit equivalent (LTDLE) factor for the ACT; reviewing the ACT baseline diversion limit (BDL) and SDL; and considering the accounting for increased rainfall runoff due to growth in urban development, groundwater volumes, and improvements in hydrological data and modelling since 2012.

I understand that revisions to the BDL and urban run-off accounting were raised by the ACT as part of its water recovery proposal.

Establishing an ACT LTDLE factor for water recovery

I understand officials from the ACT and the Department of Climate Change, Energy, the Environment and Water are working to deliver an approach for meeting the ACT's shared reduction amount by December 2023.

The MDBA will continue to work with the ACT to establish an LTDLE factor to enable the water recovery to progress and be finalised within this timeframe. We are currently reviewing the information provided by the ACT, including the planning model that the ACT has used to underpin the determination of its LTDLE factor. In this vein we will engage an independent reviewer to assess the proposed factor, as we have done for all LTDLE factors proposed by all Basin jurisdictions. We will work with the ACT to progress this work as expediently as possible, noting the process of independent review is likely to take four to five months to complete and we will do our best to establish the LTDLE factor by November 2023 to enable water recovery to be completed on schedule.

Office of the Chief Executive

BDL/SDL settings and accounting issues

I would like to acknowledge the proposal submitted by the ACT concerning the treatment of urban runoff within the SDL accounts, as part of its contribution to the [Sustainable diversion limit accounting improvement strategy 2023 \(mdba.gov.au\)](https://www.mdba.gov.au/sustainable-diversion-limit-accounting-improvement-strategy-2023), supported by the Federation Funding Agreement. I understand there have been subsequent discussions between our staff, and while we do not agree to the proposal in its current form, we remain committed to working with the ACT and other jurisdictions to consider this in the lead up to the 2026 Basin Plan Review. In this respect I am sure you understand the Authority must consider any precedents that this accounting proposal might set Basin-wide.

For Basin Plan Review the MDBA intends to investigate and gain a better understanding of a range of accounting issues. We are committed to working with the ACT to consider the SDL accounting settings for the ACT as part of our workplan. This would include a review of the setting of the ACT ground and surface water SDLs, noting that review of the groundwater SDL was previously requested by the ACT, and recognising improvements in hydrological data and modelling since 2012. We support the incorporation of best available information into the Basin Plan settings.

As for all Basin States, the Authority needs to have a strong evidence base to change BDL estimates and SDL settings in making any recommendations for change as part of the Basin Plan Review. Additionally, any change to the BDL or SDL accounting methods for the ACT will mean the ACT will need to bring forward an amendment to their Water Resource Plan.

I have asked my staff to work with your team to develop a work program by the end of September 2023, with a view to undertaking this work during the 2023-24 and 2024-25 financial years. Of course we will need to work together on this program and I fully anticipate this will be a significant body of work for ACT modellers and water managers, as well as for the team here at the MDBA.

Should you have any concerns or wish to follow up on the issues raised in this letter please contact Megan Winter, General Manager, Basin Plan Implementation, at Megan.Winter@mdba.gov.au or (02)6279 0164.

Yours sincerely



Andrew McConville

26 July 2023

EXPOSURE DRAFT COMMENTS – 23/527**Exposure circulation undertaken:** Full exposure circulation**Reason for exception:** N/A**Dates circulated:** Provide dates circulated

Directorate	Comment	Response
CMTEDD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
JACS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
HD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CHS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
EDU	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
TCCS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CSD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
EPSD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
MPC	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
Statutory Office Holder	Choose an item. [Provide comments.]	[Drafting directorate to provide response]

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FINAL COMMENTS - 23/527

Final circulation undertaken: Choose an item.

Reason for exception: State reason for exception to full circulation or state N/A

Dates circulated: Provide dates circulated

Directorate	Comment	Response
CMTEDD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
JACS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
HD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CHS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
EDU	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
TCCS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CSD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
EPSD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
MPC	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
Statutory Office Holder	Choose an item. [Provide comments.]	[Drafting directorate to provide response]

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OPEN ACCESS ASSESSMENT: DECISION SUMMARY

The Chief Minister must proactively release the information described in section 23 of the *Freedom of Information Act 2016* (the FOI Act) unless the information is contrary to the public interest in accordance with sections 16 and 17, and schedules 1 and 2 of the FOI Act. Please refer to the [Cabinet Sharepoint Site](#) for further guidance on what is within the scope of Open Access requirements.

If you believe that release of this information is within the scope of Open Access requirements and would be contrary to the public interest, please complete Part B.

PART A: Release proposed

Number and title of decision: 23/527 – Water recovery agreement with the Australian Government

Proposed summary of the decision for public release

Cabinet agreed to the ACT Government entering into an agreement with the Australian Government to meet the ACT's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT.

Proposed summary of the Wellbeing Impact Assessment for public release

The agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT.

Attachments for release

Summary of the decision	Release through the Open Access website?	Release by Directorate?
Summary of the decision	Yes	No
<u>Attachment A</u> Proposed water recovery agreement with the Australian Government	No	No
<u>Attachment B</u> Water Security Investment Plan Outline	No	No
<u>Attachment C</u> Map of ACT Waterways	No	No
<u>Attachment D</u> Example Water Access Entitlement and proposed amendments to Disallowable Instruments under the Water Resources Act 2007 (ACT)	No	No
<u>Attachment E</u> Letter from Murray-Darling Basin Authority dated 26 July 2023	No	No
<u>Attachment F</u> Table of final agency comments		

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<u>Attachment G</u> Open Access Assessment – Decision Summary		
<u>Attachment H</u> Wellbeing Impact Assessment	No	No
<u>Attachment I</u> Modelled impacts of water recovery on revenue and customers' bills	No	No

Reviewed by:

[Click here to enter text.](#)

Information Officer

Environment, Planning and Sustainable Development Directorate

[DD/MM/YYYY]

WELLBEING IMPACT ASSESSMENT

Proposal Name: Water recovery agreement with the Australian Government		EPSDD	Wellbeing Impact 1
Purpose of proposal This proposal seeks endorsement for the ACT Government to enter into an agreement with the Australian Government to meet the ACT Government’s water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT.			
Impact description This proposal will have the following impacts in the “Environment and climate” wellbeing domain: - major (i.e. sustained and direct) positive impacts on the environmental sustainability of the ACT’s water resources - major positive impacts on the climate resilience of the ACT’s water supplies. This proposal will have the following impacts in the “Governance and institutions” wellbeing domain: - major positive impacts on the ACT’s compliance with inter-governmental agreements and plans. The proposal will: - fulfil the ACT’s commitment to water recovery under the inter-governmental Murray-Darling Basin Agreement and the <i>Basin Plan 2012</i> - provide water entitlements to the Commonwealth Environmental Water Holder, to be used to achieve positive environmental outcomes in the Murray-Darling Basin - secure Australian Government funding for improving water security in the ACT, including the environmental sustainability and climate resilience of the ACT’s waterways and water supplies. The proposal includes risk mitigation measures to ensure that the grant of entitlements does not adversely impact the ACT’s water security, including the security and affordability of urban water supplies.			
Who is affected? All members of the Canberra community, including households, businesses and government, will benefit from improving the long-term security of water supplies in the ACT. The proposed measures will improve inter-generational equity by ensuring that water is available and affordable for future generations.			
Wellbeing domain		Environment and climate	
There are also positive impacts in the “Governance and institutions” wellbeing domain.			
Timeframe Between one and five years		The proposal is that the agreement be signed and payment received from the Australian Government in 2023-24, and that water security measures be implemented progressively from 2024-25.	
Evidence base and data What do we know now? The need for increased water security is identified in ACT Government policies including the ACT Water Strategy 2014-44: Striking the Balance; the ACT and Region Catchment Management Strategy; and the ACT Climate Change Strategy, Canberra’s Living Infrastructure Plan: Cooling the City and Urban Forest Strategy. The ACT Water Security Vulnerability Assessment Project, initiated by the EPSDD Office of Water in 2022, indicates that the ACT’s water security remains highly vulnerable to future pressures including drought, climate change and population growth. Preliminary modelling results from the Vulnerability Assessment modelling indicate a decline in long-term mean annual flows in ACT waterways by 30% to 45% under moderate to high climate change scenarios by the year 2050. Without water efficiency measures, water restrictions or supply			

WELLBEING IMPACT ASSESSMENT

augmentation, this could result in dam storages dropping to between 14% and 0% by 2050.

Drought management planning by Icon Water, which manages the ACT's urban water supplies, highlights the need for targeted investment to increase the resilience of the Territory's water supply system. Icon Water's recent reassessment of source water security identified that supply augmentation needed to be brought forward due to climate change and variability.

Participants in Icon Water's 2021-22 customer survey considered water security an important area for investment as population growth and climate change continues. Two-thirds of participants in the quantitative customer survey supported greater investment to explore future alternative water options.

What do we need to know?

The next phase of the Vulnerability Assessment will enable analysis of the direct impacts (positive and negative) of policy and program options on water security, including the socio-economic effects.

The ACT Water Strategy 2014-44: Striking the Balance is undergoing review in 2023 and will also consider the stressors on the ACT's water resources and further strategies needed to address these issues. The ACT Office of Water is also coordinating a review of the ACT's water monitoring, evaluating and reporting framework to ensure water resource management is contributing effectively to long-term water security.

Accountability and evaluation – how will we know this proposal has been successful?

The EPSDD Office of water will monitor, evaluate and report on the environmental outcomes of the proposed agreement and investment in water security, through annual public reports under the ACT Water Strategy.

The Inspector General of Water Compliance and the Murray-Darling Basin Authority oversee annual water take reporting and SDL compliance.

Key relationships

The EPSDD Office of Water has consulted with the Australian Government, ACT Treasury and Icon Water in developing this proposal. The Office of Water will consult with Icon Water and water users when developing and implementing the water security measures to be funded through this proposal.



ACT
Government

Environment, Planning and
Sustainable Development

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MINISTERIAL BRIEF

To: Minister for Water, Energy and Emissions
Reduction

Cabinet No.: 23/527

Rec'd Minister's Office .../.../...

From: Executive Group Manager, Environment, Heritage and Water

Subject: Final Lodgement of Cabinet item 'Water recovery agreement with the
Australian Government'

Critical Date: 27/09/2023

Critical Reason: The final submission must be lodged with Cabinet Office on or before 10am
27 September 2023 for Expenditure Review Committee consideration on
9 October 2023.

- DDG, Environment, Water and Emissions Reduction 13/09/23

Recommendations

That you:

1. **Agree** to sign and lodge with the Cabinet Office the final Cabinet Submission
(Attachment 1) and associated documents about the water recovery agreement with the
Australian Government;

Agreed and Signed / Not Signed / Please Discuss

2. **Annotate** if an EPSDD official is required to attend, and

Required / Not Required / Please Discuss

Subject to Cabinet agreement

3. **Note** that EPSDD will inform the Australian Government of the Cabinet decision and
request that they send the final water recovery agreement to you for execution.

Agreed / Not Agreed / Please Discuss

Shane Rattenbury MLA

24/9/23

Minister's Office Feedback

Background

1. On 21 August 2023, you signed and lodged for exposure circulation the Cabinet Submission (23/527) about a new water recovery agreement (Agreement) with the Australian Government.
2. The Agreement is part of the Murray-Darling *Basin Plan 2012* (Plan) and the Australian Government's Strategic Water Purchasing Framework. Under the Plan, the ACT has agreed to limit the net take of water to the Sustainable Diversion Limit (SDL), which is less than the current Baseline Diversion Limit.
3. The Agreement will provide the Commonwealth with a permanent water entitlement of 6.36 GL/year from the ACT in return for a one-off payment of \$58.83 million.
4. The Agreement is at Attachment A to the Submission for the ACT Government's consideration. The Murray-Darling Basin Commission provided a letter (Attachment E), which gives assurances on future work through the 2026 review of the Basin Plan to recognise the ACT's water resources and mitigate risks to the ACT's water security.

Issues

Final Cabinet Submission

5. The only comments received on the submission were from Chief Minister, Treasury and Economic Development (CMTEDD). All other directorates supported the submission.
6. CMTEDD's key comment are shown in the table below along with EPSDD's response.

CMTEDD Comments	EPSDD Response
• The submission would benefit from clarity on whether the ACT is obliged to spend the money received from the Commonwealth on water reduction or augmentation activities. –	• Paragraph 33 was added to the submission, clarifying that the proposed funding agreement does not explicitly oblige the ACT to spend the funding on water efficiency or security measures. If the ACT does not do so, however, it will be unable to improve its water security, reduce its net water take and demonstrate to the Inspector-General Water Compliance that it has reduced its net water take, and in the long term the ACT may not be able to comply with its SDL.

7. Access Canberra offered a number of comments to provide additional information on the regulatory elements that remain in Access Canberra. These comments have also been addressed in the table and Cabinet Submission

Finalisation and signing of the Agreement

8. The Murray-Darling Basin Authority (MDBA) is currently conducting a technical review of the reliability, or Long-Term Diversion Level Equivalent (LTDLE) Factor, of the ACT water entitlements and is expected to provide a final decision on this in November 2023. The Department of Climate Change, Energy, Environment and Water (DCCEEW) will provide the final agreement to their Minister when the LTDLE Factor has been determined.

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9. If the MDBA delays its decision on the LTDLE Factor or determines an unrealistically low Factor, this will result in further negotiation between the ACT, DCCEEW and MDBA. This risks a delay in the ACT meeting its water recovery commitment. EPSDD and DCCEEW are working with the MDBA to assist them with the relevant supporting material to ensure an appropriate Factor will be determined by November 2023 so the ACT can meet its SRA commitment by June 2024.
10. If Cabinet agrees, EPSDD will inform DCCEEW of the Cabinet decision and request that the final agreement be sent to you for execution when the LTDLE Factor has been determined.

Financial Implications

11. Subject to Cabinet agreement, the Agreement will provide the ACT with Australian Government funding of \$58.83 million to progress water security measures in the ACT (Attachment B), subject to consideration of a detailed investment plan through the 2024/25 budget process.
12. Water efficiency measures are necessary for the ACT's drought preparedness and water security but will have impacts on ACT Government revenue from Water Abstraction Charges.
13. Independent modelling obtained by EPSDD indicates that revenue will continue to grow as population growth increases total water usage, but revenue will increase more slowly than in the base case of no water efficiencies. The foregone revenue is projected to be 10.7% less than the base case of no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, which is equivalent to \$4.5m in \$2023/24 dollars) and remain 10.7% lower than base case after that. The modelling is summarised in Attachment I to the Submission.
14. Water consumers' costs could rise if efficiency measures were mandated but upfront costs were not subsidised. This Submission proposes that efficiency measures be funded, at least in part, through revenue received from the Australian Government, to reduce the cost impact on consumers from implementing the water efficiency measures. Improving water affordability in the ACT could be achieved through program design with intervention targeted towards low-income households and high water use households and businesses.

Consultation

Internal

15. EPSDD Office of Water held initial discussions with EPSDD Climate Change and Energy, which implemented previous water efficiency programs, to seek views on administration of water efficiency measures that could be funded through this agreement. These views will inform preparation of a 2024-25 business case.

Cross Directorate

16. EPSDD consulted with relevant areas of CMTEDD (Treasury, the Environment Protection Agency and the Policy and Cabinet Division) in developing the Submission. Feedback has been incorporated into the Submission.
17. The Environment Protection Agency, which administers water access entitlements under the *Water Resources Act 2007* (ACT), has no concerns with the proposed water access entitlements or amendments to update disallowable instruments under that Act. The EPA suggested minor additions to Attachment B, which have been incorporated and noted in the Table of Comments in Attachment F to the Submission.

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18. ACT Treasury sought modelling and additional information on a range of matters during early consultations. EPSDD included the modelling results and additional information in the submission and in Attachments B and I. No supplementary information has been requested.
19. ACT Treasury requested confirmation of any obligation on the ACT to spend the money received from the Australian Government on water use reduction or supply augmentation activities. Text has been included in the Submission to clarify that the proposed agreement does not commit the ACT to spend the funding received on water efficiency or security measures. Implementing water efficiency measures would support water security and reduce the ACT's net water take so the ACT remains compliant with its SDL in the long term. This is noted in the Table of Comments in Attachment F to the Submission.
20. All other Directorates supported the Exposure Draft of the Submission without comment.

External

21. EPSDD Office of Water has consulted with Icon Water and incorporated their comments in the Water Security Investment Plan Outline at Attachment B. EPSDD will continue to work with Icon Water and will consult with ACT Treasury and City Services to develop a detailed Water Security Investment Plan. The Submission seeks agreement to bring forward a detailed Investment Plan as part of the 2024-25 budget process.
22. Icon Water sought clarity on the role of the EPSDD Office of Water in relation to urban water security planning. EPSDD and Icon Water are developing a Memorandum of Understanding to clarify responsibilities and build a framework for working collaboratively to improve water security and environmental outcomes.
23. EPSDD Office of Water has consulted with relevant Australian and NSW Government agencies, including DCCEEW, the MDBA and NSW Department of Planning and Environment. Those agencies have informed EPSDD that they have started the processes for the administrative and regulatory actions needed to enable the CEWH to use the volume of water granted by the ACT for environmental purposes outside the ACT.
24. DCCEEW staff stated at meetings on 22 and 24 August 2023 that the ACT will have met its water recovery commitment upon issuing water access entitlements to the CEWH. Meeting the ACT water recovery commitment is not dependent on interstate trading arrangements, including amendments to Murray-Darling Basin Agreement trade protocols, that will take longer to finalise. The wording of the proposed agreement reflects that granting entitlements to CEWH equivalent to 4.9 GL/year Long Term Average Annual Yield will meet the ACT's SRA commitment.
25. EPSDD will consult relevant external stakeholders, such as key water users, when developing a detailed Water Security Investment Plan for consideration in the 2024-25 budget process.

Benefits/Sensitivities

26. Using revenue from the proposed agreement to implement the measures summarised at Attachment B of the Submission will improve water security and environmental outcomes in the ACT's waterways, benefiting the ACT environment and community.
27. Granting ACT water entitlements to the CEWH will have positive environmental outcomes in the Murray-Darling Basin as a whole. The CEWH could use the water entitlements for environmental purposes through protecting unregulated river baseflow and as a contribution

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towards managed environmental flows downstream of Burrinjuck Dam.

28. The NSW Government will need to amend “cease to pump” rules for water users between the ACT border and Burrinjuck Dam, to protect the CEWH’s water use from extraction downstream of the ACT. Similar water management arrangements have been introduced in other NSW unregulated streams. NSW officials have advised that this is likely to have minor impacts on those water users and is not anticipated to be a sensitive issue. The NSW Government is responsible for consulting affected water users before amending their water management rules.
29. The proposed agreement and water entitlements will not adversely affect any current ACT water access entitlement holders or other ACT stakeholders.
30. By fulfilling its water recovery commitment under the Basin Plan, the ACT Government will demonstrate its commitment to meeting its responsibilities under the Murray-Darling Basin Plan. This will help to resolve other water management issues in negotiations with Australian Government and NSW.

Media Implications

31. No media announcement is proposed at this stage. A joint announcement may be made by the relevant ACT and Australian Government Ministers when the agreement is executed by both parties, when entitlements have been granted or when the Australian Government makes the payment to the ACT Government.

Signatory Name: Bren Burkevics

Phone: X78628

Action Officer: Ryan Breen

Phone: X78268

Summary of Attachments

1 – Final Cabinet submission

A – Proposed water recovery agreement with the Australian Government

B – Water Security Investment Plan Outline

C – Map of ACT Waterways

D – Example Water Access Entitlements and proposed amendments to Disallowable Instruments under the *Water Resources Act 2007* (ACT)

E – Letter from Murray-Darling Basin Commission dated 26 July 2023

F – Table of Comments

G – Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary

H – Wellbeing Impact Assessment

I – Modelled impacts of water recovery on revenue and water customers

2 – Cabinet Brief

CABINET SUBMISSION

23/527



Title	Water recovery agreement with the Australian Government
Meeting type	Expenditure Review Committee
Minister	Shane Rattenbury MLA Minister for Water, Energy and Emissions Reduction
Cabinet date	Monday, 9 October 2023
Status	FINAL
Relationship to previous decisions	3 July 2019, 19/333/ECD, ACT Government participation in the Murray Darling Basin Water Infrastructure Program 29 October 2019, 19/499CAB, Water Efficiency Initiative: ACT Government participation in the Murray Darling Basin Water Infrastructure Program
Purpose	To seek Cabinet endorsement to enter into an agreement with the Australian Government to meet the ACT Government's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT
Category	Category 2 - Cabinet business
Financial impact	Yes
Treasury agreement	Yes Date provided for Treasury agreement to financial implications: 04/08/2023 Date of Treasury agreement: 17/08/2023
Is ERC consideration required?	Yes If yes, select ERC meeting date: Monday, 9 October 2023
Legislative change	No - change to legislation not required
Regulatory impact	Yes Minor amendments to update two Disallowable Instruments under the <i>Water Resource Act 2007</i>
Wellbeing Impact Assessment	Yes
Primary Wellbeing Domain	Environment and climate

RECOMMENDATIONS

1) I recommend Cabinet agree:

- a. that the Minister for Water, Energy and Emissions Reduction execute the agreement at Attachment A with the Australian Government, which will provide for:
 - i. the ACT Government to meet its commitment under the Murray-Darling Basin Plan to deliver the Shared Reduction Amount of 4.9 GL/year of ACT surface water per year to the Commonwealth Environmental Water Holder (CEWH) for environmental purposes;
 - ii. the ACT Government to contribute further to Murray-Darling Basin environmental outcomes by delivering up to an additional 1.46 GL/year of ACT surface water per year to the CEWH for environmental purposes;
 - iii. the Australian Government to make a one-off payment of \$58.83 million to the ACT by June 2024, in accordance with the investment principles set out in the Australian Government's Strategic Water Purchasing Framework;
- b. that subject to further Expenditure Review Committee consideration, the funding received from the water recovery agreement will be used to offset the expenditure needed to implement a Water Security Investment Plan based on the outline at Attachment B, which would ensure positive impacts from the Agreement;
- c. the Minister for Water, Energy and Emissions Reduction will provide the detail of the expenditure profile for the Water Security Investment Plan as part of the 2024-25 budget considerations;
- d. the Minister for Water, Energy and Emissions Reduction will bring back to Cabinet a further submission on the outcomes of modelling for ACT's water security and resilience to changing climatic conditions, which will include projected water resource availability through to 2050;
- e. the Minister for Water, Energy and Emissions Reduction will table minor amendments to update two disallowable instruments under the *Water Resources Act 2007* (ACT), as outlined in Attachment D;

2) I recommend Cabinet agree to:

- a. Table 1: Financial impacts summary; and
- b. Table 2: Implementation milestones and timeframes.

3) I recommend Cabinet note that:

- a. granting entitlements for 6.36 GL/year to CEWH would meet the ACT's 4.9 GL/year Shared Reduction Amount water recovery commitment in full and provide up to 1.46 GL/year additional water for environmental purposes;
- b. the proposed 6.36 GL/year of water recovery is equivalent to reductions in the ACT's annual net take that can be achieved through water efficiency measures, as identified through technical investigations and consultation with Icon Water and stakeholders (Attachment B);

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- c. recent investigations highlight the severity of climate induced risk to the Territory's water security and that water efficiency measures and investigations into alternative water supply options are needed to improve the ACT's drought and climate resilience;
- d. the proposed water recovery volume of 6.36 GL/year would be available from the Lower Molonglo water management area downstream of ACT urban areas, urban water supplies and sewage treatment plants (see map at [Attachment C](#)) and accordingly is not required for ACT urban water supply purposes now or in the future;
- e. any entitlements granted would be subject to the conditions outlined in [Attachment D](#);
- f. if the delegate under the *Water Resources Act 2007* (ACT) grants the entitlements, the Australian Government would make a one-off payment of \$58.83 million after the grant of entitlements, by June 2024, based on the upper bound market price for NSW High Security Entitlements within the Regulated Murrumbidgee Water Source, which is currently \$9,250 per ML;
- g. this funding is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment;
- h. if the ACT does not meet its commitment by June 2024, the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area by subtracting 4.9 GL/year from the annual permitted take, without the ACT receiving funding for water efficiency measures; and
- i. the Murray-Darling Basin Authority has agreed, in the letter at [Attachment E](#), that the ACT's Baseline Diversion Limit and Sustainable Diversion Limit will be reassessed through the 2026 Basin Plan review;

4) I recommend Cabinet note:

- a. the advice to the Chief Minister on the release of the Cabinet Decision Summary ([Attachment G](#)) as required under Section 23 of the *Freedom of Information Act 2016*; and
- b. the following summaries to be released:
 - i. Cabinet agreed to the ACT Government entering into an agreement with the Australian Government to meet the ACT's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT; and
 - ii. the agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT.

SUPPORTING ARGUMENT

BACKGROUND

- 1) The Murray-Darling *Basin Plan 2012* is a statutory instrument under section 44(3)(b)(i) of the *Water Act 2007* (Cth). It sets out the amount of water that can be taken from each area of the Basin, with the aim of achieving environmentally sustainable management of Basin water.
- 2) The Basin Plan requires the take of water to be reduced from the Baseline Diversion Limit (BDL) to a long-term Sustainable Diversion Limit (SDL) for each water resource area in the Basin, including the ACT water resource area. The Inspector-General of Water Compliance and the Murray-Darling Basin Authority monitor and report on SDL compliance.
- 3) In committing to the Basin Plan, the ACT Government agreed to limit the net take of water in the ACT to the SDL. Consistent with this commitment, section 17(3) of the *Water Resources Act 2007* (ACT) and Schedule 1 of the Water Resources (Water Available from Areas) Determination 2019 (No 2) specify the SDL as the limit for water take in the ACT.
- 4) To fulfil its commitment to reduce the take of surface water in the ACT from the BDL (58.34 GL/year) to the SDL (53.44 GL/year), the ACT Government needs to grant a permanent water entitlement to provide 4.9 GL/year Long Term Average Annual Yield (LTAAY) to the Commonwealth Environmental Water Holder (CEWH). This volume is called the Shared Reduction Amount for 'Bridging the Gap' between the BDL and the SDL.
- 5) In committing to the Basin Plan, the ACT Government also agreed to a Basin-wide target of achieving 450 GL/year of annual water savings through water efficiency measures, to improve environmental outcomes as set out in Schedule 5 of the Basin Plan.
- 6) Since 2012 the ACT Government has explored several options to meet its 4.9 GL/year commitment and achieve additional water savings, while minimising risks and securing funding to improve the ACT's water security.
- 7) From 2019 the Commonwealth Off-Farm Water Efficiency Program funded investigations which identified a suite of water efficiency measures that could reduce demand by at least 4.9 GL/year. The Commonwealth Off-Farm Water Efficiency Program was not designed for urban water efficiency measures. As a result, and despite consistent attempts from the ACT Government, the cost of improving water security while meeting the water recovery commitment could not be met through that program.

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- 8) In February 2023, the Australian Government announced that it is seeking to finalise all Bridging the Gap commitments by 2024 through its Strategic Water Purchasing Framework. This presents a new opportunity for the ACT to meet its 4.9 GL/year water recovery commitment and receive Australian Government funding for water security measures.
- 9) Granting an entitlement for a further 1.46 GL/year to the CEWH would secure additional funding (\$13.5 million) from the Australian Government. This would enable the ACT to implement more of the water efficiency measures that are needed to build the ACT's water security and resilience to changing climatic conditions. This funding would also be able to partially offset the cost of investigating water supply diversification options.
- 10) Granting an additional 1.46 GL/year water entitlement would also contribute to the overall Basin Plan target of achieving an additional 450 GL water recovery through water efficiency measures.
- 11) The Environment, Planning and Sustainable Development Directorate (EPSDD) wrote to the Australian Government's Department of Climate Change, Energy, the Environment and Water (DCCEEW) in May 2023, with a proposal for meeting the 4.9 GL/year water recovery commitment and providing up to a further 1.46 GL/year through the Strategic Water Purchasing Framework.
- 12) In August 2023, the Australian Government announced its intention to extend the timeframe for completing water recovery through the Sustainable Diversion Limit Adjustment Mechanism and Efficiency Measures. DCCEEW advised that this announcement has no effect on the timeframe for the Bridging the Gap target and the ACT's SRA. The ACT is required to meet its water recovery commitment by 30 June 2024.
- 13) In August 2023, DCCEEW provided the draft agreement at Attachment A for the ACT Government's consideration. The Murray-Darling Basin Authority provided the letter at Attachment E, which gives assurances on future work to recognise the ACT's water resources in full and mitigate risks to the ACT's water security.

ISSUES & OPTIONS

Objectives of proposed agreement

- 14) In negotiating the agreement at Attachment A, the ACT Government's objectives were to:
 - a. fulfil the ACT Government's water recovery commitment under the *Basin Plan 2012* without compromising the ACT's water security;
 - b. ensure that no water that is used for urban purposes is transferred out of the ACT;

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- c. ensure that granting the entitlements to the CEWH will have a positive or neutral impact on the ACT's long-term ability to comply with its SDL on annual net take of surface water;
- d. secure funding to offset the cost of water security measures, by satisfying the Australian Government's Strategic Water Purchasing Framework investment principles;
- e. improve the ACT's water security, which includes the quantity, quality and affordability of the ACT's water supply; and
- f. improve environmental outcomes in the ACT and the Murray-Darling Basin.

Fulfilling the ACT's water recovery commitment under the Basin Plan

15) The proposed agreement at Attachment A provides for the ACT to:

- a. fulfil its commitment under the Basin Plan to deliver the Shared Reduction Amount of 4.9 GL/year of ACT surface water per year to the CEWH for environmental purposes; and
- b. contribute further to Murray-Darling Basin environmental outcomes by delivering up to 1.46 GL/year of additional ACT surface water per year to the CEWH for environmental purposes.

16) If the ACT does not fulfil this commitment by June 2024, there will be several adverse consequences for the ACT:

- a. the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area, by subtracting 4.9 GL from the annual permitted take, without the ACT receiving funding for water efficiency measures;
- b. other jurisdictions will perceive the ACT to be avoiding its responsibilities under the Murray-Darling Basin Agreement. This will make it more difficult to resolve water management issues with other jurisdictions and improve water security in the ACT.

17) If the agreement is signed by both parties, the CEWH would apply under the *Water Resources Act 2007* (ACT) (ACT Water Act) for permanent water access entitlements for 6.36 GL/year of ACT surface water. The CEWH's application for entitlements to meet the water recovery commitment would be assessed by the ACT Environmental Protection Agency, consistent with the Reasonable Use Guidelines (DI2007-194) in force under section 18 of the ACT Water Act.

18) It is proposed that the entitlement would be granted from the Lower Molonglo water management area in the ACT. The water would be from the unregulated water source (i.e. not from dams), at the southern extent of the ACT and cannot be used for urban water supply. The

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CEWH would use the water downstream of the ACT within the broader Southern Connected Basin. The water would be accounted at the Halls Crossing flow gauge in NSW.

- 19) Under the *Water Resources (Water available from areas) Determination 2019 (No 2)*, sufficient water is available for take within the Lower Molonglo water management area. This has been confirmed through review of the ACT entitlement register (as at 29 August 2023).
- 20) Any entitlements granted to the CEWH would be subject to conditions as outlined in Attachment D. To facilitate this, the Minister for Water, Energy and Emissions Reduction is required to table minor amendments to update two disallowable instruments under the ACT Water Act, as outlined in Attachment D.
- 21) Legal advice provided by the ACT Government Solicitor in October 2020 confirmed that the ACT Water Act allows for water access entitlements to be granted to the CEWH to use in-stream for environmental purposes, even if that use is outside the ACT. The advice also confirmed that because the CEWH will not abstract water from any waterway in the ACT, the ACT will not need to issue a water access licence to the CEWH, nor will the CEWH be liable to pay any water abstraction charge to the ACT.
- 22) To enable the CEWH to use the water for environmental purposes downstream of the ACT, the Murray-Darling Basin Authority will need to amend water accounting protocols under the Murray-Darling Basin Agreement and the NSW Government will need to make amendments to relevant water sharing plans and water accounting arrangements. The relevant agencies are currently drafting and seeking advice and approvals for these amendments.
- 23) When the Murray-Darling Basin Authority and NSW agencies have made these amendments, NSW will credit 6.36 GL/year into a CEWH account in Burrinjuck Dam, for CEWH to use as needed for environmental purposes. These changes to Basin water accounting protocols and NSW water management arrangements will enable the CEWH to use the water outside the ACT, but the proposed agreement is not dependent on these arrangements being in place. The ACT will have met its water recovery commitment under the Basin Plan as soon as it has granted the water access entitlements to CEWH.
- 24) The Murray-Darling Basin Authority is currently conducting a technical review of the reliability, or Long-Term Diversion Level Equivalent (LTDLE) Factor, of the ACT water entitlements and is expected to provide a final decision on this in November 2023. The proposed agreement would

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be signed after the LTDLE Factor has been determined and the ACT is satisfied with the assessment of reliability.

- 25) The draft funding agreement at Attachment A specifies that granting entitlements for 6.36 GL/year to CEWH would meet the ACT's 4.9 GL/year Shared Reduction Amount water recovery commitment in full and provide up to 1.46 GL/year additional water for environmental purposes.

Water not used for urban purposes

- 26) The ACT Government must not transfer any "water or water entitlement that is used for urban purposes" for use outside the ACT, unless that volume of water has been transferred into the ACT from another State. This is specified in Clause 9(3), Schedule E of Schedule 1 (Murray Darling Basin Agreement), *Water Act 2007* (Cth).
- 27) Accordingly, any entitlements for ACT water granted to the CEWH must only be for water that is not used for urban purposes.
- 28) The proposed 6.36 GL/year water entitlement is not used for urban purposes and will not need to be used for urban purposes in the future for the following reasons:
- a. Water will not be taken from urban water supply dams or catchments: -The ACT will not hold, release or change water flows from urban water supply dams or catchments in the ACT to deliver water under any entitlements for CEWH. The entitlements would only be granted from an "unregulated" water source, that is, a river rather than a dam, downstream of the urban water supply system.
 - b. Water entitlement would be from the Lower Molonglo: - It is not feasible for the ACT to use the water for urban purposes at this point. The water will flow out of the ACT even if no entitlements have been granted to CEWH. If treated wastewater were recycled in future, it would be extracted upstream of this point, and sufficient water would still flow past this point to satisfy the 6.36 GL/year entitlement.
 - c. Actual net take will remain within the SDL: - Modelling conducted by eWater indicates that actual net take will remain within the SDL beyond 2146 even under a scenario of high climate change (3 degrees C) and an ACT population of 1.3 million.
 - d. Even in dry years, water available exceeds 6.36 GL: - Modelling from the stream flow gauge at Halls Crossing in NSW indicates that a minimum volume of approximately 30 GL

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of unallocated ACT water flows out of the ACT in all years. The modelling shows that on average, more than 200 GL of unallocated ACT water flows out of the ACT per year.

Australian Government funding

- 29) The proposed agreement at Attachment A provides that the Australian Government would make a one-off payment to the ACT after the entitlements have been granted to the CEWH.
- 30) The funding amount is based on the upper bound market price for NSW High Security Entitlement within the Regulated Murrumbidgee Water Source. This would be a payment of \$58.83 million, based on the current upper bound market price of \$9,250 per ML. The NSW High Security Entitlement has a comparable level of resource reliability (LTDLE factor) to the proposed ACT water entitlement.
- 31) The proposed funding agreement satisfies the investment principles set out in the Australian Government Strategic Water Purchasing Framework, in that it provides eligible entitlements, achieves the SDL at an appropriate market rate and can deliver environmental utility.
- 32) This funding is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment under the Basin Plan. The ACT will only receive the funding if the agreement is concluded and entitlements granted by 30 June 2024.
- 33) The proposed agreement does not commit the ACT to spend the funding received on water efficiency or security measures. Implementing the water efficiency measures would support water security and reduce the ACT's net water take to remain compliant with its SDL.
- 34) Investing the funding received from the Australian Government to implement a Water Security Investment Plan (Attachment B) would result in positive impacts for the ACT's water security, drought resilience and water affordability.
- 35) Subject to Cabinet agreement, the Minister for Water, Energy and Emissions Reduction would provide the detailed expenditure profile for the Water Security Investment Plan as part of the 2024-25 budget considerations.

[Improving the ACT's water security](#)

[Investing in water security planning and management](#)

- 36) Developing a Water Security Investment Plan based on the outline at [Attachment B](#) will improve the long-term water security of the ACT, including the environmental sustainability, economic sustainability, affordability and climate resilience of the ACT's water resources.
- 37) Water resource assessments currently being conducted by the ACT Office of Water, and those recently conducted by Icon Water, indicate that the ACT's water security remains highly vulnerable to future pressures including drought, climate change and population growth.
- 38) Preliminary modelling results by the ACT Office of Water indicate that by the year 2050, long-term mean annual flows in ACT waterways may decline by about 45% under a worst-case climate change scenario or by about 30% under a more likely scenario. Analysis of modelled data that Icon Water supplied to the ACT Office of Water indicates that a prolonged drought could result in minimum active dam storages dropping to 0% under a worst-case climate change scenario or to 14% under a more likely scenario (assuming moderate population growth).
- 39) Icon Water proposed some water security investment in its 2022-23 submission to the Independent Competition and Regulatory Commission (ICRC). The ICRC water price determination did not incorporate the costs of all the investment proposed by Icon Water. The Icon Water proposed water security measures remain unfunded.
- 40) An outline of measures that are proposed to provide water security for the ACT is at [Attachment B](#). The measures can be broadly described as: water resource planning; demand management; investigations into supplementary water supplies; and environmental improvement.
- 41) The proposed water security measures are additional to regulation of water entitlements and licences under the *Water Resources Act 2007*, which assists in ensuring that environmental flows are maintained and that the net take of water remains within the ACT's SDL.
- 42) The water security measures listed in [Attachment B](#) are based on technical investigations funded by the Commonwealth Off-Farm Water Efficiency Program, consultations with Icon Water and other stakeholders, and Icon Water's draft Drought Management Plan.
- 43) Icon Water's drought management planning has identified that water security measures are required to enable the growing ACT population to have sufficient water supply in future droughts. This is necessary irrespective of the proposed water recovery agreement. Completing

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the proposed measures will improve water security through water conservation, reduction in water consumption per capita and diversification of water supply options.

- 44) Using Australian Government funds for these water security measures would offset costs for water security planning and management that would otherwise need to be met by the ACT Government budget and by ACT water users through water price determinations (for potable water use) and Water Abstraction Charges (for potable and non-potable water use).
- 45) Implementing water efficiency measures will slow the growth of Icon Water and ACT Government revenue during the implementation period, as outlined in the Financial Impacts section below. Modelling indicates that the impacts will be relatively small compared with total water revenues and relatively short-term due to future population growth in the ACT.

Reassessment of Basin Plan limits for the ACT

- 46) The Murray-Darling Basin Authority has agreed, in the letter at Attachment E, that the ACT's BDL, SDL and water accounting protocols will be re-assessed through the 2026 Basin Plan review, to take account of improved data and modelling, establish a more accurate representation of the ACT water resource and examine how increased urban runoff since 2009 should be recognised in water accounts.
- 47) This re-assessment of the BDL and SDL will contribute further to assuring the long-term water security for the ACT and maintaining the ACT's paramount rights to water resources proclaimed under the *Seat of Government Acceptance Act 1909* (Cth).

Improving environmental outcomes in the ACT and the Murray-Darling Basin

- 48) Using the revenue from the proposed agreement to implement water security measures will improve environmental outcomes in the ACT's waterways, for example by reducing inefficient use of water.
- 49) The EPSDD Office of Water will monitor, evaluate and report on the environmental outcomes of the agreement and investment in water security, through annual public reports under the ACT Water Strategy.

FINANCIAL IMPACT

- 50) If agreed, the Australian Government would make a one-off payment of \$58.83 million to the ACT Government on the granting of the water entitlements to CEWH.

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- 51) If the ACT Government only granted an entitlement to the Shared Reduction Amount of 4.9 GL/year, the ACT would only receive \$45.3 million. This would only partly meet the cost of water efficiency measures and water security planning. It would not be sufficient to complete investigations for water supply diversification.
- 52) Granting an entitlement for a further 1.46 GL/year to the CEWH would secure an additional \$13.5 million and would enable the ACT to achieve at least 6.36 GL/year in water savings through efficiency measures. The additional investment could support water supply investigations to build the ACT's water security and resilience to changing climatic conditions.
- 53) This Submission seeks Cabinet's agreement that, subject to further consideration by Expenditure Review Committee, revenue received through this agreement is used to offset the expenditure to improve the ACT's water security, by implementing a Water Security Investment Plan based on the outline at [Attachment B](#).
- 54) Table 1 identifies the anticipated revenue from the proposed agreement. The Minister for Water, Energy and Emissions Reduction would provide the detail of the expenditure profile for the Water Security Investment Plan as part of the 2024/25 budget process that would be offset by this revenue.

Table 1: Financial impacts summary

	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	2026-27 \$'000	Total \$'000
Revenue/savings/offsets impacts	58.8	0	0	0	58.8
– Revenue					
Foregone WAC revenue (based on achieving 6.36 GL water savings by 2034/35)	-0.5	-0.8	-1.3	-1.8	-4.4
Expenditure on water efficiency and security measures	TBC	TBC	TBC	TBC	TBC

- 55) The Water Abstraction Charge raises revenue to recover water planning and management costs incurred by the ACT Government. In 2021-22, \$29.8M of revenue was raised through this charge on water users. Expenditure on water planning and management reported to the Australian Competition and Consumer Commission (ACCC) for the 2021-22 year was \$11.8M. If the ACT Government does not secure and reinvest the Australian Government funding for water

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recovery, it will be necessary to reassess the level of cost recovery and investment of revenue from Water Abstraction Charge to improve the ACT's water security.

- 56) Modelling conducted by Frontier Economics indicates that implementing water security measures is projected to have minimal net impacts on Icon Water's profitability, slightly slow the growth in ACT Government revenue from Water Abstraction Charges and increase water prices for customers but not necessarily their total water bills. The impact on water customers' bills would depend on the effect of water efficiency measures on individual water usage. These impacts are described in Attachment I and summarised below.
- 57) If water efficiency measures save 6.36 GL by 2034 and the Independent Competition and Regulatory Commission (ICRC) increases customers' water prices to mitigate Icon Water's decline in revenue per customer:
- the ACT Government's revenue from the Water Abstraction Charge would not decline as a result of implementing water security measures, but would not increase at the same rate as the base case of no water efficiency or savings;
 - the ACT Government's revenue from the Water Abstraction Charge, which Icon Water pays and passes on in full to customers, is projected to be 10.7% less than the base case of no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, equivalent to \$4.5m in \$2023/24 dollars) and remain 10.7% lower than base case after that;
 - if 10% of the 6.36 GL/year water savings are achieved from non-potable water use, the foregone nominal revenue in 2034-35 will be approximately \$5.6m instead of \$5.9m;
 - the revenue impacts are directly proportional to the total volume of water saved in the ACT, thus saving 4.9 GL/year would result in a revenue reduction of 8.2% (\$4.5m foregone nominal revenue in 2034/35) and the additional saving of 1.46 GL/year (to deliver the full proposed 6.36 GL/year) would result in a revenue reduction of 2.5% (\$1.4m foregone nominal revenue in 2034/35);
 - Icon Water's revenue (excluding the pass-through of the Water Abstraction Charge) is projected to be 0.48% less than the base case of no water savings by 2034/35, (\$1.23m foregone nominal revenue in 2034/35, which is equivalent to \$0.94m in \$2023/24 dollars) however this will be offset by an equivalent reduction in operational expenditure, meaning there will be no net impact on Icon Water's profitability;

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- f. customers' water bills will vary depending on whether their water usage is reduced through the suite of water efficiency measures outlined in Attachment B;
 - i. a typical residential customer's bill is projected to increase by 6% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 10.2% (from 200 kL to 180 kL/year);
 - ii. the bill of a residential customer with high water usage is projected to increase by 8.3% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 8.4% (from 300 kL to 275 kL/year);
 - iii. the bill of a non-residential customer using 1,000 kL/year is projected to increase by 12.4% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 11.4% (from 1,000 kL to 886 kL/year);
 - iv. the bill of a non-residential customer using 5,000 kL/year is projected to increase by 14% above inflation by 2034/35 if their water usage remains constant, but their bill is projected to stay the same if their water usage is reduced by 12.4% (from 5,000 kL to 4,381 kL/year);
 - v. price impacts on customers would be nearly proportional to the total volume of water saved in the ACT, with slight variations due to the two-tier structure of water usage charges; and
 - vi. the relative impacts on customers of the ACT saving 0 GL, 4.9 GL, 1.46 GL and 6.36 GL/year are summarised in Tables 11 and 12 of Attachment I.

58) Water consumers' costs would rise if efficiency measures were mandated but not funded by government. This Submission proposes that efficiency measures be funded, at least in part, through revenue received from the Australian Government, so that the full implementation of the water security measures is not passed on to consumers. This means that consumers can reduce their water consumption, and potentially their water use bills, without needing to meet the full upfront cost of water efficiency measures. This will improve water affordability in the ACT, particularly for low-income households and high water use households and businesses.

WELLBEING IMPACT SUMMARY

- 59) The proposed agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT. A Wellbeing Impact Assessment is at [Attachment H](#).

CONSULTATION

[External stakeholders](#)

- 60) EPSDD Office of Water has consulted with relevant Australian and NSW Government agencies, including DCCEEW, the Murray-Darling Basin Authority and NSW Department of Planning and Environment. Those agencies have informed EPSDD that they have started the processes for the administrative and regulatory actions that are needed to enable the CEWH to use the volume of water granted by the ACT for environmental purposes downstream of the ACT.
- 61) EPSDD Office of Water consulted with Icon Water in relation to the Water Security Investment Plan Outline ([Attachment B](#)) and modelling results ([Attachment I](#)). Icon Water sought clarity on the role of the EPSDD Office of Water in relation to urban water security planning. EPSDD and Icon Water are developing a Memorandum of Understanding to clarify responsibilities and build a framework for working collaboratively to improve water security and environmental outcomes.
- 62) EPSDD will continue to work closely with Icon Water and will consult relevant external stakeholders, such as key water users, when developing a detailed Water Security Investment Plan, which will be prepared for consideration through the 2024-25 Budget process.

[ACT Government agencies](#)

- 63) EPSDD Office of Water has consulted with relevant areas of CMTEDD (Policy and Cabinet, Treasury and the Environment Protection Agency (EPA)) in developing this submission. Feedback has been incorporated into the Submission.
- 64) Treasury sought modelling and additional information on a range of matters during the consultations. EPSDD included the modelling results and requested information in this submission and in [Attachments B and I](#).
- 65) The EPA noted that water regulation is also necessary for water security and that water access entitlements need to continue to align with Sustainable Diversion Limits. EPSDD incorporated this information in this submission and in [Attachment B](#).

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- 66) EPSDD will consult with ACT Treasury and TCCS Urban Services to develop a detailed Water Security Investment Plan, which EPSDD will submit for approval in the 2024-25 budget process.
- 67) The Table of Comments is at Attachment F.

MEDIA/COMMUNICATIONS

- 68) No media announcement is proposed at this stage. A joint announcement may be made with the Australian Government when the agreement is executed by both parties, when entitlements have been granted or when funding is received from the Australian Government.
- 69) A future media announcement could be made on the Government's investment into water security measures and addressing cost of living pressures for urban water supply, subject to 2024-25 Budget consideration.

IMPLEMENTATION

- 70) Table 2 outlines the timetable for execution of the agreement and subsequent steps.

Table 2: **Implementation milestones and timeframes**

Milestones	Date to be completed
1. ACT and Australian Government Ministers execute water recovery agreement	November 2023
2. CEWH applies for water entitlement	November 2023
3. Delegate for <i>Water Resources Act 2007</i> decides on entitlement application	December 2023
4. Minor changes to Disallowable Instruments under <i>Water Resources Act 2007</i>	December 2023
5. If entitlements are granted, payment is received from Australian Government	Early 2024
6. Water Security Investment Plan considered in 2024/25 Budget process	Early 2024
7. Implementation of Water Security Investment Plan commences	July 2024

HUMAN RIGHTS IMPACT

- 71) The proposal is consistent with the *Human Rights Act 2004*.

Minister's signature



Date 24/9/23

ATTACHMENTS

A	Proposed water recovery agreement with the Australian Government
B	Water Security Investment Plan Outline
C	Map of ACT Waterways
D	Example Water Access Entitlement and proposed amendments to Disallowable Instruments under the <i>Water Resources Act 2007</i> (ACT)
E	Letter from Murray-Darling Basin Authority dated 26 July 2023
F	Table of comments
G	Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary
H	Wellbeing Impact Assessment
I	Modelled impacts of water recovery on revenue and customers' bills

Water Security Investment Plan Outline

Context: ACT's water supplies, usage and population

The ACT lies in the Murrumbidgee River catchment within the Murray–Darling Basin. The ACT stores water in the Cotter, Bendora, Corin and Googong Dams for urban supply. Additional water can be pumped from the Murrumbidgee River to the Googong Reservoir or to the Stromlo Water Treatment Plant. Icon Water manages these major urban water supplies. In addition, the ACT Government and private users use stormwater and groundwater for irrigation of some urban areas.

Under the *Seat of Government Acceptance Act 1909*, the ACT also has paramount rights to the waters of the Queanbeyan and Molonglo Rivers and their tributaries (east of the railway line).

Unlike other jurisdictions in the Murray–Darling Basin, the ACT reserves water for environmental flows before taking water out of waterways for human use. Regulation of water entitlements and licences under the *Water Resources Act 2007* assists in ensuring that environmental flows are maintained and that the net take of water remains within the ACT's Sustainable Diversion Limit.

The [ACT Water Strategy 2014-44](#) identified that on average over the long term, only about 6% of the ACT's water resources are taken for human use. In prolonged droughts, however, the ACT's water resources decline to levels that cannot sustain both environmental flows and unrestricted take for human use. The ACT has already experienced prolonged droughts that resulted in water use restrictions, each drought causing significant adverse environmental, economic and social impacts.

Based on 2021 Census data, ACT Treasury projects the ACT population to increase from 453,5581 people in 2021 to 784,043 people in 2060, an increase of more than 330,000 people in 40 years. This will increase demand on the ACT's water supply, as will population growth in NSW around the ACT.

Issues for water security: climate change and extreme droughts

“Water security” means ensuring adequate quantity, quality, and affordability of water for humans and ecosystems (‘Water security and the global water agenda’, United Nations, 2013). The ACT region needs long-term water security to support projected population growth while maintaining the health of ecosystems in the ACT region. Extreme droughts, resulting from climate change, are the main challenges to ensuring water security for a growing population.

The [ACT Climate Change Strategy 2019-2025](#) notes that increased levels of greenhouses gases in the atmosphere as a result of human activities are causing changes in the global climate. These changes include increased average temperatures, changes in rainfall patterns

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and increased severity of extreme weather events, including prolonged droughts. Climate modelling used in the ACT Climate Change Strategy predicts that rainfall in the region will become more seasonally variable, decreasing in spring and winter, and increasing in summer and autumn. This is expected to result in:

- more variable and reduced surface water inflows
- changes in the fill season and draw down patterns of ACT water storages
- increased evaporation rates
- more frequent and prolonged droughts
- less certainty in water supplies, and
- overall increased demand on water resources.

Regional climate modelling also projects that heatwaves will become hotter, longer, and more frequent. This will increase evaporation, reduce inflows, and increase demand on water supplies.

Icon Water has been including climate change in their water resource assessments since the early 2000s. The climate change impacts used in Icon Water's modelling align with the projections used for the ACT Climate Change Strategy.

The ACT Government has recognised that "water security has already been significantly influenced by climate change, rainfall patterns are shifting, and the severity of droughts has increased" and has agreed to "ensure climate projections are considered in long-term planning and decision-making regarding water use and water restrictions" (ACT Legislative Assembly, Resolution on Water Security, 27 November 2019).

The ACT Whole-of-Government Climate Change Risk Assessment (2022) identifies several priority climate risks relating to the water resource and the related socio-ecological systems. These include:

- B2 – increased frequency of droughts leading to dam and water storage impacts resulting in reduction of drinking water supply (high risk)
- N1 – increasing temperature and changing frequency and intensity of bushfires leading to longer, more intense fire seasons resulting in elevated environmental losses and ecosystem disruption (extreme risk)
- N5 – extreme weather events (e.g. heavy rainfall, flooding, severe storms) leading to erosion, sedimentation and/or contamination, resulting in poor water quality and negative impacts on aquatic and riparian ecosystems (high risk).

The recent drought in the ACT (2017-2020) applied the greatest stress to the source water system in the ACT's history. Following the drought, Icon Water undertook a review of its water supply strategy and water resource modelling. The updated model is forecasting less water available in droughts, meaning that the source water system is not as secure in the medium to long term as previously assessed. The outcomes of the updated water resource modelling have also brought forward the timeframes for progressing investigations into Icon Water's next system augmentation, which is now forecast to be required around 2040.

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The ACT Office of Water is currently conducting phase 1 of a Vulnerability Assessment of the ACT's water resources and ecosystems. This also indicates that the ACT's water security is not assured and that water supplies remain highly vulnerable to future pressures including drought, climate change and population growth.

Preliminary modelling results by the ACT Office of Water indicate that by the year 2050, long-term mean annual flows in ACT waterways may decline by about 45% under a worst-case climate change scenario or by about 30% under a more likely scenario. Analysis of modelled data supplied to the Office by Icon Water indicates that a prolonged drought could result in minimum active dam storages dropping to 0% under a worst-case climate change scenario or to 14% under a more likely scenario (assuming moderate population growth). The associated water restrictions could cost the community \$150 million per year under a worst-case climate change scenario or \$40 million per year under a more likely scenario.

The model projections produced by the Office of Water and Icon Water indicate that there is a need for investment to ensure that the ACT's water supplies are secure in the long term and resilient to climate impacts.

Icon Water customers also recognise the need to invest in water security. Participants in Icon Water's 2021-22 customer survey considered water security an important area for investment as population growth and climate change continues. Two-thirds of participants in the quantitative customer survey supported greater investment to explore future alternate water options. Members of Icon Water's Customer Advocacy Forum were in favour of investment due to its potential to reduce future water use and costs.

The projected changes in population, climate and the frequency and duration of droughts will place pressure on the ACT's water supplies and increase risks to water security both for human use and for environmental values. These risks need to be mitigated to ensure the long term environmental and economic sustainability, climate resilience and affordability of the ACT's water supply system.

Previous investment in water security

In 2019, the ACT Legislative Assembly noted "the ACT Government's achievements in ensuring the ACT's long term water security, in particular the significant investment made by the ACT Government:

- (a) to increase water storage, with capacity in the ACT growing around 35 percent from 205 gegalitres to 278 gegalitres since 2012;
- (b) to add new water sources, including stormwater harvesting and reuse at the neighbourhood level in the inner north;
- (c) to oversee major reductions in demand on water resources through increased efficiency as a result of water sensitive urban design and permanent water conservation measures; and
- (d) in 2010, the ACT introduced a scheme of permanent water conservation measures, administered through Icon Water, which includes rules and guidance around matters

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such as garden and lawn watering, pool filling, and cleaning with potable water which are mandatory and enforceable” (ACT Legislative Assembly, Resolution on Water Security, 27 November 2019).

Since 2019 EPSDD and Icon Water have been conducting risk assessments, technical investigations, and strategic planning, to take account of updated climate change projections and provide a firm basis for improving the ACT’s future water security. This includes EPSDD’s investigations of urban water efficiency measures (2019-2022) funded through the Commonwealth Off-Farm Efficiency Program; reviewing and refreshing the ACT Water Strategy in 2023-24; and catchment management planning through the Healthy Waterways program. Icon Water is continuing work on drought management and water system planning. This work includes water resource model enhancements and investigating drought management supply measures.

The Office of Water and Icon Water are each continuing work to quantify the nature, timing, and extent of future vulnerabilities in the ACT’s water resources and urban water supplies.

Future work

In the context of climate change, assessment of water security, national water reforms and changing community views on water supply issues, there is a need for the ACT Government to review its water policies and planning. Responding to the water security assessment requires coordinated approach, recognising the shared responsibilities across Government and Icon Water. There is also a need to review the ACT Government’s level of service requirements for Icon Water.

Actions to improve the ACT’s long-term water security are outlined in [Figure 1](#). These activities can be summarised as:

- Implementing statutory functions established under the *Water Resources Act 2007*, strengthening water governance arrangements, reviewing water policy settings and progressing water governance reforms;
- Building the analytical capability of the ACT Government (within the Office of Water) to conduct regular water resource assessments, including within these assessments the impact of climate change to inform water planning;
- Preparing a long-term Water Security Plan in partnership with Icon Water that would set out the ACT Government’s direction on:
 - meeting the water security objectives of achieving adequate quantity, quality and affordability
 - water supply diversification options (investigations led by Icon Water)
 - demand management through water efficiency measures
 - permanent and temporary conservation measures (reviews led by Icon Water)
 - community education and engagement activities;
- Implementing actions set out in the Water Security Plan in partnership with Icon Water.

Government investment in water security planning and demand management is needed to implement the policy direction established through the ACT Water Strategy and to maintain

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water affordability for community. Without government investment, the full cost of water security planning and demand management measures would need to be met by Icon Water customers through retail water pricing by the ACT Independent Competition and Regulatory Commission (ICRC). The cost of water planning and management activities conducted by the ACT Government is recovered through the Water Abstraction Charge.

To ensure its long-term water security, the ACT Government also needs to engage actively in initiatives under the Murray-Darling Basin water reforms and renewed national policy under the National Water Initiative. These include:

- reassessment of the ACT's Baseline and Sustainable Diversion Limits through the 2026 review of the Basin Plan;
- revision of the ACT's accredited Water Resources Plan; and
- development and implementation of an ACT and cross-border water trading framework.

Investment opportunity

The proposed water recovery agreement with the Australian Government offers a unique opportunity to secure Australian Government funding which can, at least partially, offset the cost of water security planning and implementation for the ACT and consequently reduce costs for ACT water users.

If Australian Government funding is secured in 2023-24 through the water recovery agreement, the Office of Water, in consultation with Icon Water, will develop a Water Security Investment Plan for consideration through the 2024-25 budget process. This will set a four to ten-year business plan for implementing the measures summarised in Figure 1 and Table 1 and discussed in this Outline.

The measures listed in Table 1 are based on EPSDD and Icon Water's investigations to date. There is a high level of confidence that the proposed 6.36 GL/year water savings can be achieved through water efficiency measures within the level of the proposed Australian Government funding. EPSDD engaged independent experts to identify the level of water savings that could be achieved, provide cost estimates for each measure, and evaluate the reliability of savings. The outcomes are summarised in "Murray-Darling Basin Water Efficiency Program: Water savings opportunities summary report", Institute of Sustainable Futures, October 2020. EPSDD has consulted further with stakeholders since 2020 to confirm the most feasible and reliable water saving measures.

EPSDD will continue to consult with stakeholders to review and refine proposed water security measures, prior to submitting a detailed investment plan for consideration through the 2024-25 budget process. The outcomes of the Vulnerability Assessment, investigations into supply diversification options and initial outcomes of demand management measures will inform the Water Security Plan.

In typical rainfall years, approximately ninety per cent of ACT's net water take is used for potable water supplies so water efficiency and security measures need to focus primarily on potable water supplies and demand management. There are also opportunities to improve

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23/527



Title	Water recovery agreement with the Australian Government
Meeting type	Expenditure Review Committee
Minister	Shane Rattenbury MLA Minister for Water, Energy and Emissions Reduction
Cabinet date	Monday, 9 October 2023
Status	FINAL
Relationship to previous decisions	3 July 2019, 19/333/ECD, ACT Government participation in the Murray Darling Basin Water Infrastructure Program 29 October 2019, 19/499CAB, Water Efficiency Initiative: ACT Government participation in the Murray Darling Basin Water Infrastructure Program
Purpose	To seek Cabinet endorsement to enter into an agreement with the Australian Government to meet the ACT Government's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT
Category	Category 2 - Cabinet business
Financial impact	Yes
Treasury agreement	Yes Date provided for Treasury agreement to financial implications: 04/08/2023 Date of Treasury agreement: 17/08/2023
Is ERC consideration required?	Yes If yes, select ERC meeting date: Monday, 9 October 2023
Legislative change	No - change to legislation not required
Regulatory impact	Yes Minor amendments to update two Disallowable Instruments under the <i>Water Resource Act 2007</i>
Wellbeing Impact Assessment	Yes Environment and climate
Primary Wellbeing Domain	

RECOMMENDATIONS

1) I recommend Cabinet agree:

- a. that the Minister for Water, Energy and Emissions Reduction execute the agreement at Attachment A with the Australian Government, which will provide for:
 - i. the ACT Government to meet its commitment under the Murray-Darling Basin Plan to deliver the Shared Reduction Amount of 4.9 GL/year of ACT surface water per year to the Commonwealth Environmental Water Holder (CEWH) for environmental purposes;
 - ii. the ACT Government to contribute further to Murray-Darling Basin environmental outcomes by delivering up to an additional 1.46 GL/year of ACT surface water per year to the CEWH for environmental purposes;
 - iii. the Australian Government to make a one-off payment of \$58.83 million to the ACT by June 2024, in accordance with the investment principles set out in the Australian Government's Strategic Water Purchasing Framework;
- b. that subject to further Expenditure Review Committee consideration, the funding received from the water recovery agreement will be used to offset the expenditure needed to implement a Water Security Investment Plan based on the outline at Attachment B, which would ensure positive impacts from the Agreement;
- c. the Minister for Water, Energy and Emissions Reduction will provide the detail of the expenditure profile for the Water Security Investment Plan as part of the 2024-25 budget considerations;
- d. the Minister for Water, Energy and Emissions Reduction will bring back to Cabinet a further submission on the outcomes of modelling for ACT's water security and resilience to changing climatic conditions, which will include projected water resource availability through to 2050;
- e. the Minister for Water, Energy and Emissions Reduction will table minor amendments to update two disallowable instruments under the *Water Resources Act 2007* (ACT), as outlined in Attachment D;

2) I recommend Cabinet agree to:

- a. Table 1: Financial impacts summary; and
- b. Table 2: Implementation milestones and timeframes.

3) I recommend Cabinet note that:

- a. granting entitlements for 6.36 GL/year to CEWH would meet the ACT's 4.9 GL/year Shared Reduction Amount water recovery commitment in full and provide up to 1.46 GL/year additional water for environmental purposes;
- b. the proposed 6.36 GL/year of water recovery is equivalent to reductions in the ACT's annual net take that can be achieved through water efficiency measures, as identified through technical investigations and consultation with Icon Water and stakeholders (Attachment B);

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- c. recent investigations highlight the severity of climate induced risk to the Territory's water security and that water efficiency measures and investigations into alternative water supply options are needed to improve the ACT's drought and climate resilience;
- d. the proposed water recovery volume of 6.36 GL/year would be available from the Lower Molonglo water management area downstream of ACT urban areas, urban water supplies and sewage treatment plants (see map at Attachment C) and accordingly is not required for ACT urban water supply purposes now or in the future;
- e. any entitlements granted would be subject to the conditions outlined in Attachment D;
- f. if the delegate under the *Water Resources Act 2007* (ACT) grants the entitlements, the Australian Government would make a one-off payment of \$58.83 million after the grant of entitlements, by June 2024, based on the upper bound market price for NSW High Security Entitlements within the Regulated Murrumbidgee Water Source, which is currently \$9,250 per ML;
- g. this funding is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment;
- h. if the ACT does not meet its commitment by June 2024, the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area by subtracting 4.9 GL/year from the annual permitted take, without the ACT receiving funding for water efficiency measures; and
- i. the Murray-Darling Basin Authority has agreed, in the letter at Attachment E, that the ACT's Baseline Diversion Limit and Sustainable Diversion Limit will be reassessed through the 2026 Basin Plan review;

4) I recommend Cabinet note:

- a. the advice to the Chief Minister on the release of the Cabinet Decision Summary (Attachment G) as required under Section 23 of the *Freedom of Information Act 2016*; and
- b. the following summaries to be released:
 - i. Cabinet agreed to the ACT Government entering into an agreement with the Australian Government to meet the ACT's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT; and
 - ii. the agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT.

SUPPORTING ARGUMENT

BACKGROUND

- 1) The Murray-Darling *Basin Plan 2012* is a statutory instrument under section 44(3)(b)(i) of the *Water Act 2007* (Cth). It sets out the amount of water that can be taken from each area of the Basin, with the aim of achieving environmentally sustainable management of Basin water.
- 2) The Basin Plan requires the take of water to be reduced from the Baseline Diversion Limit (BDL) to a long-term Sustainable Diversion Limit (SDL) for each water resource area in the Basin, including the ACT water resource area. The Inspector-General of Water Compliance and the Murray-Darling Basin Authority monitor and report on SDL compliance.
- 3) In committing to the Basin Plan, the ACT Government agreed to limit the net take of water in the ACT to the SDL. Consistent with this commitment, section 17(3) of the *Water Resources Act 2007* (ACT) and Schedule 1 of the Water Resources (Water Available from Areas) Determination 2019 (No 2) specify the SDL as the limit for water take in the ACT.
- 4) To fulfil its commitment to reduce the take of surface water in the ACT from the BDL (58.34 GL/year) to the SDL (53.44 GL/year), the ACT Government needs to grant a permanent water entitlement to provide 4.9 GL/year Long Term Average Annual Yield (LTAAY) to the Commonwealth Environmental Water Holder (CEWH). This volume is called the Shared Reduction Amount for 'Bridging the Gap' between the BDL and the SDL.
- 5) In committing to the Basin Plan, the ACT Government also agreed to a Basin-wide target of achieving 450 GL/year of annual water savings through water efficiency measures, to improve environmental outcomes as set out in Schedule 5 of the Basin Plan.
- 6) Since 2012 the ACT Government has explored several options to meet its 4.9 GL/year commitment and achieve additional water savings, while minimising risks and securing funding to improve the ACT's water security.
- 7) From 2019 the Commonwealth Off-Farm Water Efficiency Program funded investigations which identified a suite of water efficiency measures that could reduce demand by at least 4.9 GL/year. The Commonwealth Off-Farm Water Efficiency Program was not designed for urban water efficiency measures. As a result, and despite consistent attempts from the ACT Government, the cost of improving water security while meeting the water recovery commitment could not be met through that program.

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- 8) In February 2023, the Australian Government announced that it is seeking to finalise all Bridging the Gap commitments by 2024 through its Strategic Water Purchasing Framework. This presents a new opportunity for the ACT to meet its 4.9 GL/year water recovery commitment and receive Australian Government funding for water security measures.
- 9) Granting an entitlement for a further 1.46 GL/year to the CEWH would secure additional funding (\$13.5 million) from the Australian Government. This would enable the ACT to implement more of the water efficiency measures that are needed to build the ACT's water security and resilience to changing climatic conditions. This funding would also be able to partially offset the cost of investigating water supply diversification options.
- 10) Granting an additional 1.46 GL/year water entitlement would also contribute to the overall Basin Plan target of achieving an additional 450 GL water recovery through water efficiency measures.
- 11) The Environment, Planning and Sustainable Development Directorate (EPSDD) wrote to the Australian Government's Department of Climate Change, Energy, the Environment and Water (DCCEEW) in May 2023, with a proposal for meeting the 4.9 GL/year water recovery commitment and providing up to a further 1.46 GL/year through the Strategic Water Purchasing Framework.
- 12) In August 2023, the Australian Government announced its intention to extend the timeframe for completing water recovery through the Sustainable Diversion Limit Adjustment Mechanism and Efficiency Measures. DCCEEW advised that this announcement has no effect on the timeframe for the Bridging the Gap target and the ACT's SRA. The ACT is required to meet its water recovery commitment by 30 June 2024.
- 13) In August 2023, DCCEEW provided the draft agreement at Attachment A for the ACT Government's consideration. The Murray-Darling Basin Authority provided the letter at Attachment E, which gives assurances on future work to recognise the ACT's water resources in full and mitigate risks to the ACT's water security.

ISSUES & OPTIONS

Objectives of proposed agreement

- 14) In negotiating the agreement at Attachment A, the ACT Government's objectives were to:
 - a. fulfil the ACT Government's water recovery commitment under the *Basin Plan 2012* without compromising the ACT's water security;
 - b. ensure that no water that is used for urban purposes is transferred out of the ACT;

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- c. ensure that granting the entitlements to the CEWH will have a positive or neutral impact on the ACT's long-term ability to comply with its SDL on annual net take of surface water;
- d. secure funding to offset the cost of water security measures, by satisfying the Australian Government's Strategic Water Purchasing Framework investment principles;
- e. improve the ACT's water security, which includes the quantity, quality and affordability of the ACT's water supply; and
- f. improve environmental outcomes in the ACT and the Murray-Darling Basin.

Fulfilling the ACT's water recovery commitment under the Basin Plan

15) The proposed agreement at Attachment A provides for the ACT to:

- a. fulfil its commitment under the Basin Plan to deliver the Shared Reduction Amount of 4.9 GL/year of ACT surface water per year to the CEWH for environmental purposes; and
- b. contribute further to Murray-Darling Basin environmental outcomes by delivering up to 1.46 GL/year of additional ACT surface water per year to the CEWH for environmental purposes.

16) If the ACT does not fulfil this commitment by June 2024, there will be several adverse consequences for the ACT:

- a. the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area, by subtracting 4.9 GL from the annual permitted take, without the ACT receiving funding for water efficiency measures;
- b. other jurisdictions will perceive the ACT to be avoiding its responsibilities under the Murray-Darling Basin Agreement. This will make it more difficult to resolve water management issues with other jurisdictions and improve water security in the ACT.

17) If the agreement is signed by both parties, the CEWH would apply under the *Water Resources Act 2007* (ACT) (ACT Water Act) for permanent water access entitlements for 6.36 GL/year of ACT surface water. The CEWH's application for entitlements to meet the water recovery commitment would be assessed by the ACT Environmental Protection Agency, consistent with the Reasonable Use Guidelines (DI2007-194) in force under section 18 of the ACT Water Act.

18) It is proposed that the entitlement would be granted from the Lower Molonglo water management area in the ACT. The water would be from the unregulated water source (i.e. not from dams), at the southern extent of the ACT and cannot be used for urban water supply. The

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CEWH would use the water downstream of the ACT within the broader Southern Connected Basin. The water would be accounted at the Halls Crossing flow gauge in NSW.

- 19) Under the *Water Resources (Water available from areas) Determination 2019 (No 2)*, sufficient water is available for take within the Lower Molonglo water management area. This has been confirmed through review of the ACT entitlement register (as at 29 August 2023).
- 20) Any entitlements granted to the CEWH would be subject to conditions as outlined in Attachment D. To facilitate this, the Minister for Water, Energy and Emissions Reduction is required to table minor amendments to update two disallowable instruments under the ACT Water Act, as outlined in Attachment D.
- 21) Legal advice provided by the ACT Government Solicitor in October 2020 confirmed that the ACT Water Act allows for water access entitlements to be granted to the CEWH to use in-stream for environmental purposes, even if that use is outside the ACT. The advice also confirmed that because the CEWH will not abstract water from any waterway in the ACT, the ACT will not need to issue a water access licence to the CEWH, nor will the CEWH be liable to pay any water abstraction charge to the ACT.
- 22) To enable the CEWH to use the water for environmental purposes downstream of the ACT, the Murray-Darling Basin Authority will need to amend water accounting protocols under the Murray-Darling Basin Agreement and the NSW Government will need to make amendments to relevant water sharing plans and water accounting arrangements. The relevant agencies are currently drafting and seeking advice and approvals for these amendments.
- 23) When the Murray-Darling Basin Authority and NSW agencies have made these amendments, NSW will credit 6.36 GL/year into a CEWH account in Burrinjuck Dam, for CEWH to use as needed for environmental purposes. These changes to Basin water accounting protocols and NSW water management arrangements will enable the CEWH to use the water outside the ACT, but the proposed agreement is not dependent on these arrangements being in place. The ACT will have met its water recovery commitment under the Basin Plan as soon as it has granted the water access entitlements to CEWH.
- 24) The Murray-Darling Basin Authority is currently conducting a technical review of the reliability, or Long-Term Diversion Level Equivalent (LTDLE) Factor, of the ACT water entitlements and is expected to provide a final decision on this in November 2023. The proposed agreement would

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be signed after the LTDLE Factor has been determined and the ACT is satisfied with the assessment of reliability.

- 25) The draft funding agreement at Attachment A specifies that granting entitlements for 6.36 GL/year to CEWH would meet the ACT's 4.9 GL/year Shared Reduction Amount water recovery commitment in full and provide up to 1.46 GL/year additional water for environmental purposes.

Water not used for urban purposes

- 26) The ACT Government must not transfer any "water or water entitlement that is used for urban purposes" for use outside the ACT, unless that volume of water has been transferred into the ACT from another State. This is specified in Clause 9(3), Schedule E of Schedule 1 (Murray Darling Basin Agreement), *Water Act 2007* (Cth).
- 27) Accordingly, any entitlements for ACT water granted to the CEWH must only be for water that is not used for urban purposes.
- 28) The proposed 6.36 GL/year water entitlement is not used for urban purposes and will not need to be used for urban purposes in the future for the following reasons:
- a. Water will not be taken from urban water supply dams or catchments: -The ACT will not hold, release or change water flows from urban water supply dams or catchments in the ACT to deliver water under any entitlements for CEWH. The entitlements would only be granted from an "unregulated" water source, that is, a river rather than a dam, downstream of the urban water supply system.
 - b. Water entitlement would be from the Lower Molonglo: - It is not feasible for the ACT to use the water for urban purposes at this point. The water will flow out of the ACT even if no entitlements have been granted to CEWH. If treated wastewater were recycled in future, it would be extracted upstream of this point, and sufficient water would still flow past this point to satisfy the 6.36 GL/year entitlement.
 - c. Actual net take will remain within the SDL: - Modelling conducted by eWater indicates that actual net take will remain within the SDL beyond 2146 even under a scenario of high climate change (3 degrees C) and an ACT population of 1.3 million.
 - d. Even in dry years, water available exceeds 6.36 GL: - Modelling from the stream flow gauge at Halls Crossing in NSW indicates that a minimum volume of approximately 30 GL

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of unallocated ACT water flows out of the ACT in all years. The modelling shows that on average, more than 200 GL of unallocated ACT water flows out of the ACT per year.

Australian Government funding

- 29) The proposed agreement at Attachment A provides that the Australian Government would make a one-off payment to the ACT after the entitlements have been granted to the CEWH.
- 30) The funding amount is based on the upper bound market price for NSW High Security Entitlement within the Regulated Murrumbidgee Water Source. This would be a payment of \$58.83 million, based on the current upper bound market price of \$9,250 per ML. The NSW High Security Entitlement has a comparable level of resource reliability (LTDLE factor) to the proposed ACT water entitlement.
- 31) The proposed funding agreement satisfies the investment principles set out in the Australian Government Strategic Water Purchasing Framework, in that it provides eligible entitlements, achieves the SDL at an appropriate market rate and can deliver environmental utility.
- 32) This funding is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment under the Basin Plan. The ACT will only receive the funding if the agreement is concluded and entitlements granted by 30 June 2024.
- 33) The proposed agreement does not commit the ACT to spend the funding received on water efficiency or security measures. Implementing the water efficiency measures would support water security and reduce the ACT's net water take to remain compliant with its SDL.
- 34) Investing the funding received from the Australian Government to implement a Water Security Investment Plan (Attachment B) would result in positive impacts for the ACT's water security, drought resilience and water affordability.
- 35) Subject to Cabinet agreement, the Minister for Water, Energy and Emissions Reduction would provide the detailed expenditure profile for the Water Security Investment Plan as part of the 2024-25 budget considerations.

[Improving the ACT's water security](#)

[Investing in water security planning and management](#)

- 36) Developing a Water Security Investment Plan based on the outline at [Attachment B](#) will improve the long-term water security of the ACT, including the environmental sustainability, economic sustainability, affordability and climate resilience of the ACT's water resources.
- 37) Water resource assessments currently being conducted by the ACT Office of Water, and those recently conducted by Icon Water, indicate that the ACT's water security remains highly vulnerable to future pressures including drought, climate change and population growth.
- 38) Preliminary modelling results by the ACT Office of Water indicate that by the year 2050, long-term mean annual flows in ACT waterways may decline by about 45% under a worst-case climate change scenario or by about 30% under a more likely scenario. Analysis of modelled data that Icon Water supplied to the ACT Office of Water indicates that a prolonged drought could result in minimum active dam storages dropping to 0% under a worst-case climate change scenario or to 14% under a more likely scenario (assuming moderate population growth).
- 39) Icon Water proposed some water security investment in its 2022-23 submission to the Independent Competition and Regulatory Commission (ICRC). The ICRC water price determination did not incorporate the costs of all the investment proposed by Icon Water. The Icon Water proposed water security measures remain unfunded.
- 40) An outline of measures that are proposed to provide water security for the ACT is at [Attachment B](#). The measures can be broadly described as: water resource planning; demand management; investigations into supplementary water supplies; and environmental improvement.
- 41) The proposed water security measures are additional to regulation of water entitlements and licences under the *Water Resources Act 2007*, which assists in ensuring that environmental flows are maintained and that the net take of water remains within the ACT's SDL.
- 42) The water security measures listed in [Attachment B](#) are based on technical investigations funded by the Commonwealth Off-Farm Water Efficiency Program, consultations with Icon Water and other stakeholders, and Icon Water's draft Drought Management Plan.
- 43) Icon Water's drought management planning has identified that water security measures are required to enable the growing ACT population to have sufficient water supply in future droughts. This is necessary irrespective of the proposed water recovery agreement. Completing

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the proposed measures will improve water security through water conservation, reduction in water consumption per capita and diversification of water supply options.

- 44) Using Australian Government funds for these water security measures would offset costs for water security planning and management that would otherwise need to be met by the ACT Government budget and by ACT water users through water price determinations (for potable water use) and Water Abstraction Charges (for potable and non-potable water use).
- 45) Implementing water efficiency measures will slow the growth of Icon Water and ACT Government revenue during the implementation period, as outlined in the Financial Impacts section below. Modelling indicates that the impacts will be relatively small compared with total water revenues and relatively short-term due to future population growth in the ACT.

Reassessment of Basin Plan limits for the ACT

- 46) The Murray-Darling Basin Authority has agreed, in the letter at Attachment E, that the ACT's BDL, SDL and water accounting protocols will be re-assessed through the 2026 Basin Plan review, to take account of improved data and modelling, establish a more accurate representation of the ACT water resource and examine how increased urban runoff since 2009 should be recognised in water accounts.
- 47) This re-assessment of the BDL and SDL will contribute further to assuring the long-term water security for the ACT and maintaining the ACT's paramount rights to water resources proclaimed under the *Seat of Government Acceptance Act 1909* (Cth).

Improving environmental outcomes in the ACT and the Murray-Darling Basin

- 48) Using the revenue from the proposed agreement to implement water security measures will improve environmental outcomes in the ACT's waterways, for example by reducing inefficient use of water.
- 49) The EPSDD Office of Water will monitor, evaluate and report on the environmental outcomes of the agreement and investment in water security, through annual public reports under the ACT Water Strategy.

FINANCIAL IMPACT

- 50) If agreed, the Australian Government would make a one-off payment of \$58.83 million to the ACT Government on the granting of the water entitlements to CEWH.

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- 51) If the ACT Government only granted an entitlement to the Shared Reduction Amount of 4.9 GL/year, the ACT would only receive \$45.3 million. This would only partly meet the cost of water efficiency measures and water security planning. It would not be sufficient to complete investigations for water supply diversification.
- 52) Granting an entitlement for a further 1.46 GL/year to the CEWH would secure an additional \$13.5 million and would enable the ACT to achieve at least 6.36 GL/year in water savings through efficiency measures. The additional investment could support water supply investigations to build the ACT's water security and resilience to changing climatic conditions.
- 53) This Submission seeks Cabinet's agreement that, subject to further consideration by Expenditure Review Committee, revenue received through this agreement is used to offset the expenditure to improve the ACT's water security, by implementing a Water Security Investment Plan based on the outline at [Attachment B](#).
- 54) Table 1 identifies the anticipated revenue from the proposed agreement. The Minister for Water, Energy and Emissions Reduction would provide the detail of the expenditure profile for the Water Security Investment Plan as part of the 2024/25 budget process that would be offset by this revenue.

Table 1: Financial impacts summary

	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	2026-27 \$'000	Total \$'000
Revenue/savings/offsets impacts	58.8	0	0	0	58.8
– Revenue					
Foregone WAC revenue (based on achieving 6.36 GL water savings by 2034/35)	-0.5	-0.8	-1.3	-1.8	-4.4
Expenditure on water efficiency and security measures	TBC	TBC	TBC	TBC	TBC

- 55) The Water Abstraction Charge raises revenue to recover water planning and management costs incurred by the ACT Government. In 2021-22, \$29.8M of revenue was raised through this charge on water users. Expenditure on water planning and management reported to the Australian Competition and Consumer Commission (ACCC) for the 2021-22 year was \$11.8M. If the ACT Government does not secure and reinvest the Australian Government funding for water

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recovery, it will be necessary to reassess the level of cost recovery and investment of revenue from Water Abstraction Charge to improve the ACT's water security.

- 56) Modelling conducted by Frontier Economics indicates that implementing water security measures is projected to have minimal net impacts on Icon Water's profitability, slightly slow the growth in ACT Government revenue from Water Abstraction Charges and increase water prices for customers but not necessarily their total water bills. The impact on water customers' bills would depend on the effect of water efficiency measures on individual water usage. These impacts are described in Attachment I and summarised below.
- 57) If water efficiency measures save 6.36 GL by 2034 and the Independent Competition and Regulatory Commission (ICRC) increases customers' water prices to mitigate Icon Water's decline in revenue per customer:
- a. the ACT Government's revenue from the Water Abstraction Charge would not decline as a result of implementing water security measures, but would not increase at the same rate as the base case of no water efficiency or savings;
 - b. the ACT Government's revenue from the Water Abstraction Charge, which Icon Water pays and passes on in full to customers, is projected to be 10.7% less than the base case of no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, equivalent to \$4.5m in \$2023/24 dollars) and remain 10.7% lower than base case after that;
 - c. if 10% of the 6.36 GL/year water savings are achieved from non-potable water use, the foregone nominal revenue in 2034-35 will be approximately \$5.6m instead of \$5.9m;
 - d. the revenue impacts are directly proportional to the total volume of water saved in the ACT, thus saving 4.9 GL/year would result in a revenue reduction of 8.2% (\$4.5m foregone nominal revenue in 2034/35) and the additional saving of 1.46 GL/year (to deliver the full proposed 6.36 GL/year) would result in a revenue reduction of 2.5% (\$1.4m foregone nominal revenue in 2034/35);
 - e. Icon Water's revenue (excluding the pass-through of the Water Abstraction Charge) is projected to be 0.48% less than the base case of no water savings by 2034/35, (\$1.23m foregone nominal revenue in 2034/35, which is equivalent to \$0.94m in \$2023/24 dollars) however this will be offset by an equivalent reduction in operational expenditure, meaning there will be no net impact on Icon Water's profitability;

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- f. customers' water bills will vary depending on whether their water usage is reduced through the suite of water efficiency measures outlined in Attachment B;
 - i. a typical residential customer's bill is projected to increase by 6% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 10.2% (from 200 kL to 180 kL/year);
 - ii. the bill of a residential customer with high water usage is projected to increase by 8.3% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 8.4% (from 300 kL to 275 kL/year);
 - iii. the bill of a non-residential customer using 1,000 kL/year is projected to increase by 12.4% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 11.4% (from 1,000 kL to 886 kL/year);
 - iv. the bill of a non-residential customer using 5,000 kL/year is projected to increase by 14% above inflation by 2034/35 if their water usage remains constant, but their bill is projected to stay the same if their water usage is reduced by 12.4% (from 5,000 kL to 4,381 kL/year);
 - v. price impacts on customers would be nearly proportional to the total volume of water saved in the ACT, with slight variations due to the two-tier structure of water usage charges; and
 - vi. the relative impacts on customers of the ACT saving 0 GL, 4.9 GL, 1.46 GL and 6.36 GL/year are summarised in Tables 11 and 12 of Attachment I.

58) Water consumers' costs would rise if efficiency measures were mandated but not funded by government. This Submission proposes that efficiency measures be funded, at least in part, through revenue received from the Australian Government, so that the full implementation of the water security measures is not passed on to consumers. This means that consumers can reduce their water consumption, and potentially their water use bills, without needing to meet the full upfront cost of water efficiency measures. This will improve water affordability in the ACT, particularly for low-income households and high water use households and businesses.

WELLBEING IMPACT SUMMARY

- 59) The proposed agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT. A Wellbeing Impact Assessment is at [Attachment H](#).

CONSULTATION

[External stakeholders](#)

- 60) EPSDD Office of Water has consulted with relevant Australian and NSW Government agencies, including DCCEEW, the Murray-Darling Basin Authority and NSW Department of Planning and Environment. Those agencies have informed EPSDD that they have started the processes for the administrative and regulatory actions that are needed to enable the CEWH to use the volume of water granted by the ACT for environmental purposes downstream of the ACT.
- 61) EPSDD Office of Water consulted with Icon Water in relation to the Water Security Investment Plan Outline ([Attachment B](#)) and modelling results ([Attachment I](#)). Icon Water sought clarity on the role of the EPSDD Office of Water in relation to urban water security planning. EPSDD and Icon Water are developing a Memorandum of Understanding to clarify responsibilities and build a framework for working collaboratively to improve water security and environmental outcomes.
- 62) EPSDD will continue to work closely with Icon Water and will consult relevant external stakeholders, such as key water users, when developing a detailed Water Security Investment Plan, which will be prepared for consideration through the 2024-25 Budget process.

[ACT Government agencies](#)

- 63) EPSDD Office of Water has consulted with relevant areas of CMTEDD (Policy and Cabinet, Treasury and the Environment Protection Agency (EPA)) in developing this submission. Feedback has been incorporated into the Submission.
- 64) Treasury sought modelling and additional information on a range of matters during the consultations. EPSDD included the modelling results and requested information in this submission and in [Attachments B and I](#).
- 65) The EPA noted that water regulation is also necessary for water security and that water access entitlements need to continue to align with Sustainable Diversion Limits. EPSDD incorporated this information in this submission and in [Attachment B](#).

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- 66) EPSDD will consult with ACT Treasury and TCCS Urban Services to develop a detailed Water Security Investment Plan, which EPSDD will submit for approval in the 2024-25 budget process.
- 67) The Table of Comments is at Attachment F.

MEDIA/COMMUNICATIONS

- 68) No media announcement is proposed at this stage. A joint announcement may be made with the Australian Government when the agreement is executed by both parties, when entitlements have been granted or when funding is received from the Australian Government.
- 69) A future media announcement could be made on the Government's investment into water security measures and addressing cost of living pressures for urban water supply, subject to 2024-25 Budget consideration.

IMPLEMENTATION

- 70) Table 2 outlines the timetable for execution of the agreement and subsequent steps.

Table 2: **Implementation milestones and timeframes**

Milestones	Date to be completed
1. ACT and Australian Government Ministers execute water recovery agreement	November 2023
2. CEWH applies for water entitlement	November 2023
3. Delegate for <i>Water Resources Act 2007</i> decides on entitlement application	December 2023
4. Minor changes to Disallowable Instruments under <i>Water Resources Act 2007</i>	December 2023
5. If entitlements are granted, payment is received from Australian Government	Early 2024
6. Water Security Investment Plan considered in 2024/25 Budget process	Early 2024
7. Implementation of Water Security Investment Plan commences	July 2024

HUMAN RIGHTS IMPACT

- 71) The proposal is consistent with the *Human Rights Act 2004*.

Minister's signature _____

Date ____/____/____

ATTACHMENTS

A	Proposed water recovery agreement with the Australian Government
B	Water Security Investment Plan Outline
C	Map of ACT Waterways
D	Example Water Access Entitlement and proposed amendments to Disallowable Instruments under the <i>Water Resources Act 2007</i> (ACT)
E	Letter from Murray-Darling Basin Authority dated 26 July 2023
F	Table of comments
G	Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary
H	Wellbeing Impact Assessment
I	Modelled impacts of water recovery on revenue and customers' bills

MINISTER FOR WATER, ENERGY AND EMISSIONS REDUCTION CABINET

BRIEF

23/527

Title **Water recovery agreement with the Australian Government**

Minister Shane Rattenbury MLA
Minister for Water, Energy and Emissions Reduction

Cabinet date Monday, 23 October 2023

Recommended position SUPPORT

Submission recommendations

That Cabinet endorse you entering into an agreement with the Australian Government to meet the ACT Government's water recovery commitment under the Murray-Darling Basin Plan and receive funding to improve long-term water security in the ACT.

Issues/comment

The proposed agreement provides that if the ACT Government allocates 6.36 GL/year of ACT surface water to the Commonwealth Environmental Water Holder (CEWH), the Australian Government will make a one-off payment of \$58.83 million to the ACT by June 2024 through the Strategic Water Purchasing Framework.

The agreement specifies that granting entitlements for 6.36 GL/year to the CEWH would meet in full the ACT's Shared Reduction Amount water recovery commitment of 4.9 GL/year Long Term Average Annual Yield and provide up to 1.46 GL/year additional water for environmental purposes. The proposed volume of water would be taken from the Territory's unregulated water source that cannot be used for urban water supply with current infrastructure.

To ensure that the agreement with the Australian Government results in improved water efficiency and security in the ACT, it will be necessary to use the revenue from the Australian Government to improve the ACT's water security. The Submission seeks agreement to this course of action, subject to consideration of a detailed Water Security Investment Plan through the 2024/25 budget process.

The proposed 6.36 GL/year of water recovery is equivalent to reductions in the ACT's annual net take that can be achieved through the water efficiency measures outlined in [Attachment B](#) to the Submission, as identified through technical investigations and consultations with Icon Water and stakeholders.

Wellbeing Impact Assessment

The Wellbeing Impact Assessment has been completed. The impacts are anticipated across the Environment and climate and Governance and institutions domains:

- positive impact on the environment, particularly the environmental sustainability and climate resilience of the ACT's water resources; and
- positive impact on governance and institutions, through compliance with inter-governmental agreements and plans.

The proposed agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT.

Cleared: Geoffrey Rutledge, Deputy Director-General, Environment, Water and Emissions Reduction

Prepared by: Ryan Breen, Director, Water Policy and Planning

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Context and consultation

The Basin Plan commits the ACT to 4.9 GL/year of water recovery for achieving shared environmental outcomes within the southern connected basin. The ACT's Shared Reduction Amount was a contribution towards the overall NSW water recovery target.

In February 2023, the Australian Government announced that it is seeking to finalise all Bridging the Gap commitments (including shared reduction amounts) by 2024 through strategic purchases of water entitlements.

Granting entitlements for 6.36 GL/year to CEWH would meet in full the ACT's Shared Reduction Amount water recovery commitment of 4.9 GL/year Long Term Average Annual Yield and provide up to 1.46 GL/year additional water for environmental purposes.

Granting ACT water entitlements to CEWH will have positive environmental outcomes in the Murray-Darling Basin as a whole. The CEWH could use the water entitlements for environmental purposes through protecting unregulated river baseflow and as a contribution towards managed environmental flows downstream of Burrinjuck Dam.

By fulfilling its water recovery commitment under the Basin Plan, the ACT Government will demonstrate its commitment to meeting its responsibilities under the Murray-Darling Basin Agreement. This will help to resolve other water management issues in negotiations with the Australian Government and NSW.

The proposed agreement and water entitlements will not adversely affect any current ACT water access entitlement holders or other ACT stakeholders.

EPSDD has consulted with Icon Water and incorporated their comments in the Water Security Investment Plan Outline. EPSDD will continue to work with Icon Water and will consult with ACT Treasury, City Services and key water users to develop a detailed Water Security Investment Plan, which EPSDD will submit for approval in the 2024-25 budget process.

EPSDD consulted with relevant areas of Chief Minister, Treasury and Economic Development Directorate (ACT Treasury, the Environment Protection Agency and the Policy and Cabinet Division) and their comments have been incorporated in the submission. All other Directorates supported the Exposure Draft of the Submission without comment.

Cleared: Geoffrey Rutledge, Deputy Director-General, Environment, Water and Emissions Reduction

Prepared by: Ryan Breen, Director, Water Policy and Planning

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Proposed funding agreement

Schedule X

Australian Capital Territory Bridging the Gap Project

FEDERATION FUNDING AGREEMENT – ENVIRONMENT

Table 1: Formalities and operation of schedule								
Parties	Commonwealth Australian Capital Territory (ACT)							
Duration	This Schedule is expected to expire on 30 June 2024.							
Purpose	The Murray-Darling Basin Plan sets water recovery targets to bring the Basin back to a sustainable level of environmental health while continuing to support agriculture and securing the future of Basin communities. This Schedule will support the Australian Capital Territory (ACT) in delivering its water recovery target, or Shared Reduction Amount (SRA), of 4.9 gigalitres per year (GL/y) Long Term Average Annual Yield (LTAAY) to meet the Sustainable Diversion Limit (SDL) under the Murray—Darling Basin Plan (The Project). As a result of this project, the Commonwealth Environmental Water Holder (CEWH) will hold water access entitlements under the <i>Water Resources Act 2007</i> (ACT) to use up to 6.36 GL/y (nominal, that is, the volume specified on ACT water access entitlements) of high reliability ACT surface water (Murrumbidgee high security equivalent). This schedule acknowledges that the grant of entitlements equivalent to 4.9 GL/y LTAAY to the CEWH as a result of the project will fulfil the ACT’s commitment to deliver its SRA under the current Murray—Darling Basin Plan. It also recognises that water recovered above the ACT’s SRA of 4.9 GL/y will be attributed as an over recovery against the ACT’s water resource unit. Noting, while there is no set position between government signatories to the Basin Plan on accounting for over recovered water against the SDLs at the time of entering into this agreement, any over recovered volumes can be accredited to the CEWH to achieve environmental outcomes consistent with the intent of the Basin Plan.							
Agreed financial contributions	The Commonwealth will provide a total financial contribution to the ACT of \$58.83 million (GST exclusive) in respect of this Schedule. Table 1: Agreed financial contributions <table><tr><th>(\$ million)</th><th>2022-23</th><th>2023-24</th><th>Total</th></tr></table>				(\$ million)	2022-23	2023-24	Total
(\$ million)	2022-23	2023-24	Total					

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	Estimated total budget 0 58.83 58.83
	Less Estimated Commonwealth Contributions 0 58.83 58.83
	Balance of State (other) Contributions 0 0 0
Additional terms	Terms subject to funding Total funding from the Commonwealth to the ACT under this Schedule is calculated as \$9,250 per GL/y of ACT water access entitlements, up to a maximum of \$58.83 million for 6.36 GL/y (nominal). The funding would be delivered once the ACT grants up to 6.36 GL/y of eligible water entitlements to the Commonwealth prior to 30 June 2024. The issued entitlements must reduce the ACT's annual permitted take by no less than 4.9 GL/y LTAAY to be eligible. The Commonwealth will provide a single payment to the ACT once the entitlements have been granted to the Commonwealth Environmental Water Holder under the <i>Water Resources Act 2007</i> (ACT). Terms not subject to funding In accordance with Milestone 3 of this Schedule, the ACT is required to provide annual volumetric reporting on its annual take and annual water resource made available to the CEWH. This reporting will be delivered annually under section 71 of the <i>Water Act 2007</i> (Cth).

Table 2: Performance requirements, reporting and payment summary

Performance milestones	Report due	Payment
Milestone 1 – Establishment of ACT water accounting register Establishment of an ACT water accounting protocol and register to enable auditable accounting of water delivered to the CEWH at Halls Crossing.	December 2023	Non-financial milestone
Milestone 2 – Grant of entitlements Granting of up to 6.36GL/y water access entitlement to the Commonwealth Environmental Water Holder in perpetuity, including a volume equivalent to 4.9GL/y LTAAY that meets the ACT's SRA and achieves the SDL, and up to 1.46GL/y LTAAY additional recovery. The payment is based on \$9,250 per GL/y (nominal) of ACT water access entitlements.	31 March 2024	\$9,250 per GL/y, up to \$58.83 million
Milestone 3 – Annual reporting Non-financial, volumetric annual reporting in line with reporting requirements under section 71 of the <i>Water Act 2007</i> (Cth).	By 31 December 2024	Non-financial milestone

The Parties have confirmed their commitment to this Schedule as follows:

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Signed *for and on behalf of the
Commonwealth of Australia by*

The Honourable Tanya Plibersek MP
Minister for the Environment and Water

Date: / /

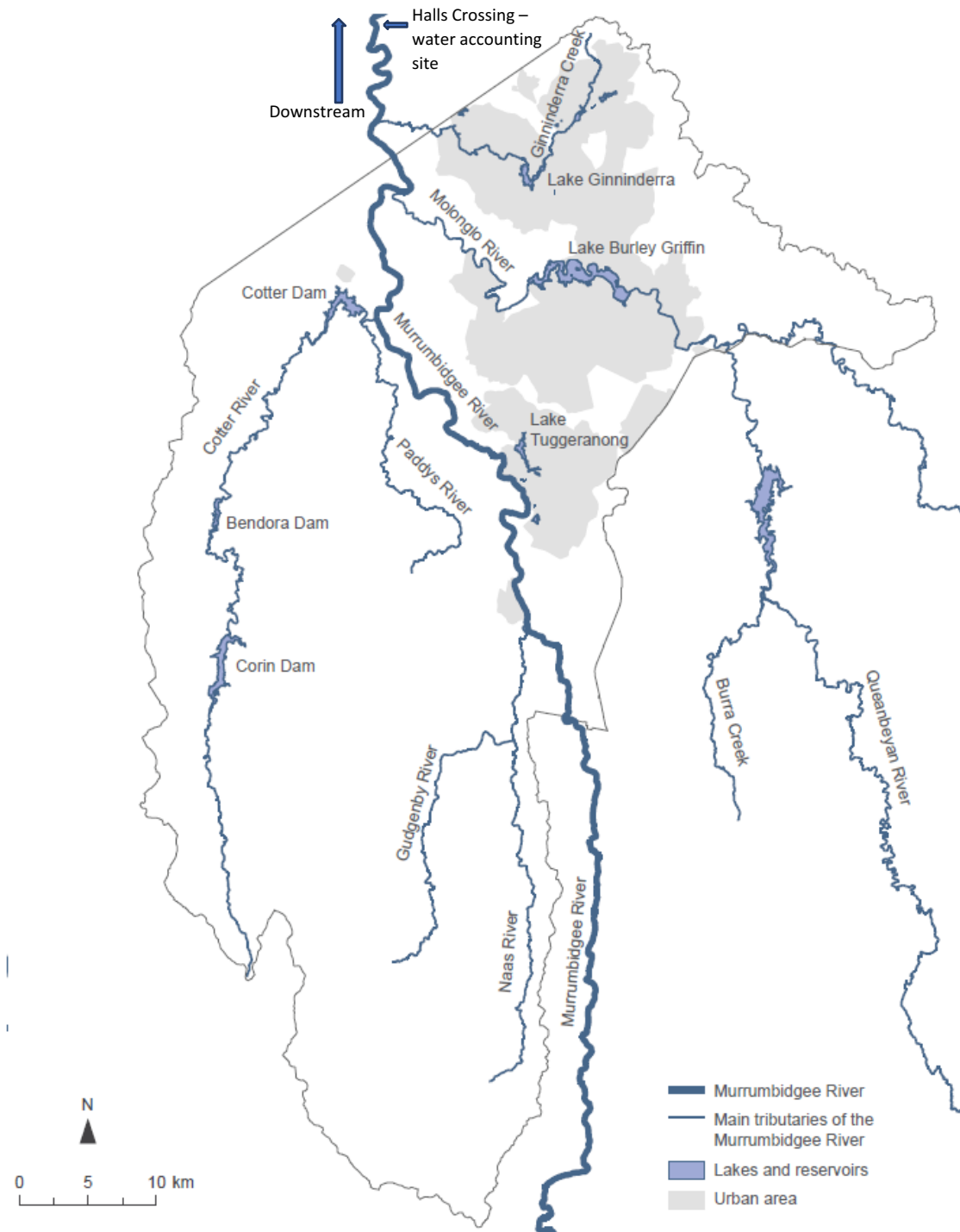
Signed *for and on behalf of the
Australian Capital Territory by*

**The Honourable Shane Rattenbury
MP**
Minister for Water, Energy and
Emissions Reduction

Date: / /

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Map of ACT waterways



Example Water Access Entitlements and proposed amendments to Disallowable Instruments under the *Water Resources Act 2007* (ACT)

D.1 Example Water Access Entitlements

The following text is an example of the type of information and conditions that may be included in water access entitlements granted to the Commonwealth Environmental Water Holder. Entitlements are granted at the discretion of the delegate under the *Water Resources Act 2007*.

Section 19(2) of the *Water Resources Act 2007* specifies that the amount of water “must be stated as the lesser of a percentage of the total amount of water available for taking in the water management area and a stated maximum volume”.

The percentage of water is the maximum volume under the entitlement (e.g. 4.9 GL) divided by the total surface water available for take from watercourses (42.7 GL) under the ACT Sustainable Diversion Limit.

Example entitlement 1 – for Shared Reduction Amount – no administrative fee applicable

Details of Entitlement Holder

Name: Commonwealth Environmental Water Holder

ABN:

Address: GPO Box 858, Canberra ACT 2601

Details of Entitlement

(a) **Stated maximum volume (ML per annum):** 4,900

(b) **Percentage (%) of water available in Water Management Area:** 11.475410

Note: The Volume entitled is the lesser of (a) or (b)

Water Management Area (WMA): ACT (Surface Water) Water Resource Plan Area

Sub Water Management Area: Lower Molonglo

Water Source: Surface water

Transferable: Yes

Entitlement Conditions

1. This Water Access Entitlement is issued for the purpose of fulfilling the Territory’s commitments under section 6.05 of the *Basin Plan 2012* (Cth).
2. This Water Access Entitlement is restricted to use for achieving environmental outcomes of the Murray-Darling *Basin Plan 2012* and any future Basin Plans that are agreed by the Territory.
3. This Water Access Entitlement may be transferred or traded in whole or part to another person or the Environment Protection Authority, subject to approval by the Environment Protection Authority.

Note: Stream flow records from gauge 410777 at Halls Crossing in NSW will be used to account for use of water under this Water Access Entitlement, unless a gauge is installed closer to the downstream border of the ACT (Surface Water)

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Water Resource Plan Area, in which case that gauge will be used.

Example entitlement 2 – for additional volume – administrative fee applicable

Details of Entitlement Holder

Name: Commonwealth Environmental Water Holder

ABN:

Address: GPO Box 858, Canberra ACT 2601

Details of Entitlement

(a) **Stated maximum volume (ML per annum):** 1,460

(b) **Percentage (%) of water available in Water Management Area:** 3.419204

Note: The Volume entitled is the lesser of (a) or (b)

Water Management Area (WMA): ACT (Surface Water) Water Resource Plan Area

Sub Water Management Area: Lower Molonglo

Water Source: Surface water

Transferable: Yes

Entitlement Conditions

1. This Water Access Entitlement is restricted to use for achieving environmental outcomes of the Murray-Darling *Basin Plan 2012* and any future Basin Plans that are agreed by the Territory.
2. This Water Access Entitlement may be transferred or traded in whole or part to another person or the Environment Protection Authority, subject to approval by the Environment Protection Authority.

Note: Stream flow records from gauge 410777 at Halls Crossing in NSW will be used to account for use of water under this Water Access Entitlement, unless a gauge is installed closer to the downstream border of the ACT (Surface Water) Water Resource Plan Area, in which case that gauge will be used.

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D.2 Proposed amendments to Disallowable Instruments under the *Water Resources Act 2007*

If water access entitlements are granted to the Commonwealth Environmental Water Holder, the Minister for Water, Energy and Emission Reductions will propose the following amendments to update two disallowable instruments under the *Water Resources Act 2007* (ACT).

Water Resources (Water Available from Areas) Determination 2019 (No 2)

Schedule 1

Amendment 1

Drafting instruction

Delete:

4.2 GL per annum (take by Runoff Dams), plus

Replace with:

4.64 GL per annum (take by Runoff Dams), minus

4.9 GL per annum shared reduction amount (towards the Basin-wide water recovery target),
plus

Reason

Changing the runoff dam take volume from 4.2 GL to 4.64 GL and listing the 4.9 GL shared reduction amount will make the Determination consistent with the ACT's Sustainable Diversion Limit set out on page 14 of the ACT [Water Resources Plan](#), which was accredited under the *Basin Plan 2012* in 2019, after the Determination was last updated.

This amendment will also clarify that the ACT will take the shared reduction amount into account when managing water "so as to not exceed the ACT's surface water Sustainable Diversion Limit" as set out in this Determination and in section 17(3) of the *Water Resources Act 2007* (ACT).

Water Resources (Fees) Determination 2022 (No 2)

Amendment 3

Section 5(1) No fee is payable for an application for a grant of a water access entitlement under section 20 of the *Water Resources Act 2007* if—

Drafting instruction

Delete:

No fee is payable for an application **for** a grant of a water access entitlement under section 20 of the *Water Resources Act 2007* if—

Replace with:

No fee is payable for an application **or** a grant of a water access entitlement under section 20 of the *Water Resources Act 2007* if—

Reason: Fees currently apply to the grant of water access entitlements, not to applications, but fees may apply to applications in future.

Letter from the Murray-Darling Basin Authority



Office of the Chief Executive

Ref: EC23-000435

Mr Geoffrey Rutledge
Deputy Director General
Environment, Planning and Sustainable Development Directorate
GPO Box 158
CANBERRA ACT 2601

Dear Geoffrey

I am writing in relation to several matters regarding the Australian Capital Territory's (ACT) water recovery efforts and sustainable diversion limit (SDL) settings: notably establishing a long-term diversion limit equivalent (LTDLE) factor for the ACT; reviewing the ACT baseline diversion limit (BDL) and SDL; and considering the accounting for increased rainfall runoff due to growth in urban development, groundwater volumes, and improvements in hydrological data and modelling since 2012.

I understand that revisions to the BDL and urban run-off accounting were raised by the ACT as part of its water recovery proposal.

Establishing an ACT LTDLE factor for water recovery

I understand officials from the ACT and the Department of Climate Change, Energy, the Environment and Water are working to deliver an approach for meeting the ACT's shared reduction amount by December 2023.

The MDBA will continue to work with the ACT to establish an LTDLE factor to enable the water recovery to progress and be finalised within this timeframe. We are currently reviewing the information provided by the ACT, including the planning model that the ACT has used to underpin the determination of its LTDLE factor. In this vein we will engage an independent reviewer to assess the proposed factor, as we have done for all LTDLE factors proposed by all Basin jurisdictions. We will work with the ACT to progress this work as expediently as possible, noting the process of independent review is likely to take four to five months to complete and we will do our best to establish the LTDLE factor by November 2023 to enable water recovery to be completed on schedule.

Office of the Chief Executive

BDL/SDL settings and accounting issues

I would like to acknowledge the proposal submitted by the ACT concerning the treatment of urban runoff within the SDL accounts, as part of its contribution to the [Sustainable diversion limit accounting improvement strategy 2023 \(mdba.gov.au\)](https://www.mdba.gov.au/sustainable-diversion-limit-accounting-improvement-strategy-2023), supported by the Federation Funding Agreement. I understand there have been subsequent discussions between our staff, and while we do not agree to the proposal in its current form, we remain committed to working with the ACT and other jurisdictions to consider this in the lead up to the 2026 Basin Plan Review. In this respect I am sure you understand the Authority must consider any precedents that this accounting proposal might set Basin-wide.

For Basin Plan Review the MDBA intends to investigate and gain a better understanding of a range of accounting issues. We are committed to working with the ACT to consider the SDL accounting settings for the ACT as part of our workplan. This would include a review of the setting of the ACT ground and surface water SDLs, noting that review of the groundwater SDL was previously requested by the ACT, and recognising improvements in hydrological data and modelling since 2012. We support the incorporation of best available information into the Basin Plan settings.

As for all Basin States, the Authority needs to have a strong evidence base to change BDL estimates and SDL settings in making any recommendations for change as part of the Basin Plan Review. Additionally, any change to the BDL or SDL accounting methods for the ACT will mean the ACT will need to bring forward an amendment to their Water Resource Plan.

I have asked my staff to work with your team to develop a work program by the end of September 2023, with a view to undertaking this work during the 2023-24 and 2024-25 financial years. Of course we will need to work together on this program and I fully anticipate this will be a significant body of work for ACT modellers and water managers, as well as for the team here at the MDBA.

Should you have any concerns or wish to follow up on the issues raised in this letter please contact Megan Winter, General Manager, Basin Plan Implementation, at Megan.Winter@mdba.gov.au or (02)6279 0164.

Yours sincerely



Andrew McConville

26 July 2023

EXPOSURE DRAFT COMMENTS – 23/527

Exposure circulation undertaken: Full exposure circulation

Reason for exception: N/A

Dates circulated: 21—28 August 2023

Directorate	Comment	Response
CMTEDD	- The submission would benefit from clarity on whether the ACT is obliged to spend the money received from the Commonwealth on water reduction or augmentation activities. - Access Canberra supports the submission for the Water Recovery Agreement with the Australian Government. Additions are requested to recognise the regulatory functions needed to achieve the anticipated outcomes. The specific amendments are: - Add regulatory functions into Figure 1 in Attachment B of the submission – and reflect this as needed in text. - Add a point to the Discussion Paper on the need to align the Water Access Entitlements with the Sustainable Diversion Limits – consistent with the advice already provided to Ministers via a separate Caveat brief. Suggested text: 1) <u>Water resource management</u>	- Paragraph 33 was added to the submission, clarifying that the proposed funding agreement does not explicitly oblige the ACT to spend the funding on water efficiency or security measures. If the ACT does not do so, however, it will be unable to improve its water security, reduce its net water take and demonstrate to the Inspector-General Water Compliance that it has reduced its net water take, and in the long term the ACT may not be able to comply with its SDL. - Water use regulation was added to Figure 1, Attachment B. - Text was added to Attachment B and to paragraph 41 in the submission, noting that regulation of water use assists in ensuring that environmental flows are maintained and that the net take of water remains within the ACT's Sustainable Diversion Limits.

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	The <i>Water Resources Act 2007</i> provides a process for considering requests for new Water Access Entitlements (WAEs) in the Territory. The ACT's Water Resource Plans establish Sustainable Diversion Limits (SDLs) on how much water can be taken from the system, and an amount which must be returned for environmental flows. The OoW and EPA Water Regulation Teams have collaborated in identifying a shared interest in ensuring ongoing alignment of the WAEs and SDL. There are no current plans to review the SDL process. The OoW are proposing to bring forward a review of the SDL for 2025-2026.	
JACS	Supported.	
HD	Supported.	
CHS	Supported.	
EDU	Supported.	
TCCS	Supported.	
CSD	Supported.	
MPC	Supported.	
	Supported.	

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Statutory Office Holder		
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FINAL COMMENTS – 23/527

Final circulation undertaken: 2 day final circulation

Reason for exception: N/A

Dates circulated: Provide dates circulated

Directorate	Comment	Response
CMTEDD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
JACS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
HD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CHS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
EDU	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
TCCS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CSD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
MPC	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
Statutory Office Holder	Choose an item. [Provide comments.]	[Drafting directorate to provide response]

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OPEN ACCESS ASSESSMENT: DECISION SUMMARY

The Chief Minister must proactively release the information described in section 23 of the *Freedom of Information Act 2016* (the FOI Act) unless the information is contrary to the public interest in accordance with sections 16 and 17, and schedules 1 and 2 of the FOI Act. Please refer to the [Cabinet Sharepoint Site](#) for further guidance on what is within the scope of Open Access requirements.

If you believe that release of this information is within the scope of Open Access requirements and would be contrary to the public interest, please complete Part B.

PART A: Release proposed

Number and title of decision: 23/527 – Water recovery agreement with the Australian Government

Proposed summary of the decision for public release

Cabinet agreed to the ACT Government entering into an agreement with the Australian Government to meet the ACT's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT.

Proposed summary of the Wellbeing Impact Assessment for public release

The agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT.

Attachments for release

Summary of the decision	Release through the Open Access website?	Release by Directorate?
Summary of the decision	Yes	No
<u>Attachment A</u> Proposed water recovery agreement with the Australian Government	No	No
<u>Attachment B</u> Water Security Investment Plan Outline	No	No
<u>Attachment C</u> Map of ACT Waterways	No	No
<u>Attachment D</u> Example Water Access Entitlement and proposed amendments to Disallowable Instruments under the Water Resources Act 2007 (ACT)	No	No
<u>Attachment E</u> Letter from Murray-Darling Basin Authority dated 26 July 2023	No	No
<u>Attachment F</u> Table of final agency comments		

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<u>Attachment G</u> Open Access Assessment – Decision Summary		
<u>Attachment H</u> Wellbeing Impact Assessment	No	No
<u>Attachment I</u> Modelled impacts of water recovery on revenue and customers' bills	No	No

Reviewed by:

[Click here to enter text.](#)

Information Officer

Environment, Planning and Sustainable Development Directorate

[DD/MM/YYYY]

WELLBEING IMPACT ASSESSMENT

Proposal Name: Water recovery agreement with the Australian Government		EPSDD	Wellbeing Impact 1
Purpose of proposal			
This proposal seeks endorsement for the ACT Government to enter into an agreement with the Australian Government to meet the ACT Government’s water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT.			
Impact description			
This proposal will have the following impacts in the “Environment and climate” wellbeing domain: - major (i.e. sustained and direct) positive impacts on the environmental sustainability of the ACT’s water resources. - major positive impacts on the climate resilience of the ACT’s water supplies.			
This proposal will have the following impacts in the “Governance and institutions” wellbeing domain: major positive impacts on the ACT’s compliance with inter-governmental agreements and plans.			
The proposal will: - fulfil the ACT’s commitment to water recovery under the inter-governmental Murray-Darling Basin Agreement and the <i>Basin Plan 2012</i>. - provide water entitlements to the Commonwealth Environmental Water Holder, to be used to achieve positive environmental outcomes in the Murray-Darling Basin. - secure Australian Government funding for improving water security in the ACT, including the environmental sustainability and climate resilience of the ACT’s waterways and water supplies.			
The proposal includes risk mitigation measures to ensure that the grant of entitlements does not adversely impact the ACT’s water security, including the security and affordability of urban water supplies.			
Who is affected?			
All members of the Canberra community, including households, businesses, and government, will benefit from improving the long-term security of water supplies in the ACT. The proposed measures will improve inter-generational equity by ensuring that water is available and affordable for future generations.			
Wellbeing domain	Environment and climate		
There are also positive impacts in the “Governance and institutions” wellbeing domain.			
Timeframe			
Between one and five years	The proposal is that the agreement be signed, and payment received from the Australian Government in 2023-24, and that water security measures be implemented progressively from 2024-25.		
Evidence base and data			
What do we know now?			

WELLBEING IMPACT ASSESSMENT

The need for increased water security is identified in ACT Government policies including the ACT Water Strategy 2014-44: Striking the Balance; the ACT and Region Catchment Management Strategy; and the ACT Climate Change Strategy, Canberra's Living Infrastructure Plan: Cooling the City and Urban Forest Strategy.

The ACT Water Security Vulnerability Assessment Project, initiated by the EPSDD Office of Water in 2022, indicates that the ACT's water security remains highly vulnerable to future pressures including drought, climate change and population growth. Preliminary results from the Vulnerability Assessment modelling indicate that by the year 2050, long-term mean annual flows in ACT waterways may decline by about 45% under a worst-case climate change scenario or by about 30% under a more likely scenario. Analysis of modelled data that Icon Water supplied to the ACT Office of Water indicates that a prolonged drought could result in minimum active dam storages dropping to 0% under a worst-case climate change scenario or to 14% under a more likely scenario (assuming moderate population growth).

Drought management planning by Icon Water, which manages the ACT's urban water supplies, highlights the need for targeted investment to increase the resilience of the Territory's water supply system. Icon Water's recent reassessment of source water security identified that supply augmentation needed to be brought forward due to climate change and variability.

Participants in Icon Water's 2021-22 customer survey considered water security an important area for investment as population growth and climate change continues. Two-thirds of participants in the quantitative customer survey supported greater investment to explore future alternative water options.

What do we need to know?

The next phase of the Vulnerability Assessment will enable analysis of the direct impacts (positive and negative) of policy and program options on water security, including the socio-economic effects.

The ACT Water Strategy 2014-44: Striking the Balance is undergoing review in 2023 and will also consider the stressors on the ACT's water resources and further strategies needed to address these issues. The ACT Office of Water is also coordinating a review of the ACT's water monitoring, evaluating, and reporting framework to ensure water resource management is contributing effectively to long-term water security.

Accountability and evaluation – how will we know this proposal has been successful?

The EPSDD Office of water will monitor, evaluate, and report on the environmental outcomes of the proposed agreement and investment in water security through annual public reports under the ACT Water Strategy.

The Inspector General of Water Compliance and the Murray-Darling Basin Authority oversee annual water take reporting and SDL compliance.

Key relationships

The EPSDD Office of Water has consulted with the Australian Government, ACT Treasury, and Icon Water in developing this proposal. The Office of Water will consult with Icon Water and water users when developing and implementing the water security measures to be funded through this proposal.

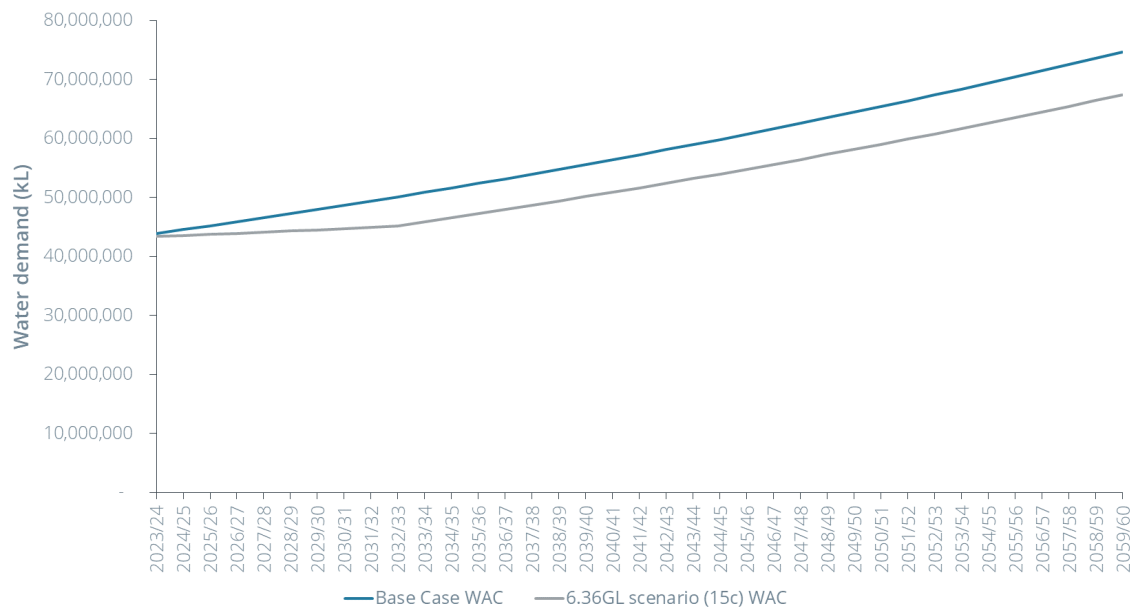
Modelled impacts of water recovery on revenue and customers

This reports presents the findings of economic modelling conducted by Frontier Economics to assess the financial impacts of implementing water efficiency measures with the ACT.

The results presented below are for implementing a set of efficiency measures for potable water use that achieve a total of 6.36GL per year in water savings after ten years (with incremental implementation of 0.636GL per year). The results also outline the implications of achieving some of the water savings through non-potable water efficiencies.

1. **Water Demand / Volume delivered:** The water efficiency measures would reduce the total water demand (i.e. the volume of water that Icon Water delivers to its customers) as compared to a base case (in the absence of the efficiency measures). As shown in Figure 1, over the 10-year period that the efficiencies are being implemented the total volume delivered only slightly increases, whereas more growth is expected in the base case (given population growth and the resultant increase in Icon Water customers).

Figure 1: Icon Water volume delivered (100% potable water scenario)



Source: Frontier Economics

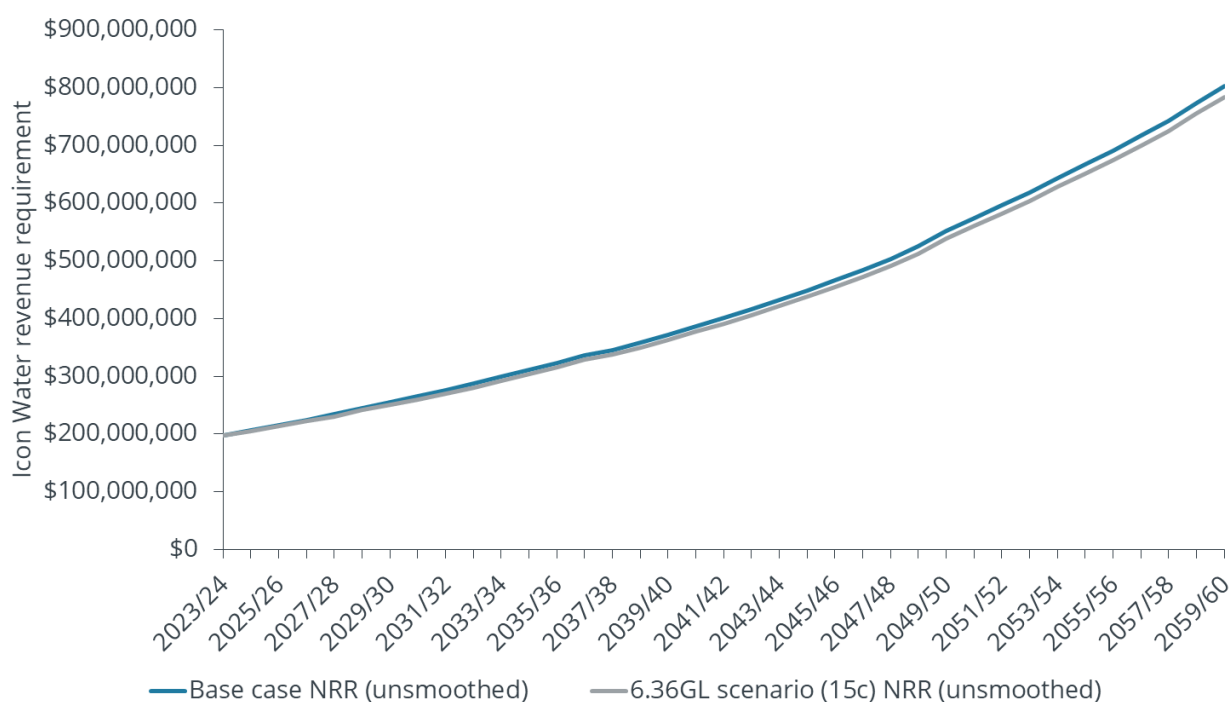
- 1.1. If some of the water savings are achieved through non-potable water efficiencies, there will be proportionally less decline in water volumes delivered by Icon Water, compared with the base case. For example, if 10% of the water savings (0.636 GL) are made from non-potable water use and 90% (5.734 GL) from potable water use, the volume delivered by Icon Water would decline by 5.734 GL rather than by 6.36 GL.
- 1.2. Non-potable water use comprises only 10% of the ACT's total net annual take of water (2 GL from a total of 22 GL net take in typical rainfall years) so it is unlikely that significantly

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more than 10% of the water savings can be achieved from non-potable water use.

2. **Icon Water's Revenue:** As shown in Figure 2, the impacts on the Icon Water's revenue are limited as most of the change in revenue requirement is expected to be met through changes in the water tariffs determined by the Independent Competition and Regulatory Commission (ICRC).¹ There are also some savings from reduced operating and Water Abstraction Charges. Figure 2 shows Icon Water revenue to 2060 for (a) base case and (b) saving 6.36 GL water by 2034, with ICRC tariff adjustments. Table 1 presents the corresponding 10-yearly figures.

Figure 2: Icon water revenue impacts (100% potable water scenario)



Source: Frontier Economics

Table 1: Net revenue (unsmoothed, nominal) – 15c/kL² opex savings, ICRC tariff changes

	2029/30	2039/40	2049/50	2059/60
Base case	\$254.7m	\$371.7m	\$551.6m	\$802.3m
Difference from base to 6.36 GL scenario	-\$3.8m	-\$8.7m	-\$12.9m	-\$19.3m
% difference to 6.36GL scenario	-1.5%	-2.3%	-2.3%	-2.4%

Source: Frontier Economics

¹ The ICRC uses Icon Water's net revenue requirement in conjunction with the ICRC's final decision on demand forecasts, to calculate the prices to be charged for water and sewerage services.

² Icon Water advised Frontier Economics in 2020-21 that Icon Water's variable costs will reduce by \$0.15/kL of water savings (adjusted annually for inflation).

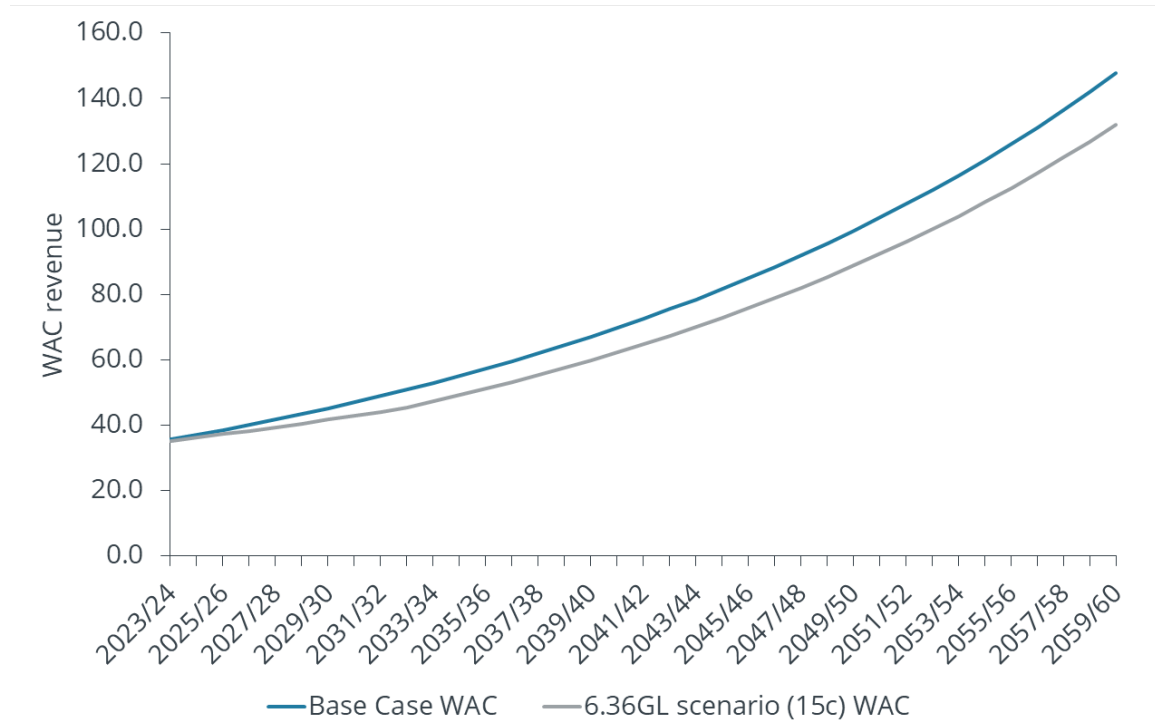
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- 2.1. If no water efficiency measures are introduced, Frontier Economics' modelling projects that Icon Water's revenue would grow annually by inflation plus the projected 1.49% annual increase in the number of dwellings in the ACT.
 - 2.2. If potable water efficiency measures save 6.36 GL per year by 2034 and ICRC price determinations increase customers' water prices to meet Icon Water's revenue requirement despite the overall decline in water usage, Icon Water's revenue is projected to increase at a lower rate until 2034. The flatter growth in revenue to 2034 is in line with delivering around 1% less water per dwelling per year while the number of dwellings is increasing by 1.49% per year. After 2034, water usage per dwelling is assumed to remain constant and Icon Water's revenue is projected to grow annually in line with inflation plus the projected 1.49% annual increase in the number of dwellings in the ACT.
 - 2.3. Improving water efficiency will reduce Icon Water's revenue in 2039/40 at the base case tariffs by \$45.1m. ICRC price regulation enables tariffs to adjust (increase), which would offset the impact by \$34.3m of new demand. Reduced water take also reduces the Water Abstraction Charges payable to ACT government by \$7.2m and reduced operating costs (e.g. water treatment) will result in \$1.5m savings in operational expenditure³. Overall, this scenario leads to an \$8.7m reduction in Icon Water revenue at 2039/40 — a 2.3% difference from the base case scenario. The \$8.7m reduction in Icon Water's revenue will be offset by the \$8.7m reduction in expenditure on Water Abstraction Charges and operational costs.
 - 2.4. Icon Water's revenue, excluding the pass-through of the Water Abstraction Charge, is projected to be 0.48% less than the base case scenario of no water savings by 2034/35, (\$1.23m foregone nominal revenue in 2034/35, which is equivalent to \$0.94m in \$2023/24 dollars). This will be offset by an equivalent reduction in operational expenditure, meaning there will be no net impact on Icon Water's profitability.
 - 2.5. Similarly, there will be no net impact on Icon Water's profitability if some of the water savings are made from non-potable water use.
 - 2.6. Improving water efficiency may delay Icon Water's capital expenditure on new water supply infrastructure but this has not been modelled.
3. **ACT Govt Revenue impacts:** As shown in Figure 3, the water efficiency measures will reduce Water Abstraction Charge payments to the ACT Government from reduced water take compared to the base case. Table 2A provides 10-yearly projection of cost impacts, assuming 100% of the savings are achieved from potable use.
- If some of the water savings are achieved through non-potable water efficiencies, there will be a slightly smaller difference in revenue compared with the base case. The current abstraction charge for potable water is \$0.69 per kL whereas the current abstraction charge for non-potable water is \$0.334 per kL. Based on this fee structure, if 10% of the savings are achieved from non-potable water use, the difference in revenue compared with base case in 2034/35 will be

³ Icon Water advised Frontier Economics in 2020-21 that Icon Water's variable costs will reduce by \$0.15/kL of water savings (adjusted annually for inflation).

approximately \$5.6m instead of \$5.9m.

Figure 3: WAC revenue (100% potable water scenario)



Source: Frontier Economics

Table 2A: Water Abstraction Charge revenue – 10-yearly change compared with base case

	2029/30	2039/40	2049/50	2059/60
Base case	\$45.2m	\$67.1m	\$99.5m	\$147.7m
Difference from base to 6.36 GL scenario	-\$3.5m	-\$7.2m	-\$10.7m	-\$15.8m
% difference to 6.36GL scenario	-7.8%	-10.7%	-10.7%	-10.7%

Source: Frontier Economics

Table 2B: Water Abstraction Charge revenue – Breakdown of change as at 2034/35

Water recovery scenario	Volume saved	WAC difference from base case	% difference from base case
Base case – zero	0 GL	\$0	0%
Shared Reduction Amount	4.9 GL	-\$4.5m	-8.2%
Additional recovery volume	1.46 GL	-\$1.4m	-2.5%
Total proposed recovery volume	6.36 GL	-\$5.9m	-10.7%

Source: Frontier Economics

Note: Tables 2A and 2B assume operational costs of 15c/kL

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- 3.1. If no water efficiency measures are introduced, the ACT Government's revenue from the Water Abstraction Charges that Icon Water pays is projected to grow annually by approximately 4% in line with inflation (2.5%) plus the projected 1.49% increase in the number of dwellings in the ACT.
- 3.2. If water efficiency measures save 6.36 GL by 2034, the ACT Government's revenue from the Water Abstraction Charge that Icon Water pays and passes on in full to customers, is projected to be 10.7% less than the base case of no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, which is equivalent to \$4.5m in \$2023/24 dollars). After 2034, ACT revenue from the Water Abstraction Charge is projected to remain 10.7% lower than base case while growing in line with inflation plus dwelling numbers.
- 3.3. Table 2B provides a breakdown of the difference in Water Abstraction Charge revenue as at 2034/35, for the scenario of achieving 6.36 GL water savings by that date. The revenue impacts are directly proportional to the water savings volumes.
- 3.4. As with the change in water demand, in real terms the WAC revenue increases slightly over the period when the efficiencies are implemented, whereas more growth is expected in the base case.
4. **Price impacts on customers:** Although price rises would result from the efficiency measures, the impact on a particular customer depends on how their demand interacts with the efficiency measures. Tables 3 to 10 depict the potential impacts on residential customers with typical and high water usage and on non-residential customers using 1,000 kL and 5,000 kL per year, resulting from the ACT saving 4.9 GL or 6.36 GL from potable water efficiency measures. The price impacts on customers vary based on whether the customer reduces their own water usage through water efficiency measures. The third column in each table identifies by what percentage the example customer would need to reduce their water usage, to keep their water bill constant.
5. Price impacts on customers would be nearly proportional to the total volume of water saved in the ACT, with variations due to the two-tier structure of water usage charges. The relative impacts on customers' bills that would result from the ACT saving 0 GL, 4.9 GL, 1.46 GL or 6.36 GL from potable water efficiency measures focused are summarised in Tables 11 and 12.

Table 3: 6.36 GL saved – Change in typical residential customer's water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	192 kL	192 kL	178 kL
Tier 2 Usage Charge	8 kL	8 kL	2 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-10.2%

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Table 3: 6.36 GL saved – Change in typical residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	192 kL	192 kL	178 kL
Tier 2 Usage Charge	8 kL	8 kL	2 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-10.2%
Annual Bill (2034/35)	\$1,761.70	\$1,867.00	\$1,761.70
Percentage change in bill	0%	6%	0%

Table 4: 6.36 GL saved – Change in large residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	100 kL	100 kL	75 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-8.4%
Annual Bill (2034/35)	\$2,435.62	\$2,638.44	\$2,435.62
Percentage change in bill	0%	8.3%	0%

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Table 5: 6.36 GL saved – Change in water usage and bill for non-residential customer using 1,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	800 kL	800 kL	686 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-11.4%
Annual Bill (2034/35)	\$7,350.38	\$8,264.39	\$7,350.38
Percentage change in bill	0%	12.4%	0%

Table 6: 6.36 GL saved – Change in water usage and bill for non-residential customer using 5,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	4,800 kL	4,800 kL	4,181 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-12.4%
Annual Bill (2034/35)	\$35,434.75	\$40,412.72	\$35,434.75
Percentage change in bill	0%	14%	0%

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Table 7: 4.9 GL saved – Change in typical residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	192 kL	192 kL	178 kL
Tier 2 Usage Charge	8 kL	8 kL	3 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-7.8%
Annual Bill (2034/35)	\$1,761.70	\$1,839.63	\$1,761.70
Percentage change in bill	0%	4.4%	0%

Table 8: 4.9 GL saved – Change in large residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	100 kL	100 kL	81 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-6.4%
Annual Bill (2034/35)	\$2,435.62	\$2,585.72	\$2,435.62
Percentage change in bill	0%	6.2%	0%

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Table 9: 4.9 GL saved – Change in water usage and bill for non-residential customer using 1,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	800 kL	800 kL	kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-8.7%
Annual Bill (2034/35)	\$7,350.38	\$8,026.82	\$7,350.38
Percentage change in bill	0%	9.2%	0%

Table 10: 4.9 GL saved – Change in water usage and bill for non-residential customer using 5,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	4,800 kL	4,800 kL	4,326 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-9.5%
Annual Bill (2034/35)	\$35,434.75	\$39,118.85	\$35,434.75
Percentage change in bill	0%	10.4%	0%

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Table 11: Change in bills if customer's water usage remains constant

Type of customer	Impact type	Total water savings achieved in ACT			
		0 GL	4.9 GL	1.46 GL*	6.36 GL
Residential customer – typical water usage (200kL per year)	Bill amount	\$1,761.70	\$1,839.63	NA	\$1,867.00
	Increase in bill	\$0	\$77.93	\$27.37	\$105.30
	% bill increase	0%	4.4%	1.6%	6%
Residential customer – high water usage (300kL per year)	Bill amount	\$2,435.62	\$2,585.72	NA	\$2,638.44
	Increase in bill	\$0	\$150.10	\$52.72	\$202.82
	% bill increase	0%	6.2%	2.1%	8.3%
Non-residential customer – typical water usage (1,000kL per year)	Bill amount	\$7,350.38	\$8,026.82	NA	\$8,264.39
	Increase in bill	\$0	\$676.44	\$237.57	\$914.01
	% bill increase	0%	9.2%	3.2%	12.4%
Non-residential customer – high water usage (5,000kL per year)	Bill amount	\$35,434.75	\$39,118.85	NA	\$40,412.72
	Increase in bill	\$0	\$3,684.10	\$1,293.87	\$4,977.97
	% bill increase	0%	10.4%	3.6%	14%

* 1.46 GL water recovery can only be additional to 4.9 GL Shared Reduction Amount, so bill amount is not applicable for 1.46 GL.

Table 12: Change needed in customer's water usage to keep bill constant

Total water savings achieved in ACT:	0 GL	4.9 GL	1.46 GL	6.36 GL
Type of customer	Change needed in customer's water usage to keep bill constant			
Residential customer – typical water usage (200kL per year)	0%	-7.8%	-2.4%	-10.2%
Residential customer – high water usage (300kL per year)	0%	-6.4%	-2.0%	-8.4%
Non-residential customer – typical water usage (1,000kL per year)	0%	-8.7%	-2.7%	-11.4%
Non-residential customer – high water usage (5,000kL per year)	0%	-9.5%	-2.9%	-12.4%



CABINET SUBMISSION

23/527

Title	Water recovery agreement with the Australian Government
Meeting type	Expenditure Review Committee
Minister	Shane Rattenbury MLA Minister for Water, Energy and Emissions Reduction
Cabinet date	Monday, 23 October 2023
Status	FINAL
Relationship to previous decisions	3 July 2019, 19/333/ECD, ACT Government participation in the Murray Darling Basin Water Infrastructure Program 29 October 2019, 19/499CAB, Water Efficiency Initiative: ACT Government participation in the Murray Darling Basin Water Infrastructure Program
Purpose	To seek Cabinet endorsement to enter into an agreement with the Australian Government to meet the ACT Government's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT
Category	Category 2 - Cabinet business
Financial impact	Yes
Treasury agreement	Yes Date provided for Treasury agreement to financial implications: 04/08/2023 Date of Treasury agreement: 17/08/2023
Is ERC consideration required?	Yes If yes, select ERC meeting date: Monday, 9 October 2023
Legislative change	No - change to legislation not required
Regulatory impact	Yes Minor amendments to update two Disallowable Instruments under the <i>Water Resource Act 2007</i>
Wellbeing Impact Assessment	Yes
Primary Wellbeing Domain	Environment and climate

RECOMMENDATIONS

1) I recommend Cabinet agree:

- a. that the Minister for Water, Energy and Emissions Reduction execute the agreement at Attachment A with the Australian Government, which will provide for:
 - i. the ACT Government to meet its commitment under the Murray-Darling Basin Plan to deliver the Shared Reduction Amount of 4.9 GL/year of ACT surface water per year to the Commonwealth Environmental Water Holder (CEWH) for environmental purposes;
 - ii. the ACT Government to contribute further to Murray-Darling Basin environmental outcomes by delivering up to an additional 1.46 GL/year of ACT surface water per year to the CEWH for environmental purposes;
 - iii. the Australian Government to make a one-off payment of \$58.83 million to the ACT by June 2024, in accordance with the investment principles set out in the Australian Government's Strategic Water Purchasing Framework;
- b. that the Minister for Water, Energy and Emissions Reduction will bring forward a business case through the 2024-25 Budget process, seeking funding for measures as part of a Water Security Investment Plan based on the outline at Attachment B;
- c. that revenue received through the water recovery agreement would be available to fund water efficiency measures that would save an amount of water equal to the volume of entitlements sold, with the allocation of any revenue surplus to this requirement to be subject to the consideration of the Expenditure Review Committee of Cabinet;
- d. the Minister for Water, Energy and Emissions Reduction will bring back to Cabinet a further submission on the outcomes of modelling for ACT's water security and resilience to changing climatic conditions, which will include projected water resource availability through to 2050;
- e. the Minister for Water, Energy and Emissions Reduction will table minor amendments to update two disallowable instruments under the *Water Resources Act 2007* (ACT), as outlined in Attachment D;

2) I recommend Cabinet agree to:

- a. Table 1: Financial impacts summary; and
- b. Table 2: Implementation milestones and timeframes.

3) I recommend Cabinet note that:

- a. granting entitlements for 6.36 GL/year to CEWH would meet the ACT's 4.9 GL/year Shared Reduction Amount water recovery commitment in full and provide up to 1.46 GL/year additional water for environmental purposes;
- b. the proposed 6.36 GL/year of water recovery is equivalent to reductions in the ACT's annual net take that can be achieved through water efficiency measures, as identified through technical investigations and consultation with Icon Water and stakeholders (Attachment B);

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- c. recent investigations highlight the severity of climate induced risk to the Territory's water security and that water efficiency measures and investigations into alternative water supply options are needed to improve the ACT's drought and climate resilience;
- d. the proposed water recovery volume of 6.36 GL/year would be available from the Lower Molonglo water management area downstream of ACT urban areas, urban water supplies and sewage treatment plants (see map at [Attachment C](#)) and accordingly is not required for ACT urban water supply purposes now or in the future;
- e. any entitlements granted would be subject to the conditions outlined in [Attachment D](#);
- f. if the delegate under the *Water Resources Act 2007* (ACT) grants the entitlements, the Australian Government would make a one-off payment of \$58.83 million after the grant of entitlements, by June 2024, based on the upper bound market price for NSW High Security Entitlements within the Regulated Murrumbidgee Water Source, which is currently \$9,250 per ML;
- g. this funding is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment;
- h. if the ACT does not meet its commitment by June 2024, the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area by subtracting 4.9 GL/year from the annual permitted take, without the ACT receiving funding for water efficiency measures; and
- i. the Murray-Darling Basin Authority has agreed, in the letter at [Attachment E](#), that the ACT's Baseline Diversion Limit and Sustainable Diversion Limit will be reassessed through the 2026 Basin Plan review;

4) I recommend Cabinet note:

- a. the advice to the Chief Minister on the release of the Cabinet Decision Summary ([Attachment G](#)) as required under Section 23 of the *Freedom of Information Act 2016*; and
- b. the following summaries to be released:
 - i. Cabinet agreed to the ACT Government entering into an agreement with the Australian Government to meet the ACT's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT; and
 - ii. the agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT.

SUPPORTING ARGUMENT

BACKGROUND

- 1) The Murray-Darling *Basin Plan 2012* is a statutory instrument under section 44(3)(b)(i) of the *Water Act 2007* (Cth). It sets out the amount of water that can be taken from each area of the Basin, with the aim of achieving environmentally sustainable management of Basin water.
- 2) The Basin Plan requires the take of water to be reduced from the Baseline Diversion Limit (BDL) to a long-term Sustainable Diversion Limit (SDL) for each water resource area in the Basin, including the ACT water resource area. The Inspector-General of Water Compliance and the Murray-Darling Basin Authority monitor and report on SDL compliance.
- 3) In committing to the Basin Plan, the ACT Government agreed to limit the net take of water in the ACT to the SDL. Consistent with this commitment, section 17(3) of the *Water Resources Act 2007* (ACT) and Schedule 1 of the Water Resources (Water Available from Areas) Determination 2019 (No 2) specify the SDL as the limit for water take in the ACT.
- 4) To fulfil its commitment to reduce the take of surface water in the ACT from the BDL (58.34 GL/year) to the SDL (53.44 GL/year), the ACT Government needs to grant a permanent water entitlement to provide 4.9 GL/year Long Term Average Annual Yield (LTAAY) to the Commonwealth Environmental Water Holder (CEWH). This volume is called the Shared Reduction Amount for 'Bridging the Gap' between the BDL and the SDL.
- 5) In committing to the Basin Plan, the ACT Government also agreed to a Basin-wide target of achieving 450 GL/year of annual water savings through water efficiency measures, to improve environmental outcomes as set out in Schedule 5 of the Basin Plan.
- 6) Since 2012 the ACT Government has explored several options to meet its 4.9 GL/year commitment and achieve additional water savings, while minimising risks and securing funding to improve the ACT's water security.
- 7) From 2019 the Commonwealth Off-Farm Water Efficiency Program funded investigations which identified a suite of water efficiency measures that could reduce demand by at least 4.9 GL/year. The Commonwealth Off-Farm Water Efficiency Program was not designed for urban water efficiency measures. As a result, and despite consistent attempts from the ACT Government, the cost of improving water security while meeting the water recovery commitment could not be met through that program.

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- 8) In February 2023, the Australian Government announced that it is seeking to finalise all Bridging the Gap commitments by 2024 through its Strategic Water Purchasing Framework. This presents a new opportunity for the ACT to meet its 4.9 GL/year water recovery commitment and receive Australian Government funding for water security measures.
- 9) Granting an entitlement for a further 1.46 GL/year to the CEWH would secure additional funding (\$13.5 million) from the Australian Government. This would enable the ACT to implement more of the water efficiency measures that are needed to build the ACT's water security and resilience to changing climatic conditions. This funding would also be able to partially offset the cost of investigating water supply diversification options.
- 10) Granting an additional 1.46 GL/year water entitlement would also contribute to the overall Basin Plan target of achieving an additional 450 GL water recovery through water efficiency measures.
- 11) The Environment, Planning and Sustainable Development Directorate (EPSDD) wrote to the Australian Government's Department of Climate Change, Energy, the Environment and Water (DCCEEW) in May 2023, with a proposal for meeting the 4.9 GL/year water recovery commitment and providing up to a further 1.46 GL/year through the Strategic Water Purchasing Framework.
- 12) In August 2023, the Australian Government announced its intention to extend the timeframe for completing water recovery through the Sustainable Diversion Limit Adjustment Mechanism and Efficiency Measures. DCCEEW advised that this announcement has no effect on the timeframe for the Bridging the Gap target and the ACT's SRA. The ACT is required to meet its water recovery commitment by 30 June 2024.
- 13) In August 2023, DCCEEW provided the draft agreement at [Attachment A](#) for the ACT Government's consideration. The Murray-Darling Basin Authority provided the letter at [Attachment E](#), which gives assurances on future work to recognise the ACT's water resources in full and mitigate risks to the ACT's water security.

ISSUES & OPTIONS

[Objectives of proposed agreement](#)

- 14) In negotiating the agreement at [Attachment A](#), the ACT Government's objectives were to:
 - a. fulfil the ACT Government's water recovery commitment under the *Basin Plan 2012* without compromising the ACT's water security;
 - b. ensure that no water that is used for urban purposes is transferred out of the ACT;

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- c. ensure that granting the entitlements to the CEWH will have a positive or neutral impact on the ACT's long-term ability to comply with its SDL on annual net take of surface water;
- d. secure funding to offset the cost of water security measures, by satisfying the Australian Government's Strategic Water Purchasing Framework investment principles;
- e. improve the ACT's water security, which includes the quantity, quality and affordability of the ACT's water supply; and
- f. improve environmental outcomes in the ACT and the Murray-Darling Basin.

Fulfilling the ACT's water recovery commitment under the Basin Plan

15) The proposed agreement at Attachment A provides for the ACT to:

- a. fulfil its commitment under the Basin Plan to deliver the Shared Reduction Amount of 4.9 GL/year of ACT surface water per year to the CEWH for environmental purposes; and
- b. contribute further to Murray-Darling Basin environmental outcomes by delivering up to 1.46 GL/year of additional ACT surface water per year to the CEWH for environmental purposes.

16) If the ACT does not fulfil this commitment by June 2024, there will be several adverse consequences for the ACT:

- a. the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area, by subtracting 4.9 GL from the annual permitted take, without the ACT receiving funding for water efficiency measures;
- b. other jurisdictions will perceive the ACT to be avoiding its responsibilities under the Murray-Darling Basin Agreement. This will make it more difficult to resolve water management issues with other jurisdictions and improve water security in the ACT.

17) If the agreement is signed by both parties, the CEWH would apply under the *Water Resources Act 2007* (ACT) (ACT Water Act) for permanent water access entitlements for 6.36 GL/year of ACT surface water. The CEWH's application for entitlements to meet the water recovery commitment would be assessed by the ACT Environmental Protection Agency, consistent with the Reasonable Use Guidelines (DI2007-194) in force under section 18 of the ACT Water Act.

18) It is proposed that the entitlement would be granted from the Lower Molonglo water management area in the ACT. The water would be from the unregulated water source (i.e. not from dams), at the southern extent of the ACT and cannot be used for urban water supply. The

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CEWH would use the water downstream of the ACT within the broader Southern Connected Basin. The water would be accounted at the Halls Crossing flow gauge in NSW.

- 19) Under the *Water Resources (Water available from areas) Determination 2019 (No 2)*, sufficient water is available for take within the Lower Molonglo water management area. This has been confirmed through review of the ACT entitlement register (as at 29 August 2023).
- 20) Any entitlements granted to the CEWH would be subject to conditions as outlined in Attachment D. To facilitate this, the Minister for Water, Energy and Emissions Reduction is required to table minor amendments to update two disallowable instruments under the ACT Water Act, as outlined in Attachment D.
- 21) Legal advice provided by the ACT Government Solicitor in October 2020 confirmed that the ACT Water Act allows for water access entitlements to be granted to the CEWH to use in-stream for environmental purposes, even if that use is outside the ACT. The advice also confirmed that because the CEWH will not abstract water from any waterway in the ACT, the ACT will not need to issue a water access licence to the CEWH, nor will the CEWH be liable to pay any water abstraction charge to the ACT.
- 22) To enable the CEWH to use the water for environmental purposes downstream of the ACT, the Murray-Darling Basin Authority will need to amend water accounting protocols under the Murray-Darling Basin Agreement and the NSW Government will need to make amendments to relevant water sharing plans and water accounting arrangements. The relevant agencies are currently drafting and seeking advice and approvals for these amendments.
- 23) When the Murray-Darling Basin Authority and NSW agencies have made these amendments, NSW will credit 6.36 GL/year into a CEWH account in Burrinjuck Dam, for CEWH to use as needed for environmental purposes. These changes to Basin water accounting protocols and NSW water management arrangements will enable the CEWH to use the water outside the ACT, but the proposed agreement is not dependent on these arrangements being in place. The ACT will have met its water recovery commitment under the Basin Plan as soon as it has granted the water access entitlements to CEWH.
- 24) The Murray-Darling Basin Authority is currently conducting a technical review of the reliability, or Long-Term Diversion Level Equivalent (LTDLE) Factor, of the ACT water entitlements and is expected to provide a final decision on this in November 2023. The proposed agreement would

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be signed after the LTDLE Factor has been determined and the ACT is satisfied with the assessment of reliability.

- 25) The draft funding agreement at Attachment A specifies that granting entitlements for 6.36 GL/year to CEWH would meet the ACT's 4.9 GL/year Shared Reduction Amount water recovery commitment in full and provide up to 1.46 GL/year additional water for environmental purposes.

Water not used for urban purposes

- 26) The ACT Government must not transfer any "water or water entitlement that is used for urban purposes" for use outside the ACT, unless that volume of water has been transferred into the ACT from another State. This is specified in Clause 9(3), Schedule E of Schedule 1 (Murray Darling Basin Agreement), *Water Act 2007* (Cth).
- 27) Accordingly, any entitlements for ACT water granted to the CEWH must only be for water that is not used for urban purposes.
- 28) The proposed 6.36 GL/year water entitlement is not used for urban purposes and will not need to be used for urban purposes in the future for the following reasons:
- a. Water will not be taken from urban water supply dams or catchments: -The ACT will not hold, release or change water flows from urban water supply dams or catchments in the ACT to deliver water under any entitlements for CEWH. The entitlements would only be granted from an "unregulated" water source, that is, a river rather than a dam, downstream of the urban water supply system.
 - b. Water entitlement would be from the Lower Molonglo: - It is not feasible for the ACT to use the water for urban purposes at this point. The water will flow out of the ACT even if no entitlements have been granted to CEWH. If treated wastewater were recycled in future, it would be extracted upstream of this point, and sufficient water would still flow past this point to satisfy the 6.36 GL/year entitlement.
 - c. Actual net take will remain within the SDL: - Modelling conducted by eWater indicates that actual net take will remain within the SDL beyond 2146 even under a scenario of high climate change (3 degrees C) and an ACT population of 1.3 million.
 - d. Even in dry years, water available exceeds 6.36 GL: - Modelling from the stream flow gauge at Halls Crossing in NSW indicates that a minimum volume of approximately 30 GL

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of unallocated ACT water flows out of the ACT in all years. The modelling shows that on average, more than 200 GL of unallocated ACT water flows out of the ACT per year.

Australian Government funding

- 29) The proposed agreement at Attachment A provides that the Australian Government would make a one-off payment to the ACT after the entitlements have been granted to the CEWH.
- 30) The funding amount is based on the upper bound market price for NSW High Security Entitlement within the Regulated Murrumbidgee Water Source. This would be a payment of \$58.83 million, based on the current upper bound market price of \$9,250 per ML. The NSW High Security Entitlement has a comparable level of resource reliability (LTDLE factor) to the proposed ACT water entitlement.
- 31) The proposed funding agreement satisfies the investment principles set out in the Australian Government Strategic Water Purchasing Framework, in that it provides eligible entitlements, achieves the SDL at an appropriate market rate and can deliver environmental utility.
- 32) This funding is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment under the Basin Plan. The ACT will only receive the funding if the agreement is concluded and entitlements granted by 30 June 2024.
- 33) The proposed agreement does not commit the ACT to spend the funding received on water efficiency or security measures. Implementing the water efficiency measures would support water security and reduce the ACT's net water take to remain compliant with its SDL.
- 34) Investing the funding received from the Australian Government to implement a Water Security Investment Plan (see outline at Attachment B) would result in positive impacts for the ACT's water security, drought resilience and water affordability.
- 35) Subject to Cabinet agreement, the Minister for Water, Energy and Emissions Reduction would bring forward a business case through the 2024-25 Budget process, seeking funding for measures as part of a Water Security Investment Plan based on the outline at Attachment B.

[Improving the ACT's water security](#)

[Investing in water security planning and management](#)

- 36) Developing a Water Security Investment Plan based on the outline at [Attachment B](#) will improve the long-term water security of the ACT, including the environmental sustainability, economic sustainability, affordability and climate resilience of the ACT's water resources.
- 37) Water resource assessments currently being conducted by the ACT Office of Water, and those recently conducted by Icon Water, indicate that the ACT's water security remains highly vulnerable to future pressures including drought, climate change and population growth.
- 38) Preliminary modelling results by the ACT Office of Water indicate that by the year 2050, long-term mean annual flows in ACT waterways may decline by about 45% under a worst-case climate change scenario or by about 30% under a more likely scenario. Analysis of modelled data that Icon Water supplied to the ACT Office of Water indicates that a prolonged drought could result in minimum active dam storages dropping to 0% under a worst-case climate change scenario or to 14% under a more likely scenario (assuming moderate population growth).
- 39) Icon Water proposed some water security investment in its 2022-23 submission to the Independent Competition and Regulatory Commission (ICRC). The ICRC water price determination did not incorporate the costs of all the investment proposed by Icon Water. The Icon Water proposed water security measures remain unfunded.
- 40) An outline of measures that are proposed to provide water security for the ACT is at [Attachment B](#). The measures can be broadly described as: water resource planning; demand management; investigations into supplementary water supplies; and environmental improvement.
- 41) The proposed water security measures are additional to regulation of water entitlements and licences under the *Water Resources Act 2007*, which assists in ensuring that environmental flows are maintained and that the net take of water remains within the ACT's SDL.
- 42) The water security measures listed in [Attachment B](#) are based on technical investigations funded by the Commonwealth Off-Farm Water Efficiency Program, consultations with Icon Water and other stakeholders, and Icon Water's draft Drought Management Plan.
- 43) Icon Water's drought management planning has identified that water security measures are required to enable the growing ACT population to have sufficient water supply in future droughts. This is necessary irrespective of the proposed water recovery agreement. Completing

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the proposed measures will improve water security through water conservation, reduction in water consumption per capita and diversification of water supply options.

- 44) Using Australian Government funds for these water security measures would offset costs for water security planning and management that would otherwise need to be met by the ACT Government budget and by ACT water users through water price determinations (for potable water use) and Water Abstraction Charges (for potable and non-potable water use).
- 45) Implementing water efficiency measures will slow the growth of Icon Water and ACT Government revenue during the implementation period, as outlined in the Financial Impacts section below. Modelling indicates that the impacts will be relatively small compared with total water revenues and relatively short-term due to future population growth in the ACT.

Reassessment of Basin Plan limits for the ACT

- 46) The Murray-Darling Basin Authority has agreed, in the letter at Attachment E, that the ACT's BDL, SDL and water accounting protocols will be re-assessed through the 2026 Basin Plan review, to take account of improved data and modelling, establish a more accurate representation of the ACT water resource and examine how increased urban runoff since 2009 should be recognised in water accounts.
- 47) This re-assessment of the BDL and SDL will contribute further to assuring the long-term water security for the ACT and maintaining the ACT's paramount rights to water resources proclaimed under the *Seat of Government Acceptance Act 1909* (Cth).

Improving environmental outcomes in the ACT and the Murray-Darling Basin

- 48) Using the revenue from the proposed agreement to implement water security measures will improve environmental outcomes in the ACT's waterways, for example by reducing inefficient use of water.
- 49) The EPSDD Office of Water will monitor, evaluate and report on the environmental outcomes of the agreement and investment in water security, through annual public reports under the ACT Water Strategy.

FINANCIAL IMPACT

- 50) If agreed, the Australian Government would make a one-off payment of \$58.83 million to the ACT Government on the granting of the water entitlements to CEWH.

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- 51) If the ACT Government only granted an entitlement to the Shared Reduction Amount of 4.9 GL/year, the ACT would only receive \$45.3 million. This would only partly meet the cost of water efficiency measures and water security planning. It would not be sufficient to complete investigations for water supply diversification.
- 52) Granting an entitlement for a further 1.46 GL/year to the CEWH would secure an additional \$13.5 million and would enable the ACT to achieve at least 6.36 GL/year in water savings through efficiency measures. The additional investment could support water supply investigations to build the ACT's water security and resilience to changing climatic conditions.
- 53) This Submission seeks Cabinet's agreement to the Minister for Water, Energy and Emissions Reduction bringing forward a business case through the 2024-25 Budget process, seeking funding for measures as part of a Water Security Investment Plan based on the outline at Attachment B. Revenue received through the water recovery agreement would be available to fund water efficiency measures that would save an amount of water equal to the volume of entitlements sold, with the allocation of any revenue surplus to this requirement to be subject to the consideration of the Expenditure Review Committee of Cabinet.
- 54) Table 1 identifies the anticipated revenue from the proposed agreement. The Minister for Water, Energy and Emissions Reduction would provide the detail of the expenditure profile for the Water Security Investment Plan as part of the 2024/25 budget process that would be offset by this revenue.

Table 1: Financial impacts summary

	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	2026-27 \$'000	Total \$'000
Revenue/savings/offsets impacts	58.8	0	0	0	58.8
– Revenue					
Foregone WAC revenue (based on achieving 6.36 GL water savings by 2034/35)	-0.5	-0.8	-1.3	-1.8	-4.4
Expenditure on water efficiency and security measures	TBC	TBC	TBC	TBC	TBC

- 55) The Water Abstraction Charge raises revenue to recover water planning and management costs incurred by the ACT Government. In 2021-22, \$29.8M of revenue was raised through this charge

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on water users. Expenditure on water planning and management reported to the Australian Competition and Consumer Commission (ACCC) for the 2021-22 year was \$11.8M. If the ACT Government does not secure and reinvest the Australian Government funding for water recovery, it will be necessary to reassess the level of cost recovery and investment of revenue from Water Abstraction Charge to improve the ACT's water security.

- 56) Modelling conducted by Frontier Economics indicates that implementing water security measures is projected to have minimal net impacts on Icon Water's profitability, slightly slow the growth in ACT Government revenue from Water Abstraction Charges and increase water prices for customers but not necessarily their total water bills. The impact on water customers' bills would depend on the effect of water efficiency measures on individual water usage. These impacts are described in Attachment I and summarised below.
- 57) If water efficiency measures save 6.36 GL by 2034 and the Independent Competition and Regulatory Commission (ICRC) increases customers' water prices to mitigate Icon Water's decline in revenue per customer:
- a. the ACT Government's revenue from the Water Abstraction Charge would not decline as a result of implementing water security measures, but would not increase at the same rate as the base case of no water efficiency or savings;
 - b. the ACT Government's revenue from the Water Abstraction Charge, which Icon Water pays and passes on in full to customers, is projected to be 10.7% less than the base case of no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, equivalent to \$4.5m in \$2023/24 dollars) and remain 10.7% lower than base case after that;
 - c. if 10% of the 6.36 GL/year water savings are achieved from non-potable water use, the foregone nominal revenue in 2034-35 will be approximately \$5.6m instead of \$5.9m;
 - d. the revenue impacts are directly proportional to the total volume of water saved in the ACT, thus saving 4.9 GL/year would result in a revenue reduction of 8.2% (\$4.5m foregone nominal revenue in 2034/35) and the additional saving of 1.46 GL/year (to deliver the full proposed 6.36 GL/year) would result in a revenue reduction of 2.5% (\$1.4m foregone nominal revenue in 2034/35);
 - e. Icon Water's revenue (excluding the pass-through of the Water Abstraction Charge) is projected to be 0.48% less than the base case of no water savings by 2034/35, (\$1.23m foregone nominal revenue in 2034/35, which is equivalent to \$0.94m in \$2023/24 dollars)

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however this will be offset by an equivalent reduction in operational expenditure, meaning there will be no net impact on Icon Water's profitability;

- f. customers' water bills will vary depending on whether their water usage is reduced through the suite of water efficiency measures outlined in Attachment B:
 - i. a typical residential customer's bill is projected to increase by 6% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 10.2% (from 200 kL to 180 kL/year);
 - ii. the bill of a residential customer with high water usage is projected to increase by 8.3% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 8.4% (from 300 kL to 275 kL/year);
 - iii. the bill of a non-residential customer using 1,000 kL/year is projected to increase by 12.4% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 11.4% (from 1,000 kL to 886 kL/year);
 - iv. the bill of a non-residential customer using 5,000 kL/year is projected to increase by 14% above inflation by 2034/35 if their water usage remains constant, but their bill is projected to stay the same if their water usage is reduced by 12.4% (from 5,000 kL to 4,381 kL/year);
 - v. price impacts on customers would be nearly proportional to the total volume of water saved in the ACT, with slight variations due to the two-tier structure of water usage charges; and
 - vi. the relative impacts on customers of the ACT saving 0 GL, 4.9 GL, 1.46 GL and 6.36 GL/year are summarised in Tables 11 and 12 of Attachment I.

58) Water consumers' costs would rise if efficiency measures were mandated but not funded by government. This Submission proposes that efficiency measures be funded, at least in part, through revenue received from the Australian Government, so that the full implementation of the water security measures is not passed on to consumers. This means that consumers can reduce their water consumption, and potentially their water use bills, without needing to meet the full upfront cost of water efficiency measures. This will improve water affordability in the ACT, particularly for low-income households and high water use households and businesses.

WELLBEING IMPACT SUMMARY

- 59) The proposed agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT. A Wellbeing Impact Assessment is at [Attachment H](#).

CONSULTATION

[External stakeholders](#)

- 60) EPSDD Office of Water has consulted with relevant Australian and NSW Government agencies, including DCCEEW, the Murray-Darling Basin Authority and NSW Department of Planning and Environment. Those agencies have informed EPSDD that they have started the processes for the administrative and regulatory actions that are needed to enable the CEWH to use the volume of water granted by the ACT for environmental purposes downstream of the ACT.
- 61) EPSDD Office of Water consulted with Icon Water in relation to the Water Security Investment Plan Outline ([Attachment B](#)) and modelling results ([Attachment I](#)). Icon Water sought clarity on the role of the EPSDD Office of Water in relation to urban water security planning. EPSDD and Icon Water are developing a Memorandum of Understanding to clarify responsibilities and build a framework for working collaboratively to improve water security and environmental outcomes.
- 62) EPSDD will continue to work closely with Icon Water and will consult relevant external stakeholders, such as key water users, when developing a detailed Water Security Investment Plan, which will be prepared for consideration through the 2024-25 Budget process.

[ACT Government agencies](#)

- 63) EPSDD Office of Water has consulted with relevant areas of CMTEDD (Policy and Cabinet, Treasury and the Environment Protection Agency (EPA)) in developing this submission. Feedback has been incorporated into the Submission.
- 64) Treasury sought modelling and additional information on a range of matters during the consultations. EPSDD included the modelling results and requested information in this submission and in [Attachments B and I](#).
- 65) The EPA noted that water regulation is also necessary for water security and that water access entitlements need to continue to align with Sustainable Diversion Limits. EPSDD incorporated this information in this submission and in [Attachment B](#).

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- 66) EPSDD will consult with ACT Treasury and TCCS Urban Services to develop a detailed Water Security Investment Plan, which EPSDD will submit for approval in the 2024-25 budget process.
- 67) The Table of Comments is at Attachment F.

MEDIA/COMMUNICATIONS

- 68) No media announcement is proposed at this stage. A joint announcement may be made with the Australian Government when the agreement is executed by both parties, when entitlements have been granted or when funding is received from the Australian Government.
- 69) A future media announcement could be made on the Government's investment into water security measures and addressing cost of living pressures for urban water supply, subject to 2024-25 Budget consideration.

IMPLEMENTATION

- 70) Table 2 outlines the timetable for execution of the agreement and subsequent steps.

Table 2: **Implementation milestones and timeframes**

Milestones	Date to be completed
1. ACT and Australian Government Ministers execute water recovery agreement	November 2023
2. CEWH applies for water entitlement	November 2023
3. Delegate for <i>Water Resources Act 2007</i> decides on entitlement application	December 2023
4. Minor changes to Disallowable Instruments under <i>Water Resources Act 2007</i>	December 2023
5. If entitlements are granted, payment is received from Australian Government	Early 2024
6. Water Security Investment Plan considered in 2024/25 Budget process	Early 2024
7. Implementation of Water Security Investment Plan commences	July 2024

HUMAN RIGHTS IMPACT

- 71) The proposal is consistent with the *Human Rights Act 2004*.

Minister's signature



Date 15/10/23

ATTACHMENTS

A	Proposed water recovery agreement with the Australian Government
B	Water Security Investment Plan Outline
C	Map of ACT Waterways
D	Example Water Access Entitlement and proposed amendments to Disallowable Instruments under the <i>Water Resources Act 2007</i> (ACT)
E	Letter from Murray-Darling Basin Authority dated 26 July 2023
F	Table of comments
G	Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary
H	Wellbeing Impact Assessment
I	Modelled impacts of water recovery on revenue and customers' bills



ACT
Government

Environment, Planning and
Sustainable Development

CABINET

MINISTERIAL BRIEF

To: Minister for Water, Energy and Emissions
Reduction

Cabinet No.: 23/527

Rec'd Minister's Office .../.../...

From: Executive Group Manager, Environment, Heritage and Water

Subject: Final Lodgement of Cabinet item 'Water recovery agreement with the
Australian Government'

Critical Date: 13/10/2023

Critical Reason: The final submission must be lodged with Cabinet Office on or before
10am 13 October 2023 for Cabinet Consideration on 23 October 2023.

- DDG, Environment, Water and Emissions Reduction 12 / 10/ 2023

Recommendations

That you:

1. **Sign and Agree** to lodge with the Cabinet Office the final Cabinet Submission
(Attachment 1) and associated documents about the water recovery agreement with the
Australian Government;

Signed / Not Signed / Please Discuss

2. **Annotate** if an EPSDD official is required to attend; and

Required / Not Required / Please Discuss

Subject to Cabinet agreement

3. **Note** that EPSDD will inform the Australian Government of the Cabinet decision and
request that they send the final water recovery agreement to you for execution.

Agreed / Not Agreed / Please Discuss

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

Minister's Office Feedback

Background

1. On 21 August 2023, you signed and lodged for exposure circulation the Cabinet Submission (23/527) about a new water recovery agreement (Agreement) with the Australian Government.
2. The Agreement is part of the Murray-Darling *Basin Plan 2012* (Plan) and the Australian Government's Strategic Water Purchasing Framework. Under the Plan, the ACT has agreed to limit the net take of water to the Sustainable Diversion Limit (SDL), which is less than the current Baseline Diversion Limit.
3. The Agreement will provide the ACT Government with a one-off payment of \$58.83 million, after the ACT grants permanent water entitlements of 6.36 GL/year to the Commonwealth Environmental Water Holder.
4. The Agreement is at Attachment A to the Submission for the ACT Government's consideration. The Murray-Darling Basin Commission provided a letter (Attachment E), which gives assurances on future work through the 2026 review of the Basin Plan to recognise the ACT's water resources and mitigate risks to the ACT's water security.

Issues

Expenditure Review Committee comments

5. Expenditure Review Committee considered the Submission on 9 October 2023 and requested amendments to recommendations 1(b) and 1(c). The recommendations were amended as requested, to:
 - "b. that the Minister for Water, Energy and Emissions Reduction will bring forward a business case through the 2024-25 Budget process, seeking funding for measures as part of a Water Security Investment Plan based on the outline at Attachment B;
 - c. that revenue received through the water recovery agreement would be available to fund water efficiency measures that would save an amount of water equal to the volume of entitlements sold, with the allocation of any revenue surplus to this requirement to be subject to the consideration of the Expenditure Review Committee of Cabinet;"

Final Cabinet Submission

6. The only comment received on the Exposure Draft of the Submission was from Chief Minister, Treasury and Economic Development (CMTEDD). All other directorates supported the Submission.
7. CMTEDD's comment is shown in the table below along with EPSDD's response.

CMTEDD Comments	EPSDD Response
The submission would benefit from clarity on whether the ACT is obliged to spend the money received from the Commonwealth on water reduction or augmentation activities. –	Paragraph 33 was added to the submission, clarifying that the proposed funding agreement does not explicitly oblige the ACT to spend the funding on water efficiency or security measures. If the ACT does not do so, however, it will be unable to improve its water security, reduce its net water take and demonstrate to the Inspector-General Water Compliance that it has reduced its net water take, and in the long term the ACT may not be able to comply with its SDL.

8. Access Canberra offered a number of comments to provide additional information on the regulatory elements that remain in Access Canberra. These comments have also been addressed in the table and Cabinet Submission

Finalisation and signing of the Agreement

9. The Murray-Darling Basin Authority (MDBA) is currently conducting a technical review of the reliability, or Long-Term Diversion Level Equivalent (LTDLE) Factor, of the ACT water entitlements and is expected to provide a final decision on this in November 2023. The Department of Climate Change, Energy, Environment and Water (DCCEEW) will provide the final agreement to their Minister when the LTDLE Factor has been determined.
10. If the MDBA delays its decision on the LTDLE Factor or determines an unrealistically low Factor, this will result in further negotiation between the ACT, DCCEEW and MDBA. This risks a delay in the ACT meeting its water recovery commitment. EPSDD and DCCEEW are working with the MDBA to assist them with the relevant supporting material to ensure an appropriate Factor will be determined by November 2023 so the ACT can meet its water recovery commitment by June 2024.
11. If Cabinet agrees, EPSDD will inform DCCEEW of the Cabinet decision and request that the final agreement be sent to you for execution when the LTDLE Factor has been determined.

Financial Implications

12. The Agreement will provide the ACT with Australian Government funding of \$58.83 million. This revenue may be used to progress water security measures in the ACT (Attachment B), subject to Expenditure Review Committee consideration of a detailed investment plan through the 2024/25 budget process.
13. Water efficiency measures are necessary for the ACT's drought preparedness and water security but will have impacts on ACT Government revenue from Water Abstraction Charges.
14. Independent modelling obtained by EPSDD indicates that revenue will continue to grow as population growth increases total water usage, but revenue will increase more slowly than in the base case of no water efficiencies. The foregone revenue is projected to be 10.7% less than the base case of no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, which is equivalent to \$4.5m in \$2023/24 dollars) and remain 10.7% lower than base case after that. The modelling is summarised in Attachment I to the Submission.
15. Water consumers' costs could rise if efficiency measures were mandated but upfront costs were not subsidised. This Submission proposes that the cost of efficiency measures be offset, at least in part, through revenue received from the Australian Government, to reduce the cost impact on consumers from implementing the water efficiency measures. Improving water affordability in the ACT could be achieved through program design with intervention targeted towards low-income households and high water use households and businesses.

Consultation

Internal

16. EPSDD Office of Water held initial discussions with EPSDD Climate Change and Energy, which implemented previous water efficiency programs, to seek views on administration of water

efficiency measures that could be funded through this agreement. These views will inform preparation of a 2024-25 business case.

Cross Directorate

17. EPSDD consulted with relevant areas of CMTEDD (Treasury, the Environment Protection Agency and the Policy and Cabinet Division) in developing the Submission. Feedback has been incorporated into the Submission.
18. The Environment Protection Agency, which administers water access entitlements under the *Water Resources Act 2007* (ACT), has no concerns with the proposed water access entitlements or amendments to update disallowable instruments under that Act. The EPA suggested minor additions to Attachment B, which have been incorporated and noted in the Table of Comments in Attachment F to the Submission.
19. ACT Treasury sought modelling and additional information on a range of matters during early consultations. EPSDD included the modelling results and additional information in the Submission and in Attachments B and I. No supplementary information has been requested.
20. ACT Treasury requested confirmation of any obligation on the ACT to spend the money received from the Australian Government on water use reduction or supply augmentation activities. Text has been included in the Submission to clarify that the proposed agreement does not commit the ACT to spend the funding received on water efficiency or security measures. Implementing water efficiency measures would support water security and reduce the ACT's net water take so the ACT remains compliant with its SDL in the long term. This is noted in the Table of Comments in Attachment F to the Submission.
21. All other Directorates supported the Exposure Draft of the Submission without comment.

External

22. EPSDD Office of Water has consulted with Icon Water and incorporated their comments in the Water Security Investment Plan Outline at Attachment B. EPSDD will continue to work with Icon Water and will consult with ACT Treasury and City Services to develop a detailed Water Security Investment Plan. The Submission seeks agreement to bring forward a detailed Investment Plan as part of the 2024-25 budget process.
23. Icon Water sought clarity on the role of the EPSDD Office of Water in relation to urban water security planning. EPSDD and Icon Water are developing a Memorandum of Understanding to clarify responsibilities and build a framework for working collaboratively to improve water security and environmental outcomes.
24. EPSDD Office of Water has consulted with relevant Australian and NSW Government agencies, including DCCEE, the MDBA and NSW Department of Planning and Environment. Those agencies have informed EPSDD that they have started the processes for the administrative and regulatory actions needed to enable the CEWH to use the volume of water granted by the ACT for environmental purposes outside the ACT.
25. DCCEE staff stated at meetings on 22 and 24 August 2023 that the ACT will have met its water recovery commitment upon issuing water access entitlements to the CEWH. Meeting the ACT water recovery commitment is not dependent on interstate trading arrangements, including amendments to Murray-Darling Basin Agreement trade protocols, that will take longer to finalise. The wording of the proposed agreement reflects that granting

entitlements to CEWH equivalent to 4.9 GL/year Long Term Average Annual Yield will meet the ACT's Shared Reduction Amount commitment.

26. EPSDD will consult relevant external stakeholders, such as key water users, when developing a detailed Water Security Investment Plan for consideration in the 2024-25 budget process.

Benefits/Sensitivities

27. Using revenue from the proposed agreement to implement the measures summarised at Attachment B of the Submission will improve water security and environmental outcomes in the ACT's waterways, benefiting the ACT environment and community.
28. Granting ACT water entitlements to the CEWH will have positive environmental outcomes in the Murray-Darling Basin as a whole. The CEWH could use the water entitlements for environmental purposes through protecting unregulated river baseflow and as a contribution towards managed environmental flows downstream of Burrinjuck Dam.
29. The NSW Government will need to amend "cease to pump" rules for water users between the ACT border and Burrinjuck Dam, to protect the CEWH's water use from extraction downstream of the ACT. Similar water management arrangements have been introduced in other NSW unregulated streams. NSW officials have advised that this is likely to have minor impacts on those water users and is not anticipated to be a sensitive issue. The NSW Government is responsible for consulting affected water users before amending their water management rules.
30. The proposed agreement and water entitlements will not adversely affect any current ACT water access entitlement holders or other ACT stakeholders.
31. By fulfilling its water recovery commitment under the Basin Plan, the ACT Government will demonstrate its commitment to meeting its responsibilities under the Murray-Darling Basin Plan. This will help to resolve other water management issues in negotiations with Australian Government and NSW.

Media Implications

32. No media announcement is proposed at this stage. A joint announcement may be made by the relevant ACT and Australian Government Ministers when the agreement is executed by both parties, when entitlements have been granted or when the Australian Government makes the payment to the ACT Government.

Signatory Name: Bren Burkevics

Phone: X78628

Action Officer: Ryan Breen

Phone: X78268

Summary of Attachments

1 – Final Cabinet submission

A – Proposed water recovery agreement with the Australian Government

B – Water Security Investment Plan Outline

C – Map of ACT Waterways

D – Example Water Access Entitlements and proposed amendments to Disallowable Instruments under the *Water Resources Act 2007* (ACT)

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- E – Letter from Murray-Darling Basin Commission dated 26 July 2023
- F – Table of Comments
- G – Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary
- H – Wellbeing Impact Assessment
- I – Modelled impacts of water recovery on revenue and water customers
- 2 – Cabinet Brief

CABINET

CABINET SUBMISSION

23/527



Title	Water recovery agreement with the Australian Government
Meeting type	Expenditure Review Committee
Minister	Shane Rattenbury MLA Minister for Water, Energy and Emissions Reduction
Cabinet date	Monday, 23 October 2023
Status	FINAL
Relationship to previous decisions	3 July 2019, 19/333/ECD, ACT Government participation in the Murray Darling Basin Water Infrastructure Program 29 October 2019, 19/499CAB, Water Efficiency Initiative: ACT Government participation in the Murray Darling Basin Water Infrastructure Program
Purpose	To seek Cabinet endorsement to enter into an agreement with the Australian Government to meet the ACT Government's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT
Category	Category 2 - Cabinet business
Financial impact	Yes
Treasury agreement	Yes Date provided for Treasury agreement to financial implications: 04/08/2023 Date of Treasury agreement: 17/08/2023
Is ERC consideration required?	Yes If yes, select ERC meeting date: Monday, 9 October 2023
Legislative change	No - change to legislation not required
Regulatory impact	Yes Minor amendments to update two Disallowable Instruments under the <i>Water Resource Act 2007</i>
Wellbeing Impact Assessment	Yes
Primary Wellbeing Domain	Environment and climate

RECOMMENDATIONS

1) I recommend Cabinet agree:

- a. that the Minister for Water, Energy and Emissions Reduction execute the agreement at Attachment A with the Australian Government, which will provide for:
 - i. the ACT Government to meet its commitment under the Murray-Darling Basin Plan to deliver the Shared Reduction Amount of 4.9 GL/year of ACT surface water per year to the Commonwealth Environmental Water Holder (CEWH) for environmental purposes;
 - ii. the ACT Government to contribute further to Murray-Darling Basin environmental outcomes by delivering up to an additional 1.46 GL/year of ACT surface water per year to the CEWH for environmental purposes;
 - iii. the Australian Government to make a one-off payment of \$58.83 million to the ACT by June 2024, in accordance with the investment principles set out in the Australian Government's Strategic Water Purchasing Framework;
- b. that the Minister for Water, Energy and Emissions Reduction will bring forward a business case through the 2024-25 Budget process, seeking funding for measures as part of a Water Security Investment Plan based on the outline at Attachment B;
- c. that revenue received through the water recovery agreement would be available to fund water efficiency measures that would save an amount of water equal to the volume of entitlements sold, with the allocation of any revenue surplus to this requirement to be subject to the consideration of the Expenditure Review Committee of Cabinet;
- d. the Minister for Water, Energy and Emissions Reduction will bring back to Cabinet a further submission on the outcomes of modelling for ACT's water security and resilience to changing climatic conditions, which will include projected water resource availability through to 2050;
- e. the Minister for Water, Energy and Emissions Reduction will table minor amendments to update two disallowable instruments under the *Water Resources Act 2007* (ACT), as outlined in Attachment D;

2) I recommend Cabinet agree to:

- a. Table 1: Financial impacts summary; and
- b. Table 2: Implementation milestones and timeframes.

3) I recommend Cabinet note that:

- a. granting entitlements for 6.36 GL/year to CEWH would meet the ACT's 4.9 GL/year Shared Reduction Amount water recovery commitment in full and provide up to 1.46 GL/year additional water for environmental purposes;
- b. the proposed 6.36 GL/year of water recovery is equivalent to reductions in the ACT's annual net take that can be achieved through water efficiency measures, as identified through technical investigations and consultation with Icon Water and stakeholders (Attachment B);

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- c. recent investigations highlight the severity of climate induced risk to the Territory's water security and that water efficiency measures and investigations into alternative water supply options are needed to improve the ACT's drought and climate resilience;
- d. the proposed water recovery volume of 6.36 GL/year would be available from the Lower Molonglo water management area downstream of ACT urban areas, urban water supplies and sewage treatment plants (see map at [Attachment C](#)) and accordingly is not required for ACT urban water supply purposes now or in the future;
- e. any entitlements granted would be subject to the conditions outlined in [Attachment D](#);
- f. if the delegate under the *Water Resources Act 2007* (ACT) grants the entitlements, the Australian Government would make a one-off payment of \$58.83 million after the grant of entitlements, by June 2024, based on the upper bound market price for NSW High Security Entitlements within the Regulated Murrumbidgee Water Source, which is currently \$9,250 per ML;
- g. this funding is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment;
- h. if the ACT does not meet its commitment by June 2024, the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area by subtracting 4.9 GL/year from the annual permitted take, without the ACT receiving funding for water efficiency measures; and
- i. the Murray-Darling Basin Authority has agreed, in the letter at [Attachment E](#), that the ACT's Baseline Diversion Limit and Sustainable Diversion Limit will be reassessed through the 2026 Basin Plan review;

4) I recommend Cabinet note:

- a. the advice to the Chief Minister on the release of the Cabinet Decision Summary ([Attachment G](#)) as required under Section 23 of the *Freedom of Information Act 2016*; and
- b. the following summaries to be released:
 - i. Cabinet agreed to the ACT Government entering into an agreement with the Australian Government to meet the ACT's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT; and
 - ii. the agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT.

SUPPORTING ARGUMENT

BACKGROUND

- 1) The Murray-Darling *Basin Plan 2012* is a statutory instrument under section 44(3)(b)(i) of the *Water Act 2007* (Cth). It sets out the amount of water that can be taken from each area of the Basin, with the aim of achieving environmentally sustainable management of Basin water.
- 2) The Basin Plan requires the take of water to be reduced from the Baseline Diversion Limit (BDL) to a long-term Sustainable Diversion Limit (SDL) for each water resource area in the Basin, including the ACT water resource area. The Inspector-General of Water Compliance and the Murray-Darling Basin Authority monitor and report on SDL compliance.
- 3) In committing to the Basin Plan, the ACT Government agreed to limit the net take of water in the ACT to the SDL. Consistent with this commitment, section 17(3) of the *Water Resources Act 2007* (ACT) and Schedule 1 of the Water Resources (Water Available from Areas) Determination 2019 (No 2) specify the SDL as the limit for water take in the ACT.
- 4) To fulfil its commitment to reduce the take of surface water in the ACT from the BDL (58.34 GL/year) to the SDL (53.44 GL/year), the ACT Government needs to grant a permanent water entitlement to provide 4.9 GL/year Long Term Average Annual Yield (LTAAY) to the Commonwealth Environmental Water Holder (CEWH). This volume is called the Shared Reduction Amount for 'Bridging the Gap' between the BDL and the SDL.
- 5) In committing to the Basin Plan, the ACT Government also agreed to a Basin-wide target of achieving 450 GL/year of annual water savings through water efficiency measures, to improve environmental outcomes as set out in Schedule 5 of the Basin Plan.
- 6) Since 2012 the ACT Government has explored several options to meet its 4.9 GL/year commitment and achieve additional water savings, while minimising risks and securing funding to improve the ACT's water security.
- 7) From 2019 the Commonwealth Off-Farm Water Efficiency Program funded investigations which identified a suite of water efficiency measures that could reduce demand by at least 4.9 GL/year. The Commonwealth Off-Farm Water Efficiency Program was not designed for urban water efficiency measures. As a result, and despite consistent attempts from the ACT Government, the cost of improving water security while meeting the water recovery commitment could not be met through that program.

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- 8) In February 2023, the Australian Government announced that it is seeking to finalise all Bridging the Gap commitments by 2024 through its Strategic Water Purchasing Framework. This presents a new opportunity for the ACT to meet its 4.9 GL/year water recovery commitment and receive Australian Government funding for water security measures.
- 9) Granting an entitlement for a further 1.46 GL/year to the CEWH would secure additional funding (\$13.5 million) from the Australian Government. This would enable the ACT to implement more of the water efficiency measures that are needed to build the ACT's water security and resilience to changing climatic conditions. This funding would also be able to partially offset the cost of investigating water supply diversification options.
- 10) Granting an additional 1.46 GL/year water entitlement would also contribute to the overall Basin Plan target of achieving an additional 450 GL water recovery through water efficiency measures.
- 11) The Environment, Planning and Sustainable Development Directorate (EPSDD) wrote to the Australian Government's Department of Climate Change, Energy, the Environment and Water (DCCEEW) in May 2023, with a proposal for meeting the 4.9 GL/year water recovery commitment and providing up to a further 1.46 GL/year through the Strategic Water Purchasing Framework.
- 12) In August 2023, the Australian Government announced its intention to extend the timeframe for completing water recovery through the Sustainable Diversion Limit Adjustment Mechanism and Efficiency Measures. DCCEEW advised that this announcement has no effect on the timeframe for the Bridging the Gap target and the ACT's SRA. The ACT is required to meet its water recovery commitment by 30 June 2024.
- 13) In August 2023, DCCEEW provided the draft agreement at [Attachment A](#) for the ACT Government's consideration. The Murray-Darling Basin Authority provided the letter at [Attachment E](#), which gives assurances on future work to recognise the ACT's water resources in full and mitigate risks to the ACT's water security.

ISSUES & OPTIONS

[Objectives of proposed agreement](#)

- 14) In negotiating the agreement at [Attachment A](#), the ACT Government's objectives were to:
 - a. fulfil the ACT Government's water recovery commitment under the *Basin Plan 2012* without compromising the ACT's water security;
 - b. ensure that no water that is used for urban purposes is transferred out of the ACT;

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- c. ensure that granting the entitlements to the CEWH will have a positive or neutral impact on the ACT's long-term ability to comply with its SDL on annual net take of surface water;
- d. secure funding to offset the cost of water security measures, by satisfying the Australian Government's Strategic Water Purchasing Framework investment principles;
- e. improve the ACT's water security, which includes the quantity, quality and affordability of the ACT's water supply; and
- f. improve environmental outcomes in the ACT and the Murray-Darling Basin.

Fulfilling the ACT's water recovery commitment under the Basin Plan

15) The proposed agreement at Attachment A provides for the ACT to:

- a. fulfil its commitment under the Basin Plan to deliver the Shared Reduction Amount of 4.9 GL/year of ACT surface water per year to the CEWH for environmental purposes; and
- b. contribute further to Murray-Darling Basin environmental outcomes by delivering up to 1.46 GL/year of additional ACT surface water per year to the CEWH for environmental purposes.

16) If the ACT does not fulfil this commitment by June 2024, there will be several adverse consequences for the ACT:

- a. the Inspector-General of Water Compliance will enforce compliance with the SDL in the ACT water resource area, by subtracting 4.9 GL from the annual permitted take, without the ACT receiving funding for water efficiency measures;
- b. other jurisdictions will perceive the ACT to be avoiding its responsibilities under the Murray-Darling Basin Agreement. This will make it more difficult to resolve water management issues with other jurisdictions and improve water security in the ACT.

17) If the agreement is signed by both parties, the CEWH would apply under the *Water Resources Act 2007* (ACT) (ACT Water Act) for permanent water access entitlements for 6.36 GL/year of ACT surface water. The CEWH's application for entitlements to meet the water recovery commitment would be assessed by the ACT Environmental Protection Agency, consistent with the Reasonable Use Guidelines (DI2007-194) in force under section 18 of the ACT Water Act.

18) It is proposed that the entitlement would be granted from the Lower Molonglo water management area in the ACT. The water would be from the unregulated water source (i.e. not from dams), at the southern extent of the ACT and cannot be used for urban water supply. The

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CEWH would use the water downstream of the ACT within the broader Southern Connected Basin. The water would be accounted at the Halls Crossing flow gauge in NSW.

- 19) Under the *Water Resources (Water available from areas) Determination 2019 (No 2)*, sufficient water is available for take within the Lower Molonglo water management area. This has been confirmed through review of the ACT entitlement register (as at 29 August 2023).
- 20) Any entitlements granted to the CEWH would be subject to conditions as outlined in Attachment D. To facilitate this, the Minister for Water, Energy and Emissions Reduction is required to table minor amendments to update two disallowable instruments under the ACT Water Act, as outlined in Attachment D.
- 21) Legal advice provided by the ACT Government Solicitor in October 2020 confirmed that the ACT Water Act allows for water access entitlements to be granted to the CEWH to use in-stream for environmental purposes, even if that use is outside the ACT. The advice also confirmed that because the CEWH will not abstract water from any waterway in the ACT, the ACT will not need to issue a water access licence to the CEWH, nor will the CEWH be liable to pay any water abstraction charge to the ACT.
- 22) To enable the CEWH to use the water for environmental purposes downstream of the ACT, the Murray-Darling Basin Authority will need to amend water accounting protocols under the Murray-Darling Basin Agreement and the NSW Government will need to make amendments to relevant water sharing plans and water accounting arrangements. The relevant agencies are currently drafting and seeking advice and approvals for these amendments.
- 23) When the Murray-Darling Basin Authority and NSW agencies have made these amendments, NSW will credit 6.36 GL/year into a CEWH account in Burrinjuck Dam, for CEWH to use as needed for environmental purposes. These changes to Basin water accounting protocols and NSW water management arrangements will enable the CEWH to use the water outside the ACT, but the proposed agreement is not dependent on these arrangements being in place. The ACT will have met its water recovery commitment under the Basin Plan as soon as it has granted the water access entitlements to CEWH.
- 24) The Murray-Darling Basin Authority is currently conducting a technical review of the reliability, or Long-Term Diversion Level Equivalent (LTDLE) Factor, of the ACT water entitlements and is expected to provide a final decision on this in November 2023. The proposed agreement would

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be signed after the LTDLE Factor has been determined and the ACT is satisfied with the assessment of reliability.

- 25) The draft funding agreement at Attachment A specifies that granting entitlements for 6.36 GL/year to CEWH would meet the ACT's 4.9 GL/year Shared Reduction Amount water recovery commitment in full and provide up to 1.46 GL/year additional water for environmental purposes.

Water not used for urban purposes

- 26) The ACT Government must not transfer any "water or water entitlement that is used for urban purposes" for use outside the ACT, unless that volume of water has been transferred into the ACT from another State. This is specified in Clause 9(3), Schedule E of Schedule 1 (Murray Darling Basin Agreement), *Water Act 2007* (Cth).
- 27) Accordingly, any entitlements for ACT water granted to the CEWH must only be for water that is not used for urban purposes.
- 28) The proposed 6.36 GL/year water entitlement is not used for urban purposes and will not need to be used for urban purposes in the future for the following reasons:
- a. Water will not be taken from urban water supply dams or catchments: -The ACT will not hold, release or change water flows from urban water supply dams or catchments in the ACT to deliver water under any entitlements for CEWH. The entitlements would only be granted from an "unregulated" water source, that is, a river rather than a dam, downstream of the urban water supply system.
 - b. Water entitlement would be from the Lower Molonglo: - It is not feasible for the ACT to use the water for urban purposes at this point. The water will flow out of the ACT even if no entitlements have been granted to CEWH. If treated wastewater were recycled in future, it would be extracted upstream of this point, and sufficient water would still flow past this point to satisfy the 6.36 GL/year entitlement.
 - c. Actual net take will remain within the SDL: - Modelling conducted by eWater indicates that actual net take will remain within the SDL beyond 2146 even under a scenario of high climate change (3 degrees C) and an ACT population of 1.3 million.
 - d. Even in dry years, water available exceeds 6.36 GL: - Modelling from the stream flow gauge at Halls Crossing in NSW indicates that a minimum volume of approximately 30 GL

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of unallocated ACT water flows out of the ACT in all years. The modelling shows that on average, more than 200 GL of unallocated ACT water flows out of the ACT per year.

Australian Government funding

- 29) The proposed agreement at Attachment A provides that the Australian Government would make a one-off payment to the ACT after the entitlements have been granted to the CEWH.
- 30) The funding amount is based on the upper bound market price for NSW High Security Entitlement within the Regulated Murrumbidgee Water Source. This would be a payment of \$58.83 million, based on the current upper bound market price of \$9,250 per ML. The NSW High Security Entitlement has a comparable level of resource reliability (LTDLE factor) to the proposed ACT water entitlement.
- 31) The proposed funding agreement satisfies the investment principles set out in the Australian Government Strategic Water Purchasing Framework, in that it provides eligible entitlements, achieves the SDL at an appropriate market rate and can deliver environmental utility.
- 32) This funding is only available in 2023-24, after which the Australian Government is unlikely to offer any funding to assist the ACT to meet its water recovery commitment under the Basin Plan. The ACT will only receive the funding if the agreement is concluded and entitlements granted by 30 June 2024.
- 33) The proposed agreement does not commit the ACT to spend the funding received on water efficiency or security measures. Implementing the water efficiency measures would support water security and reduce the ACT's net water take to remain compliant with its SDL.
- 34) Investing the funding received from the Australian Government to implement a Water Security Investment Plan (see outline at Attachment B) would result in positive impacts for the ACT's water security, drought resilience and water affordability.
- 35) Subject to Cabinet agreement, the Minister for Water, Energy and Emissions Reduction would bring forward a business case through the 2024-25 Budget process, seeking funding for measures as part of a Water Security Investment Plan based on the outline at Attachment B.

Improving the ACT's water security

Investing in water security planning and management

- 36) Developing a Water Security Investment Plan based on the outline at Attachment B will improve the long-term water security of the ACT, including the environmental sustainability, economic sustainability, affordability and climate resilience of the ACT's water resources.
- 37) Water resource assessments currently being conducted by the ACT Office of Water, and those recently conducted by Icon Water, indicate that the ACT's water security remains highly vulnerable to future pressures including drought, climate change and population growth.
- 38) Preliminary modelling results by the ACT Office of Water indicate that by the year 2050, long-term mean annual flows in ACT waterways may decline by about 45% under a worst-case climate change scenario or by about 30% under a more likely scenario. Analysis of modelled data that Icon Water supplied to the ACT Office of Water indicates that a prolonged drought could result in minimum active dam storages dropping to 0% under a worst-case climate change scenario or to 14% under a more likely scenario (assuming moderate population growth).
- 39) Icon Water proposed some water security investment in its 2022-23 submission to the Independent Competition and Regulatory Commission (ICRC). The ICRC water price determination did not incorporate the costs of all the investment proposed by Icon Water. The Icon Water proposed water security measures remain unfunded.
- 40) An outline of measures that are proposed to provide water security for the ACT is at Attachment B. The measures can be broadly described as: water resource planning; demand management; investigations into supplementary water supplies; and environmental improvement.
- 41) The proposed water security measures are additional to regulation of water entitlements and licences under the *Water Resources Act 2007*, which assists in ensuring that environmental flows are maintained and that the net take of water remains within the ACT's SDL.
- 42) The water security measures listed in Attachment B are based on technical investigations funded by the Commonwealth Off-Farm Water Efficiency Program, consultations with Icon Water and other stakeholders, and Icon Water's draft Drought Management Plan.
- 43) Icon Water's drought management planning has identified that water security measures are required to enable the growing ACT population to have sufficient water supply in future droughts. This is necessary irrespective of the proposed water recovery agreement. Completing

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the proposed measures will improve water security through water conservation, reduction in water consumption per capita and diversification of water supply options.

- 44) Using Australian Government funds for these water security measures would offset costs for water security planning and management that would otherwise need to be met by the ACT Government budget and by ACT water users through water price determinations (for potable water use) and Water Abstraction Charges (for potable and non-potable water use).
- 45) Implementing water efficiency measures will slow the growth of Icon Water and ACT Government revenue during the implementation period, as outlined in the Financial Impacts section below. Modelling indicates that the impacts will be relatively small compared with total water revenues and relatively short-term due to future population growth in the ACT.

Reassessment of Basin Plan limits for the ACT

- 46) The Murray-Darling Basin Authority has agreed, in the letter at Attachment E, that the ACT's BDL, SDL and water accounting protocols will be re-assessed through the 2026 Basin Plan review, to take account of improved data and modelling, establish a more accurate representation of the ACT water resource and examine how increased urban runoff since 2009 should be recognised in water accounts.
- 47) This re-assessment of the BDL and SDL will contribute further to assuring the long-term water security for the ACT and maintaining the ACT's paramount rights to water resources proclaimed under the *Seat of Government Acceptance Act 1909* (Cth).

Improving environmental outcomes in the ACT and the Murray-Darling Basin

- 48) Using the revenue from the proposed agreement to implement water security measures will improve environmental outcomes in the ACT's waterways, for example by reducing inefficient use of water.
- 49) The EPSDD Office of Water will monitor, evaluate and report on the environmental outcomes of the agreement and investment in water security, through annual public reports under the ACT Water Strategy.

FINANCIAL IMPACT

- 50) If agreed, the Australian Government would make a one-off payment of \$58.83 million to the ACT Government on the granting of the water entitlements to CEWH.

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- 51) If the ACT Government only granted an entitlement to the Shared Reduction Amount of 4.9 GL/year, the ACT would only receive \$45.3 million. This would only partly meet the cost of water efficiency measures and water security planning. It would not be sufficient to complete investigations for water supply diversification.
- 52) Granting an entitlement for a further 1.46 GL/year to the CEWH would secure an additional \$13.5 million and would enable the ACT to achieve at least 6.36 GL/year in water savings through efficiency measures. The additional investment could support water supply investigations to build the ACT's water security and resilience to changing climatic conditions.
- 53) This Submission seeks Cabinet's agreement to the Minister for Water, Energy and Emissions Reduction bringing forward a business case through the 2024-25 Budget process, seeking funding for measures as part of a Water Security Investment Plan based on the outline at Attachment B. Revenue received through the water recovery agreement would be available to fund water efficiency measures that would save an amount of water equal to the volume of entitlements sold, with the allocation of any revenue surplus to this requirement to be subject to the consideration of the Expenditure Review Committee of Cabinet.
- 54) Table 1 identifies the anticipated revenue from the proposed agreement. The Minister for Water, Energy and Emissions Reduction would provide the detail of the expenditure profile for the Water Security Investment Plan as part of the 2024/25 budget process that would be offset by this revenue.

Table 1: Financial impacts summary

	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	2026-27 \$'000	Total \$'000
Revenue/savings/offsets impacts	58.8	0	0	0	58.8
– Revenue					
Foregone WAC revenue (based on achieving 6.36 GL water savings by 2034/35)	-0.5	-0.8	-1.3	-1.8	-4.4
Expenditure on water efficiency and security measures	TBC	TBC	TBC	TBC	TBC

- 55) The Water Abstraction Charge raises revenue to recover water planning and management costs incurred by the ACT Government. In 2021-22, \$29.8M of revenue was raised through this charge

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on water users. Expenditure on water planning and management reported to the Australian Competition and Consumer Commission (ACCC) for the 2021-22 year was \$11.8M. If the ACT Government does not secure and reinvest the Australian Government funding for water recovery, it will be necessary to reassess the level of cost recovery and investment of revenue from Water Abstraction Charge to improve the ACT's water security.

- 56) Modelling conducted by Frontier Economics indicates that implementing water security measures is projected to have minimal net impacts on Icon Water's profitability, slightly slow the growth in ACT Government revenue from Water Abstraction Charges and increase water prices for customers but not necessarily their total water bills. The impact on water customers' bills would depend on the effect of water efficiency measures on individual water usage. These impacts are described in Attachment I and summarised below.
- 57) If water efficiency measures save 6.36 GL by 2034 and the Independent Competition and Regulatory Commission (ICRC) increases customers' water prices to mitigate Icon Water's decline in revenue per customer:
- the ACT Government's revenue from the Water Abstraction Charge would not decline as a result of implementing water security measures, but would not increase at the same rate as the base case of no water efficiency or savings;
 - the ACT Government's revenue from the Water Abstraction Charge, which Icon Water pays and passes on in full to customers, is projected to be 10.7% less than the base case of no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, equivalent to \$4.5m in \$2023/24 dollars) and remain 10.7% lower than base case after that;
 - if 10% of the 6.36 GL/year water savings are achieved from non-potable water use, the foregone nominal revenue in 2034-35 will be approximately \$5.6m instead of \$5.9m;
 - the revenue impacts are directly proportional to the total volume of water saved in the ACT, thus saving 4.9 GL/year would result in a revenue reduction of 8.2% (\$4.5m foregone nominal revenue in 2034/35) and the additional saving of 1.46 GL/year (to deliver the full proposed 6.36 GL/year) would result in a revenue reduction of 2.5% (\$1.4m foregone nominal revenue in 2034/35);
 - Icon Water's revenue (excluding the pass-through of the Water Abstraction Charge) is projected to be 0.48% less than the base case of no water savings by 2034/35, (\$1.23m foregone nominal revenue in 2034/35, which is equivalent to \$0.94m in \$2023/24 dollars)

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however this will be offset by an equivalent reduction in operational expenditure, meaning there will be no net impact on Icon Water's profitability;

- f. customers' water bills will vary depending on whether their water usage is reduced through the suite of water efficiency measures outlined in Attachment B;
 - i. a typical residential customer's bill is projected to increase by 6% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 10.2% (from 200 kL to 180 kL/year);
 - ii. the bill of a residential customer with high water usage is projected to increase by 8.3% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 8.4% (from 300 kL to 275 kL/year);
 - iii. the bill of a non-residential customer using 1,000 kL/year is projected to increase by 12.4% above inflation by 2034/35 if their water usage remains constant but their bill is projected to stay the same if their water usage is reduced by 11.4% (from 1,000 kL to 886 kL/year);
 - iv. the bill of a non-residential customer using 5,000 kL/year is projected to increase by 14% above inflation by 2034/35 if their water usage remains constant, but their bill is projected to stay the same if their water usage is reduced by 12.4% (from 5,000 kL to 4,381 kL/year);
 - v. price impacts on customers would be nearly proportional to the total volume of water saved in the ACT, with slight variations due to the two-tier structure of water usage charges; and
 - vi. the relative impacts on customers of the ACT saving 0 GL, 4.9 GL, 1.46 GL and 6.36 GL/year are summarised in Tables 11 and 12 of Attachment I.

58) Water consumers' costs would rise if efficiency measures were mandated but not funded by government. This Submission proposes that efficiency measures be funded, at least in part, through revenue received from the Australian Government, so that the full implementation of the water security measures is not passed on to consumers. This means that consumers can reduce their water consumption, and potentially their water use bills, without needing to meet the full upfront cost of water efficiency measures. This will improve water affordability in the ACT, particularly for low-income households and high water use households and businesses.

WELLBEING IMPACT SUMMARY

- 59) The proposed agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT. A Wellbeing Impact Assessment is at [Attachment H](#).

CONSULTATION

[External stakeholders](#)

- 60) EPSDD Office of Water has consulted with relevant Australian and NSW Government agencies, including DCCEEW, the Murray-Darling Basin Authority and NSW Department of Planning and Environment. Those agencies have informed EPSDD that they have started the processes for the administrative and regulatory actions that are needed to enable the CEWH to use the volume of water granted by the ACT for environmental purposes downstream of the ACT.
- 61) EPSDD Office of Water consulted with Icon Water in relation to the Water Security Investment Plan Outline ([Attachment B](#)) and modelling results ([Attachment I](#)). Icon Water sought clarity on the role of the EPSDD Office of Water in relation to urban water security planning. EPSDD and Icon Water are developing a Memorandum of Understanding to clarify responsibilities and build a framework for working collaboratively to improve water security and environmental outcomes.
- 62) EPSDD will continue to work closely with Icon Water and will consult relevant external stakeholders, such as key water users, when developing a detailed Water Security Investment Plan, which will be prepared for consideration through the 2024-25 Budget process.

[ACT Government agencies](#)

- 63) EPSDD Office of Water has consulted with relevant areas of CMTEDD (Policy and Cabinet, Treasury and the Environment Protection Agency (EPA)) in developing this submission. Feedback has been incorporated into the Submission.
- 64) Treasury sought modelling and additional information on a range of matters during the consultations. EPSDD included the modelling results and requested information in this submission and in [Attachments B and I](#).
- 65) The EPA noted that water regulation is also necessary for water security and that water access entitlements need to continue to align with Sustainable Diversion Limits. EPSDD incorporated this information in this submission and in [Attachment B](#).

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- 66) EPSDD will consult with ACT Treasury and TCCS Urban Services to develop a detailed Water Security Investment Plan, which EPSDD will submit for approval in the 2024-25 budget process.
- 67) The Table of Comments is at [Attachment E](#).

MEDIA/COMMUNICATIONS

- 68) No media announcement is proposed at this stage. A joint announcement may be made with the Australian Government when the agreement is executed by both parties, when entitlements have been granted or when funding is received from the Australian Government.
- 69) A future media announcement could be made on the Government's investment into water security measures and addressing cost of living pressures for urban water supply, subject to 2024-25 Budget consideration.

IMPLEMENTATION

- 70) Table 2 outlines the timetable for execution of the agreement and subsequent steps.

Table 2: **Implementation milestones and timeframes**

Milestones	Date to be completed
1. ACT and Australian Government Ministers execute water recovery agreement	November 2023
2. CEWH applies for water entitlement	November 2023
3. Delegate for <i>Water Resources Act 2007</i> decides on entitlement application	December 2023
4. Minor changes to Disallowable Instruments under <i>Water Resources Act 2007</i>	December 2023
5. If entitlements are granted, payment is received from Australian Government	Early 2024
6. Water Security Investment Plan considered in 2024/25 Budget process	Early 2024
7. Implementation of Water Security Investment Plan commences	July 2024

HUMAN RIGHTS IMPACT

- 71) The proposal is consistent with the *Human Rights Act 2004*.

Minister's signature _____

Date ____/____/____

ATTACHMENTS

A	Proposed water recovery agreement with the Australian Government
B	Water Security Investment Plan Outline
C	Map of ACT Waterways
D	Example Water Access Entitlement and proposed amendments to Disallowable Instruments under the <i>Water Resources Act 2007</i> (ACT)
E	Letter from Murray-Darling Basin Authority dated 26 July 2023
F	Table of comments
G	Open Access Assessment: Cabinet Decision and Wellbeing Impact Assessment summary
H	Wellbeing Impact Assessment
I	Modelled impacts of water recovery on revenue and customers' bills

MINISTER FOR WATER, ENERGY AND EMISSIONS REDUCTION CABINET

BRIEF

23/527

Title	Water recovery agreement with the Australian Government
Minister	Shane Rattenbury MLA Minister for Water, Energy and Emissions Reduction
Cabinet date	Monday, 23 October 2023
Recommended position	SUPPORT

Submission recommendations

That Cabinet endorse you entering into an agreement with the Australian Government to meet the ACT Government's water recovery commitment under the Murray-Darling Basin Plan and receive funding to improve long-term water security in the ACT.

Issues/comment

The proposed agreement provides that if the ACT Government allocates 6.36 GL/year of ACT surface water to the Commonwealth Environmental Water Holder (CEWH), the Australian Government will make a one-off payment of \$58.83 million to the ACT by June 2024 through the Strategic Water Purchasing Framework.

The agreement specifies that granting entitlements for 6.36 GL/year to the CEWH would meet in full the ACT's Shared Reduction Amount water recovery commitment of 4.9 GL/year Long Term Average Annual Yield and provide up to 1.46 GL/year additional water for environmental purposes. The proposed volume of water would be taken from the Territory's unregulated water source that cannot be used for urban water supply with current infrastructure.

To ensure that the agreement with the Australian Government results in improved water efficiency and security in the ACT, it will be necessary to use the revenue from the Australian Government to improve the ACT's water security. The Submission seeks agreement to this course of action, subject to consideration of a detailed Water Security Investment Plan through the 2024/25 budget process.

The proposed 6.36 GL/year of water recovery is equivalent to reductions in the ACT's annual net take that can be achieved through the water efficiency measures outlined in [Attachment B](#) to the Submission, as identified through technical investigations and consultations with Icon Water and stakeholders.

Wellbeing Impact Assessment

The Wellbeing Impact Assessment has been completed. The impacts are anticipated across the Environment and climate and Governance and institutions domains:

- positive impact on the environment, particularly the environmental sustainability and climate resilience of the ACT's water resources; and
- positive impact on governance and institutions, through compliance with inter-governmental agreements and plans.

The proposed agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT.

Cleared:	Fiona Wright, A/g Deputy Director-General, Environment, Water and Emissions Reduction
Prepared by:	Ryan Breen, Director, Water Policy and Planning

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Context and consultation

The Basin Plan commits the ACT to 4.9 GL/year of water recovery for achieving shared environmental outcomes within the southern connected basin. The ACT's Shared Reduction Amount was a contribution towards the overall NSW water recovery target.

In February 2023, the Australian Government announced that it is seeking to finalise all Bridging the Gap commitments (including shared reduction amounts) by 2024 through strategic purchases of water entitlements.

Granting entitlements for 6.36 GL/year to CEWH would meet in full the ACT's Shared Reduction Amount water recovery commitment of 4.9 GL/year Long Term Average Annual Yield and provide up to 1.46 GL/year additional water for environmental purposes.

Granting ACT water entitlements to CEWH will have positive environmental outcomes in the Murray-Darling Basin as a whole. The CEWH could use the water entitlements for environmental purposes through protecting unregulated river baseflow and as a contribution towards managed environmental flows downstream of Burrinjuck Dam.

By fulfilling its water recovery commitment under the Basin Plan, the ACT Government will demonstrate its commitment to meeting its responsibilities under the Murray-Darling Basin Agreement. This will help to resolve other water management issues in negotiations with the Australian Government and NSW.

The proposed agreement and water entitlements will not adversely affect any current ACT water access entitlement holders or other ACT stakeholders.

EPSDD has consulted with Icon Water and incorporated their comments in the Water Security Investment Plan Outline. EPSDD will continue to work with Icon Water and will consult with ACT Treasury, City Services and key water users to develop a detailed Water Security Investment Plan, which EPSDD will submit for approval in the 2024-25 budget process.

EPSDD consulted with relevant areas of Chief Minister, Treasury and Economic Development Directorate (ACT Treasury, the Environment Protection Agency and the Policy and Cabinet Division) and their comments have been incorporated in the submission. All other Directorates supported the Exposure Draft of the Submission without comment.

Following Expenditure Review Committee (ERC) discussion of the Submission on 9 October 2023, recommendation 1(c) was amended to propose that Cabinet agree "that revenue received through the water recovery agreement would be available to fund water efficiency measures that would save an amount of water equal to the volume of entitlements sold, with the allocation of any revenue surplus to this requirement to be subject to the consideration of" ERC.

Cleared:	Fiona Wright, A/g Deputy Director-General, Environment, Water and Emissions Reduction
Prepared by:	Ryan Breen, Director, Water Policy and Planning

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Proposed funding agreement

Schedule X

Australian Capital Territory Bridging the Gap Project

FEDERATION FUNDING AGREEMENT – ENVIRONMENT

Table 1: Formalities and operation of schedule	
Parties	Commonwealth Australian Capital Territory (ACT)
Duration	This Schedule is expected to expire on 30 June 2024.
Purpose	The Murray-Darling Basin Plan sets water recovery targets to bring the Basin back to a sustainable level of environmental health while continuing to support agriculture and securing the future of Basin communities. This Schedule will support the Australian Capital Territory (ACT) in delivering its water recovery target, or Shared Reduction Amount (SRA), of 4.9 gigalitres per year (GL/y) Long Term Average Annual Yield (LTAAY) to meet the Sustainable Diversion Limit (SDL) under the Murray—Darling Basin Plan (The Project). As a result of this project, the Commonwealth Environmental Water Holder (CEWH) will hold water access entitlements under the <i>Water Resources Act 2007</i> (ACT) to use up to 6.36 GL/y (nominal, that is, the volume specified on ACT water access entitlements) of high reliability ACT surface water (Murrumbidgee high security equivalent). This schedule acknowledges that the grant of entitlements equivalent to 4.9 GL/y LTAAY to the CEWH as a result of the project will fulfil the ACT’s commitment to deliver its SRA under the current Murray—Darling Basin Plan. It also recognises that water recovered above the ACT’s SRA of 4.9 GL/y will be attributed as an over recovery against the ACT’s water resource unit. Noting, while there is no set position between government signatories to the Basin Plan on accounting for over recovered water against the SDLs at the time of entering into this agreement, any over recovered volumes can be accredited to the CEWH to achieve environmental outcomes consistent with the intent of the Basin Plan.

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Agreed financial contributions	The Commonwealth will provide a total financial contribution to the ACT of \$58.83 million (GST exclusive) in respect of this Schedule. Table 1: Agreed financial contributions <table><tr><th>(\$ million)</th><th>2022-23</th><th>2023-24</th><th>Total</th></tr><tr><td>Estimated total budget</td><td>0</td><td>58.83</td><td>58.83</td></tr><tr><td>Less Estimated Commonwealth Contributions</td><td>0</td><td>58.83</td><td>58.83</td></tr><tr><td>Balance of State (other) Contributions</td><td>0</td><td>0</td><td>0</td></tr></table>	(\$ million)	2022-23	2023-24	Total	Estimated total budget	0	58.83	58.83	Less Estimated Commonwealth Contributions	0	58.83	58.83	Balance of State (other) Contributions	0	0	0
(\$ million)	2022-23	2023-24	Total														
Estimated total budget	0	58.83	58.83														
Less Estimated Commonwealth Contributions	0	58.83	58.83														
Balance of State (other) Contributions	0	0	0														
Additional terms	Terms subject to funding Total funding from the Commonwealth to the ACT under this Schedule is calculated as \$9,250 per GL/y of ACT water access entitlements, up to a maximum of \$58.83 million for 6.36 GL/y (nominal). The funding would be delivered once the ACT grants up to 6.36 GL/y of eligible water entitlements to the Commonwealth prior to 30 June 2024. The issued entitlements must reduce the ACT’s annual permitted take by no less than 4.9 GL/y LTAAY to be eligible. The Commonwealth will provide a single payment to the ACT once the entitlements have been granted to the Commonwealth Environmental Water Holder under the <i>Water Resources Act 2007</i> (ACT). Terms not subject to funding In accordance with Milestone 3 of this Schedule, the ACT is required to provide annual volumetric reporting on its annual take and annual water resource made available to the CEWH. This reporting will be delivered annually under section 71 of the <i>Water Act 2007</i> (Cth).																
Table 2: Performance requirements, reporting and payment summary																	
Performance milestones	Report due	Payment															
Milestone 1 – Establishment of ACT water accounting register Establishment of an ACT water accounting protocol and register to enable auditable accounting of water delivered to the CEWH at Halls Crossing.	December 2023	Non-financial milestone															
Milestone 2 – Grant of entitlements Granting of up to 6.36GL/y water access entitlement to the Commonwealth Environmental Water Holder in perpetuity, including a volume equivalent to 4.9GL/y LTAAY that meets the ACT’s SRA and achieves the SDL, and up to 1.46GL/y LTAAY additional recovery. The payment is based on \$9,250 per GL/y (nominal) of ACT water access entitlements.	31 March 2024	\$9,250 per GL/y, up to \$58.83 million															
Milestone 3 – Annual reporting	By 31 December 2024	Non-financial milestone															

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Non-financial, volumetric annual reporting in line with reporting requirements under section 71 of the <i>Water Act 2007</i> (Cth).		
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The Parties have confirmed their commitment to this Schedule as follows:

Signed *for and on behalf of the Commonwealth of Australia* by

Signed *for and on behalf of the Australian Capital Territory* by

The Honourable Tanya Plibersek MP
Minister for the Environment and Water

The Honourable Shane Rattenbury MP
Minister for Water, Energy and Emissions Reduction

Date: / /

Date: / /

Water Security Investment Plan Outline

Context: ACT's water supplies, usage and population

The ACT lies in the Murrumbidgee River catchment within the Murray–Darling Basin. The ACT stores water in the Cotter, Bendora, Corin and Googong Dams for urban supply. Additional water can be pumped from the Murrumbidgee River to the Googong Reservoir or to the Stromlo Water Treatment Plant. Icon Water manages these major urban water supplies. In addition, the ACT Government and private users use stormwater and groundwater for irrigation of some urban areas.

Under the *Seat of Government Acceptance Act 1909*, the ACT also has paramount rights to the waters of the Queanbeyan and Molonglo Rivers and their tributaries (east of the railway line).

Unlike other jurisdictions in the Murray–Darling Basin, the ACT reserves water for environmental flows before taking water out of waterways for human use. Regulation of water entitlements and licences under the *Water Resources Act 2007* assists in ensuring that environmental flows are maintained and that the net take of water remains within the ACT's Sustainable Diversion Limit.

The [ACT Water Strategy 2014-44](#) identified that on average over the long term, only about 6% of the ACT's water resources are taken for human use. In prolonged droughts, however, the ACT's water resources decline to levels that cannot sustain both environmental flows and unrestricted take for human use. The ACT has already experienced prolonged droughts that resulted in water use restrictions, each drought causing significant adverse environmental, economic and social impacts.

Based on 2021 Census data, ACT Treasury projects the ACT population to increase from 453,5581 people in 2021 to 784,043 people in 2060, an increase of more than 330,000 people in 40 years. This will increase demand on the ACT's water supply, as will population growth in NSW around the ACT.

Issues for water security: climate change and extreme droughts

“Water security” means ensuring adequate quantity, quality, and affordability of water for humans and ecosystems (‘Water security and the global water agenda’, United Nations, 2013). The ACT region needs long-term water security to support projected population growth while maintaining the health of ecosystems in the ACT region. Extreme droughts, resulting from climate change, are the main challenges to ensuring water security for a growing population.

The [ACT Climate Change Strategy 2019-2025](#) notes that increased levels of greenhouses gases in the atmosphere as a result of human activities are causing changes in the global climate. These changes include increased average temperatures, changes in rainfall patterns

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and increased severity of extreme weather events, including prolonged droughts. Climate modelling used in the ACT Climate Change Strategy predicts that rainfall in the region will become more seasonally variable, decreasing in spring and winter, and increasing in summer and autumn. This is expected to result in:

- more variable and reduced surface water inflows
- changes in the fill season and draw down patterns of ACT water storages
- increased evaporation rates
- more frequent and prolonged droughts
- less certainty in water supplies, and
- overall increased demand on water resources.

Regional climate modelling also projects that heatwaves will become hotter, longer, and more frequent. This will increase evaporation, reduce inflows, and increase demand on water supplies.

Icon Water has been including climate change in their water resource assessments since the early 2000s. The climate change impacts used in Icon Water's modelling align with the projections used for the ACT Climate Change Strategy.

The ACT Government has recognised that "water security has already been significantly influenced by climate change, rainfall patterns are shifting, and the severity of droughts has increased" and has agreed to "ensure climate projections are considered in long-term planning and decision-making regarding water use and water restrictions" (ACT Legislative Assembly, Resolution on Water Security, 27 November 2019).

The ACT Whole-of-Government Climate Change Risk Assessment (2022) identifies several priority climate risks relating to the water resource and the related socio-ecological systems. These include:

- B2 – increased frequency of droughts leading to dam and water storage impacts resulting in reduction of drinking water supply (high risk)
- N1 – increasing temperature and changing frequency and intensity of bushfires leading to longer, more intense fire seasons resulting in elevated environmental losses and ecosystem disruption (extreme risk)
- N5 – extreme weather events (e.g. heavy rainfall, flooding, severe storms) leading to erosion, sedimentation and/or contamination, resulting in poor water quality and negative impacts on aquatic and riparian ecosystems (high risk).

The recent drought in the ACT (2017-2020) applied the greatest stress to the source water system in the ACT's history. Following the drought, Icon Water undertook a review of its water supply strategy and water resource modelling. The updated model is forecasting less water available in droughts, meaning that the source water system is not as secure in the medium to long term as previously assessed. The outcomes of the updated water resource modelling have also brought forward the timeframes for progressing investigations into Icon Water's next system augmentation, which is now forecast to be required around 2040.

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The ACT Office of Water is currently conducting phase 1 of a Vulnerability Assessment of the ACT's water resources and ecosystems. This also indicates that the ACT's water security is not assured and that water supplies remain highly vulnerable to future pressures including drought, climate change and population growth.

Preliminary modelling results by the ACT Office of Water indicate that by the year 2050, long-term mean annual flows in ACT waterways may decline by about 45% under a worst-case climate change scenario or by about 30% under a more likely scenario. Analysis of modelled data supplied to the Office by Icon Water indicates that a prolonged drought could result in minimum active dam storages dropping to 0% under a worst-case climate change scenario or to 14% under a more likely scenario (assuming moderate population growth). The associated water restrictions could cost the community \$150 million per year under a worst-case climate change scenario or \$40 million per year under a more likely scenario.

The model projections produced by the Office of Water and Icon Water indicate that there is a need for investment to ensure that the ACT's water supplies are secure in the long term and resilient to climate impacts.

Icon Water customers also recognise the need to invest in water security. Participants in Icon Water's 2021-22 customer survey considered water security an important area for investment as population growth and climate change continues. Two-thirds of participants in the quantitative customer survey supported greater investment to explore future alternate water options. Members of Icon Water's Customer Advocacy Forum were in favour of investment due to its potential to reduce future water use and costs.

The projected changes in population, climate and the frequency and duration of droughts will place pressure on the ACT's water supplies and increase risks to water security both for human use and for environmental values. These risks need to be mitigated to ensure the long term environmental and economic sustainability, climate resilience and affordability of the ACT's water supply system.

Previous investment in water security

In 2019, the ACT Legislative Assembly noted "the ACT Government's achievements in ensuring the ACT's long term water security, in particular the significant investment made by the ACT Government:

- (a) to increase water storage, with capacity in the ACT growing around 35 percent from 205 gegalitres to 278 gegalitres since 2012;
- (b) to add new water sources, including stormwater harvesting and reuse at the neighbourhood level in the inner north;
- (c) to oversee major reductions in demand on water resources through increased efficiency as a result of water sensitive urban design and permanent water conservation measures; and

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- (d) in 2010, the ACT introduced a scheme of permanent water conservation measures, administered through Icon Water, which includes rules and guidance around matters such as garden and lawn watering, pool filling, and cleaning with potable water which are mandatory and enforceable” (ACT Legislative Assembly, Resolution on Water Security, 27 November 2019).

Since 2019 EPSDD and Icon Water have been conducting risk assessments, technical investigations, and strategic planning, to take account of updated climate change projections and provide a firm basis for improving the ACT’s future water security. This includes EPSDD’s investigations of urban water efficiency measures (2019-2022) funded through the Commonwealth Off-Farm Efficiency Program; reviewing and refreshing the ACT Water Strategy in 2023-24; and catchment management planning through the Healthy Waterways program. Icon Water is continuing work on drought management and water system planning. This work includes water resource model enhancements and investigating drought management supply measures.

The Office of Water and Icon Water are each continuing work to quantify the nature, timing, and extent of future vulnerabilities in the ACT’s water resources and urban water supplies.

Future work

In the context of climate change, assessment of water security, national water reforms and changing community views on water supply issues, there is a need for the ACT Government to review its water policies and planning. Responding to the water security assessment requires coordinated approach, recognising the shared responsibilities across Government and Icon Water. There is also a need to review the ACT Government’s level of service requirements for Icon Water.

Actions to improve the ACT’s long-term water security are outlined in [Figure 1](#). These activities can be summarised as:

- Implementing statutory functions established under the *Water Resources Act 2007*, strengthening water governance arrangements, reviewing water policy settings and progressing water governance reforms;
- Building the analytical capability of the ACT Government (within the Office of Water) to conduct regular water resource assessments, including within these assessments the impact of climate change to inform water planning;
- Preparing a long-term Water Security Plan in partnership with Icon Water that would set out the ACT Government’s direction on:
 - meeting the water security objectives of achieving adequate quantity, quality and affordability
 - water supply diversification options (investigations led by Icon Water)
 - demand management through water efficiency measures
 - permanent and temporary conservation measures (reviews led by Icon Water)
 - community education and engagement activities;
- Implementing actions set out in the Water Security Plan in partnership with Icon Water.

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Government investment in water security planning and demand management is needed to implement the policy direction established through the ACT Water Strategy and to maintain water affordability for community. Without government investment, the full cost of water security planning and demand management measures would need to be met by Icon Water customers through retail water pricing by the ACT Independent Competition and Regulatory Commission (ICRC). The cost of water planning and management activities conducted by the ACT Government is recovered through the Water Abstraction Charge.

To ensure its long-term water security, the ACT Government also needs to engage actively in initiatives under the Murray-Darling Basin water reforms and renewed national policy under the National Water Initiative. These include:

- reassessment of the ACT's Baseline and Sustainable Diversion Limits through the 2026 review of the Basin Plan;
- revision of the ACT's accredited Water Resources Plan; and
- development and implementation of an ACT and cross-border water trading framework.

Investment opportunity

The proposed water recovery agreement with the Australian Government offers a unique opportunity to secure Australian Government funding which can, at least partially, offset the cost of water security planning and implementation for the ACT and consequently reduce costs for ACT water users.

If Australian Government funding is secured in 2023-24 through the water recovery agreement, the Office of Water, in consultation with Icon Water, will develop a Water Security Investment Plan for consideration through the 2024-25 budget process. This will set a four to ten-year business plan for implementing the measures summarised in Figure 1 and Table 1 and discussed in this Outline.

The measures listed in Table 1 are based on EPSDD and Icon Water's investigations to date. There is a high level of confidence that the proposed 6.36 GL/year water savings can be achieved through water efficiency measures within the level of the proposed Australian Government funding. EPSDD engaged independent experts to identify the level of water savings that could be achieved, provide cost estimates for each measure, and evaluate the reliability of savings. The outcomes are summarised in "Murray-Darling Basin Water Efficiency Program: Water savings opportunities summary report", Institute of Sustainable Futures, October 2020. EPSDD has consulted further with stakeholders since 2020 to confirm the most feasible and reliable water saving measures.

EPSDD will continue to consult with stakeholders to review and refine proposed water security measures, prior to submitting a detailed investment plan for consideration through the 2024-25 budget process. The outcomes of the Vulnerability Assessment, investigations into supply diversification options and initial outcomes of demand management measures will inform the Water Security Plan.

In typical rainfall years, approximately ninety per cent of ACT's net water take is used for potable water supplies so water efficiency and security measures need to focus primarily on

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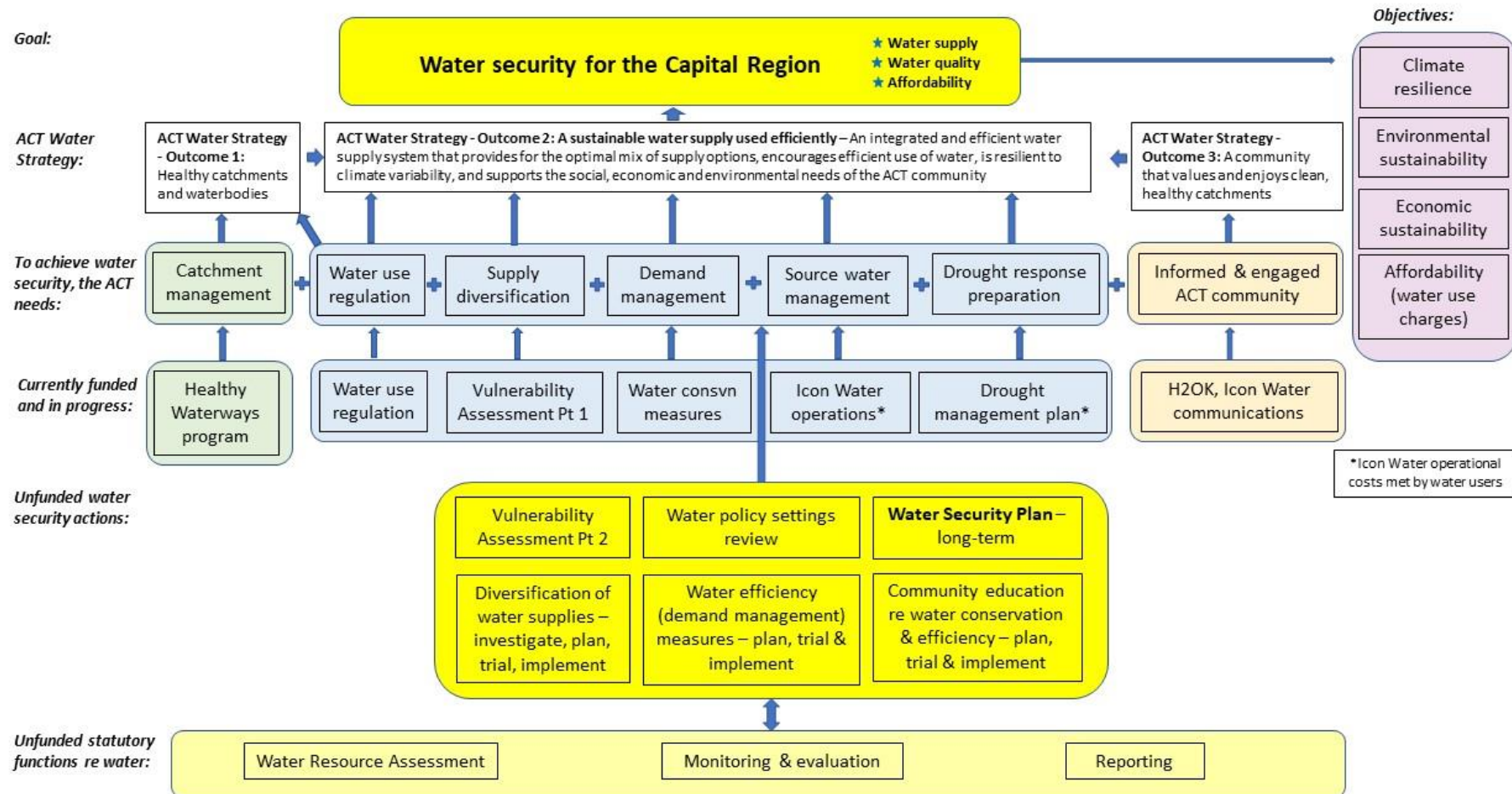
potable water supplies and demand management. There are also opportunities to improve the efficiency of non-potable water use, for example through technology improvements in irrigation of those open spaces where non-potable water is currently used.

The ACT Government uses high volumes of water in irrigating playing fields and parks and could achieve significant water savings and financial savings by upgrading irrigation systems. An independent study conducted in 2019-20 identified that it may be feasible for the ACT Government to save more than half the estimated 3.7 GL of potable water it currently uses for irrigating playing fields and parks, achieving substantial water bill savings (“ACT Irrigation Infrastructure Upgrades: Feasibility Study”, Hydroplan, March 2020).

Activities to reduce the demand on water supplies is complementary to the diversification of water supplies. The proposed water security investment plan would set out activities to implement water efficiency measures in parallel with supply investigations.

Implementing the preferred options for supply diversification would be beyond the scope of the Investment Plan and would be considered through later processes.

Figure 1. Water security for the Capital Region



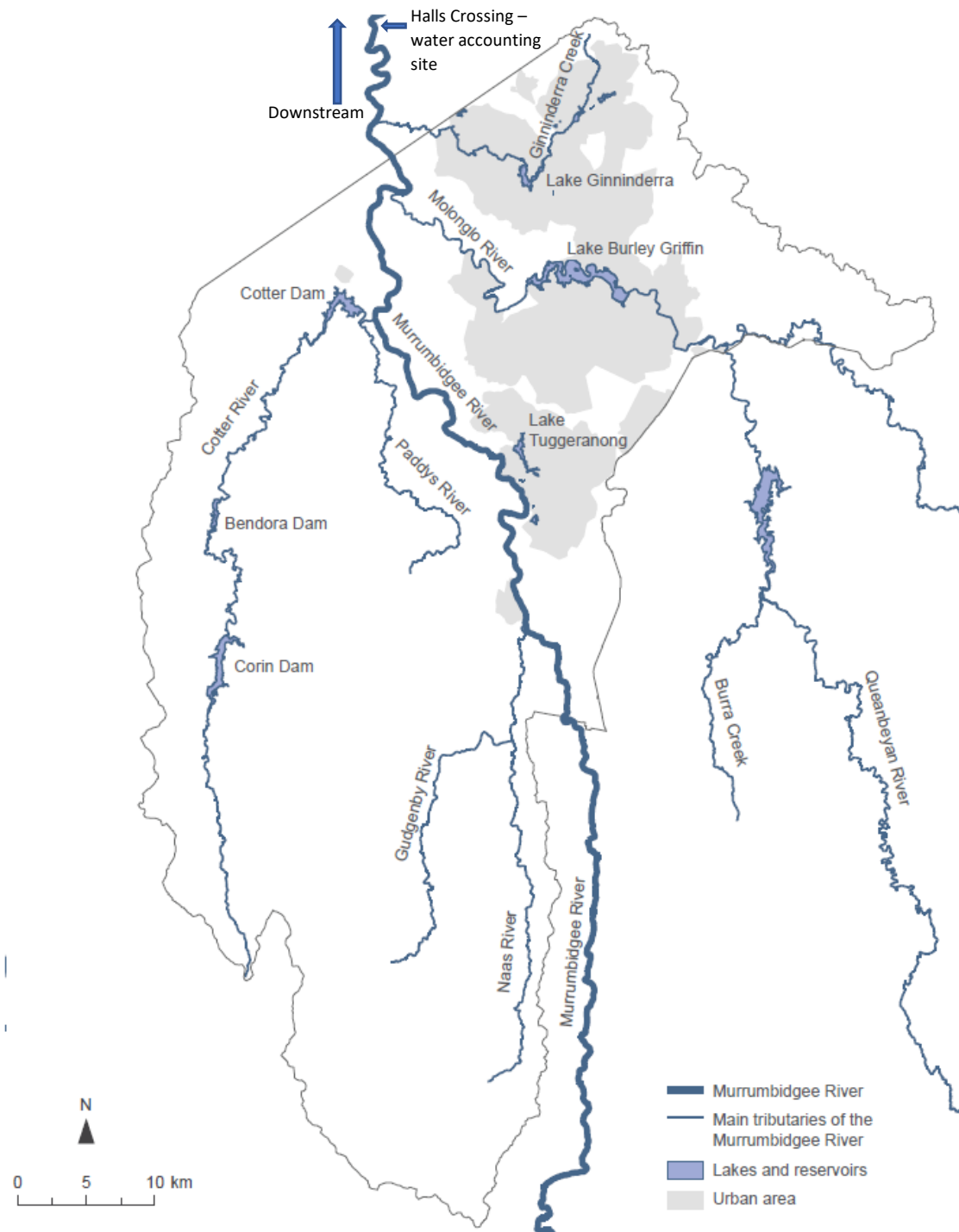
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Table 1: Water Security Investment Plan – outline of proposed measures

#	Type of measure	Outcome	Proposed activities
1	Water security modelling, analysis and decision support tool	Future vulnerability of ACT's water resources quantified, and decision support tool established and used.	Phase 2 of ACT water resources Vulnerability Assessment and associated modelling completed, with climate projections incorporated, and a tool is established to support evidence-based water policy and planning decisions.
2	Supply diversification options	Preferred portfolio of supply diversification options identified.	Investigation, shortlisting and finalisation of a preferred portfolio of potable supply diversification options, by Icon Water in collaboration with ACT Government. Mapping and investigation of non-potable supply options.
3	Water efficiency measures (demand management)	ACT actual annual net take of water for urban purposes reduced by at least 6.36 GL by 2034 compared with base case.	Design and implementation of water efficiency programs to support users to achieve long-term savings in both potable and non-potable water use, including: 1. irrigation audits and upgrades (e.g. on sports grounds); 2. water audits, water-efficient fittings and smart metering for businesses in high water-use industries (e.g. horticulture, laundries); 3. community education to increase water awareness and encourage water efficiency; 4. water-efficient fittings for vulnerable households, including public, community and private housing; 5. water-efficient fittings/incentives for general households; 6. water audits and water-efficient fittings for selected high water-use ACT government facilities and schools; 7. review of Water Sensitive Urban Design codes and assessment guidelines and input into Icon Water review of permanent and temporary Water Conservation Measures.
4	Water Security Plan	Water Security Plan completed and published.	Preparation of a long-term Water Security Plan through collaboration between the ACT Government and Icon Water and in consultation with water customers and stakeholders.

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Map of ACT waterways



Example Water Access Entitlements and proposed amendments to Disallowable Instruments under the *Water Resources Act 2007* (ACT)

D.1 Example Water Access Entitlements

The following text is an example of the type of information and conditions that may be included in water access entitlements granted to the Commonwealth Environmental Water Holder. Entitlements are granted at the discretion of the delegate under the *Water Resources Act 2007*.

Section 19(2) of the *Water Resources Act 2007* specifies that the amount of water “must be stated as the lesser of a percentage of the total amount of water available for taking in the water management area and a stated maximum volume”.

The percentage of water is the maximum volume under the entitlement (e.g. 4.9 GL) divided by the total surface water available for take from watercourses (42.7 GL) under the ACT Sustainable Diversion Limit.

Example entitlement 1 – for Shared Reduction Amount – no administrative fee applicable

Details of Entitlement Holder

Name: Commonwealth Environmental Water Holder

ABN:

Address: GPO Box 858, Canberra ACT 2601

Details of Entitlement

(a) **Stated maximum volume (ML per annum):** 4,900

(b) **Percentage (%) of water available in Water Management Area:** 11.475410

Note: The Volume entitled is the lesser of (a) or (b)

Water Management Area (WMA): ACT (Surface Water) Water Resource Plan Area

Sub Water Management Area: Lower Molonglo

Water Source: Surface water

Transferable: Yes

Entitlement Conditions

1. This Water Access Entitlement is issued for the purpose of fulfilling the Territory's commitments under section 6.05 of the *Basin Plan 2012* (Cth).
2. This Water Access Entitlement is restricted to use for achieving environmental outcomes of the Murray-Darling *Basin Plan 2012* and any future Basin Plans that are agreed by the Territory.
3. This Water Access Entitlement may be transferred or traded in whole or part to another person or the Environment Protection Authority, subject to approval by the Environment Protection Authority.

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Note: Stream flow records from gauge 410777 at Halls Crossing in NSW will be used to account for use of water under this Water Access Entitlement, unless a gauge is installed closer to the downstream border of the ACT (Surface Water) Water Resource Plan Area, in which case that gauge will be used.

Example entitlement 2 – for additional volume – administrative fee applicable

Details of Entitlement Holder

Name: Commonwealth Environmental Water Holder

ABN:

Address: GPO Box 858, Canberra ACT 2601

Details of Entitlement

(a) **Stated maximum volume (ML per annum):** 1,460

(b) **Percentage (%) of water available in Water Management Area:** 3.419204

Note: The Volume entitled is the lesser of (a) or (b)

Water Management Area (WMA): ACT (Surface Water) Water Resource Plan Area

Sub Water Management Area: Lower Molonglo

Water Source: Surface water

Transferable: Yes

Entitlement Conditions

1. This Water Access Entitlement is restricted to use for achieving environmental outcomes of the Murray-Darling *Basin Plan 2012* and any future Basin Plans that are agreed by the Territory.
2. This Water Access Entitlement may be transferred or traded in whole or part to another person or the Environment Protection Authority, subject to approval by the Environment Protection Authority.

Note: Stream flow records from gauge 410777 at Halls Crossing in NSW will be used to account for use of water under this Water Access Entitlement, unless a gauge is installed closer to the downstream border of the ACT (Surface Water) Water Resource Plan Area, in which case that gauge will be used.

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D.2 Proposed amendments to Disallowable Instruments under the *Water Resources Act 2007*

If water access entitlements are granted to the Commonwealth Environmental Water Holder, the Minister for Water, Energy and Emission Reductions will propose the following amendments to correct two disallowable instruments under the *Water Resources Act 2007* (ACT).

Water Resources (Water Available from Areas) Determination 2019 (No 2)

Schedule 1

Amendment

Delete:

4.2 GL per annum (take by Runoff Dams), plus

Replace with:

4.64 GL per annum (take by Runoff Dams), minus

4.9 GL per annum shared reduction amount (towards the Basin-wide water recovery target),
plus

Reason

Changing the runoff dam take volume from 4.2 GL to 4.64 GL and listing the 4.9 GL shared reduction amount will make the Determination consistent with the ACT's Sustainable Diversion Limit set out on page 14 of the ACT [Water Resources Plan](#), which was accredited under the *Basin Plan 2012* in 2019, after the Determination was last updated.

This amendment will also clarify that the ACT will take the shared reduction amount into account when managing water "so as to not exceed the ACT's surface water Sustainable Diversion Limit" as set out in this Determination and in section 17(3) of the *Water Resources Act 2007* (ACT).

Water Resources (Fees) [Determination](#) 2023

Section 5(1)

Amendment

Delete:

No fee is payable for an application **for** a grant of a water access entitlement under section 20 of the *Water Resources Act 2007* if—

Replace with:

No fee is payable for an application **or** a grant of a water access entitlement under section 20 of the *Water Resources Act 2007* if—

Reason: Fees currently apply to the grant of water access entitlements, not to applications, but fees may apply to applications in future.

Letter from the Murray-Darling Basin Authority



Office of the Chief Executive

Ref: EC23-000435

Mr Geoffrey Rutledge
Deputy Director General
Environment, Planning and Sustainable Development Directorate
GPO Box 158
CANBERRA ACT 2601

Dear Geoffrey

I am writing in relation to several matters regarding the Australian Capital Territory's (ACT) water recovery efforts and sustainable diversion limit (SDL) settings: notably establishing a long-term diversion limit equivalent (LTDLE) factor for the ACT; reviewing the ACT baseline diversion limit (BDL) and SDL; and considering the accounting for increased rainfall runoff due to growth in urban development, groundwater volumes, and improvements in hydrological data and modelling since 2012.

I understand that revisions to the BDL and urban run-off accounting were raised by the ACT as part of its water recovery proposal.

Establishing an ACT LTDLE factor for water recovery

I understand officials from the ACT and the Department of Climate Change, Energy, the Environment and Water are working to deliver an approach for meeting the ACT's shared reduction amount by December 2023.

The MDBA will continue to work with the ACT to establish an LTDLE factor to enable the water recovery to progress and be finalised within this timeframe. We are currently reviewing the information provided by the ACT, including the planning model that the ACT has used to underpin the determination of its LTDLE factor. In this vein we will engage an independent reviewer to assess the proposed factor, as we have done for all LTDLE factors proposed by all Basin jurisdictions. We will work with the ACT to progress this work as expediently as possible, noting the process of independent review is likely to take four to five months to complete and we will do our best to establish the LTDLE factor by November 2023 to enable water recovery to be completed on schedule.

Office of the Chief Executive

BDL/SDL settings and accounting issues

I would like to acknowledge the proposal submitted by the ACT concerning the treatment of urban runoff within the SDL accounts, as part of its contribution to the [Sustainable diversion limit accounting improvement strategy 2023 \(mdba.gov.au\)](https://www.mdba.gov.au/sustainable-diversion-limit-accounting-improvement-strategy-2023), supported by the Federation Funding Agreement. I understand there have been subsequent discussions between our staff, and while we do not agree to the proposal in its current form, we remain committed to working with the ACT and other jurisdictions to consider this in the lead up to the 2026 Basin Plan Review. In this respect I am sure you understand the Authority must consider any precedents that this accounting proposal might set Basin-wide.

For Basin Plan Review the MDBA intends to investigate and gain a better understanding of a range of accounting issues. We are committed to working with the ACT to consider the SDL accounting settings for the ACT as part of our workplan. This would include a review of the setting of the ACT ground and surface water SDLs, noting that review of the groundwater SDL was previously requested by the ACT, and recognising improvements in hydrological data and modelling since 2012. We support the incorporation of best available information into the Basin Plan settings.

As for all Basin States, the Authority needs to have a strong evidence base to change BDL estimates and SDL settings in making any recommendations for change as part of the Basin Plan Review. Additionally, any change to the BDL or SDL accounting methods for the ACT will mean the ACT will need to bring forward an amendment to their Water Resource Plan.

I have asked my staff to work with your team to develop a work program by the end of September 2023, with a view to undertaking this work during the 2023-24 and 2024-25 financial years. Of course we will need to work together on this program and I fully anticipate this will be a significant body of work for ACT modellers and water managers, as well as for the team here at the MDBA.

Should you have any concerns or wish to follow up on the issues raised in this letter please contact Megan Winter, General Manager, Basin Plan Implementation, at Megan.Winter@mdba.gov.au or (02)6279 0164.

Yours sincerely



Andrew McConville

26 July 2023

EXPOSURE DRAFT COMMENTS – 23/527

Exposure circulation undertaken: Full exposure circulation

Reason for exception: N/A

Dates circulated: 21—28 August 2023

Directorate	Comment	Response
CMTEDD	- The submission would benefit from clarity on whether the ACT is obliged to spend the money received from the Commonwealth on water reduction or augmentation activities. - Access Canberra supports the submission for the Water Recovery Agreement with the Australian Government. Additions are requested to recognise the regulatory functions needed to achieve the anticipated outcomes. The specific amendments are: - Add regulatory functions into Figure 1 in Attachment B of the submission – and reflect this as needed in text. - Add a point to the Discussion Paper on the need to align the Water Access Entitlements with the Sustainable Diversion Limits – consistent with the advice already provided to Ministers via a separate Caveat brief. Suggested text: 1) <u>Water resource management</u>	- Paragraph 33 was added to the submission, clarifying that the proposed funding agreement does not explicitly oblige the ACT to spend the funding on water efficiency or security measures. If the ACT does not do so, however, it will be unable to improve its water security, reduce its net water take and demonstrate to the Inspector-General Water Compliance that it has reduced its net water take, and in the long term the ACT may not be able to comply with its SDL. - Water use regulation was added to Figure 1, Attachment B. - Text was added to Attachment B and to paragraph 41 in the submission, noting that regulation of water use assists in ensuring that environmental flows are maintained and that the net take of water remains within the ACT's Sustainable Diversion Limits.

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	– The <i>Water Resources Act 2007</i> provides a process for considering requests for new Water Access Entitlements (WAEs) in the Territory. – The ACT's Water Resource Plans establish Sustainable Diversion Limits (SDLs) on how much water can be taken from the system, and an amount which must be returned for environmental flows. The OoW and EPA Water Regulation Teams have collaborated in identifying a shared interest in ensuring ongoing alignment of the WAEs and SDL. – There are no current plans to review the SDL process. The OoW are proposing to bring forward a review of the SDL for 2025-2026.	
JACS	Supported.	
HD	Supported.	
CHS	Supported.	
EDU	Supported.	
TCCS	Supported.	
CSD	Supported.	
MPC	Supported.	

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Statutory Office Holder	Supported.	
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FINAL COMMENTS – 23/527

Final circulation undertaken: 2 day final circulation

Reason for exception: N/A

Dates circulated: Provide dates circulated

Directorate	Comment	Response
CMTEDD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
JACS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
HD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CHS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
EDU	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
TCCS	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
CSD	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
MPC	Choose an item. [Provide comments.]	[Drafting directorate to provide response]
Statutory Office Holder	Choose an item. [Provide comments.]	[Drafting directorate to provide response]

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OPEN ACCESS ASSESSMENT: DECISION SUMMARY

The Chief Minister must proactively release the information described in section 23 of the *Freedom of Information Act 2016* (the FOI Act) unless the information is contrary to the public interest in accordance with sections 16 and 17, and schedules 1 and 2 of the FOI Act. Please refer to the [Cabinet Sharepoint Site](#) for further guidance on what is within the scope of Open Access requirements.

If you believe that release of this information is within the scope of Open Access requirements and would be contrary to the public interest, please complete Part B.

PART A: Release proposed

Number and title of decision: 23/527 – Water recovery agreement with the Australian Government

Proposed summary of the decision for public release

Cabinet agreed to the ACT Government entering into an agreement with the Australian Government to meet the ACT's water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT.

Proposed summary of the Wellbeing Impact Assessment for public release

The agreement with the Australian Government for water recovery for environmental purposes will contribute to improving the ACT's long-term water security and environmental outcomes in the ACT.

Attachments for release

Summary of the decision	Release through the Open Access website?	Release by Directorate?
Summary of the decision	Yes	No
<u>Attachment A</u> Proposed water recovery agreement with the Australian Government	No	No
<u>Attachment B</u> Water Security Investment Plan Outline	No	No
<u>Attachment C</u> Map of ACT Waterways	No	No
<u>Attachment D</u> Example Water Access Entitlement and proposed amendments to Disallowable Instruments under the Water Resources Act 2007 (ACT)	No	No
<u>Attachment E</u> Letter from Murray-Darling Basin Authority dated 26 July 2023	No	No
<u>Attachment F</u> Table of final agency comments		

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<u>Attachment G</u> Open Access Assessment – Decision Summary		
<u>Attachment H</u> Wellbeing Impact Assessment	No	No
<u>Attachment I</u> Modelled impacts of water recovery on revenue and customers' bills	No	No

Reviewed by:

[Click here to enter text.](#)

Information Officer

Environment, Planning and Sustainable Development Directorate

[DD/MM/YYYY]

WELLBEING IMPACT ASSESSMENT

Proposal Name: Water recovery agreement with the Australian Government		EPSDD	Wellbeing Impact 1
Purpose of proposal			
This proposal seeks endorsement for the ACT Government to enter into an agreement with the Australian Government to meet the ACT Government’s water recovery commitment under the Murray-Darling Basin Plan and to improve long-term water security in the ACT.			
Impact description			
This proposal will have the following impacts in the “Environment and climate” wellbeing domain: - major (i.e. sustained and direct) positive impacts on the environmental sustainability of the ACT’s water resources. - major positive impacts on the climate resilience of the ACT’s water supplies.			
This proposal will have the following impacts in the “Governance and institutions” wellbeing domain: major positive impacts on the ACT’s compliance with inter-governmental agreements and plans.			
The proposal will: - fulfil the ACT’s commitment to water recovery under the inter-governmental Murray-Darling Basin Agreement and the <i>Basin Plan 2012</i>. - provide water entitlements to the Commonwealth Environmental Water Holder, to be used to achieve positive environmental outcomes in the Murray-Darling Basin. - secure Australian Government funding for improving water security in the ACT, including the environmental sustainability and climate resilience of the ACT’s waterways and water supplies.			
The proposal includes risk mitigation measures to ensure that the grant of entitlements does not adversely impact the ACT’s water security, including the security and affordability of urban water supplies.			
Who is affected?			
All members of the Canberra community, including households, businesses, and government, will benefit from improving the long-term security of water supplies in the ACT. The proposed measures will improve inter-generational equity by ensuring that water is available and affordable for future generations.			
Wellbeing domain		Environment and climate	
There are also positive impacts in the “Governance and institutions” wellbeing domain.			
Timeframe			
Between one and five years	The proposal is that the agreement be signed, and payment received from the Australian Government in 2023-24, and that water security measures be implemented progressively from 2024-25.		
Evidence base and data			
What do we know now?			
The need for increased water security is identified in ACT Government policies including the ACT Water Strategy 2014-44: Striking the Balance; the ACT and Region Catchment Management Strategy; and the ACT Climate Change Strategy, Canberra’s Living Infrastructure Plan: Cooling the City and Urban Forest Strategy.			
The ACT Water Security Vulnerability Assessment Project, initiated by the EPSDD Office of Water in 2022, indicates that the ACT’s water security remains highly vulnerable to future pressures including drought, climate change and population growth. Preliminary results from the Vulnerability Assessment modelling indicate that by the year 2050, long-term mean annual flows in ACT waterways may decline by about 45% under a worst-case climate change scenario or by about 30% under a more likely scenario. Analysis of modelled data that Icon			

WELLBEING IMPACT ASSESSMENT

Water supplied to the ACT Office of Water indicates that a prolonged drought could result in minimum active dam storages dropping to 0% under a worst-case climate change scenario or to 14% under a more likely scenario (assuming moderate population growth).

Drought management planning by Icon Water, which manages the ACT's urban water supplies, highlights the need for targeted investment to increase the resilience of the Territory's water supply system. Icon Water's recent reassessment of source water security identified that supply augmentation needed to be brought forward due to climate change and variability.

Participants in Icon Water's 2021-22 customer survey considered water security an important area for investment as population growth and climate change continues. Two-thirds of participants in the quantitative customer survey supported greater investment to explore future alternative water options.

What do we need to know?

The next phase of the Vulnerability Assessment will enable analysis of the direct impacts (positive and negative) of policy and program options on water security, including the socio-economic effects.

The ACT Water Strategy 2014-44: Striking the Balance is undergoing review in 2023 and will also consider the stressors on the ACT's water resources and further strategies needed to address these issues. The ACT Office of Water is also coordinating a review of the ACT's water monitoring, evaluating, and reporting framework to ensure water resource management is contributing effectively to long-term water security.

Accountability and evaluation – how will we know this proposal has been successful?

The EPSDD Office of water will monitor, evaluate, and report on the environmental outcomes of the proposed agreement and investment in water security through annual public reports under the ACT Water Strategy.

The Inspector General of Water Compliance and the Murray-Darling Basin Authority oversee annual water take reporting and SDL compliance.

Key relationships

The EPSDD Office of Water has consulted with the Australian Government, ACT Treasury, and Icon Water in developing this proposal. The Office of Water will consult with Icon Water and water users when developing and implementing the water security measures to be funded through this proposal.

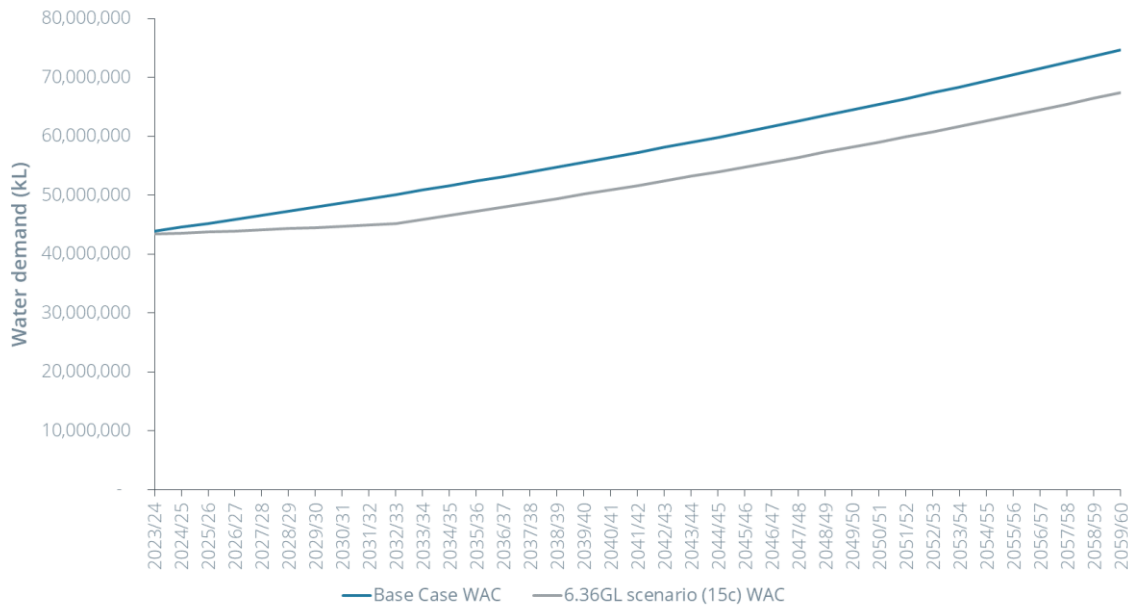
Modelled impacts of water recovery on revenue and customers

This report presents the findings of economic modelling conducted by Frontier Economics to assess the financial impacts of implementing water efficiency measures with the ACT.

The results presented below are for implementing a set of efficiency measures for potable water use that achieve a total of 6.36 GL per year in water savings after ten years (with incremental implementation of 0.636 GL per year). The results also outline the implications of achieving some of the water savings through non-potable water efficiencies.

1. **Water Demand / Volume delivered:** The water efficiency measures would reduce the total water demand (i.e. the volume of water that Icon Water delivers to its customers) as compared to a base case (in the absence of the efficiency measures). As shown in Figure 1, over the 10-year period that the efficiencies are being implemented the total volume delivered only slightly increases, whereas more growth is expected in the base case (given population growth and the resultant increase in Icon Water customers).

Figure 1: Icon Water volume delivered (100% potable water scenario)



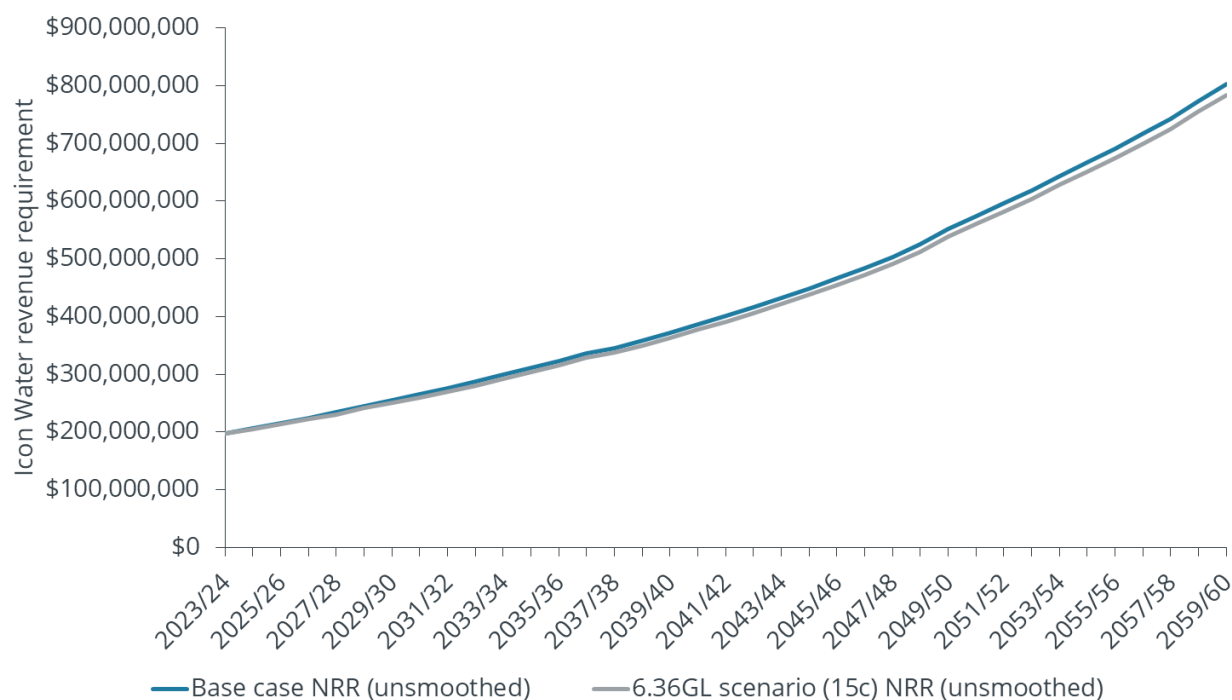
Source: Frontier Economics

- 1.1. If some of the water savings are achieved through non-potable water efficiencies, there will be proportionally less decline in water volumes delivered by Icon Water, compared with the base case. For example, if 10% of the water savings (0.636 GL) are made from non-potable water use and 90% (5.734 GL) from potable water use, the volume delivered by Icon Water would decline by 5.734 GL rather than by 6.36 GL.
- 1.2. Non-potable water use comprises only 10% of the ACT's total net annual take of water (2 GL from a total of 22 GL net take in typical rainfall years) so it is unlikely that significantly more than 10% of the water savings can be achieved from non-potable water use.

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2. **Icon Water's Revenue:** As shown in Figure 2, the impacts on the Icon Water's revenue are limited as most of the change in revenue requirement is expected to be met through changes in the water tariffs determined by the Independent Competition and Regulatory Commission (ICRC).¹ There are also some savings from reduced operating and Water Abstraction Charges. Figure 2 shows Icon Water revenue to 2060 for (a) base case and (b) saving 6.36 GL water by 2034, with ICRC tariff adjustments. Table 1 presents the corresponding 10-yearly figures.

Figure 2: Icon water revenue impacts (100% potable water scenario)



Source: Frontier Economics

Table 1: Net revenue (unsmoothed, nominal) – 15c/kL² opex savings, ICRC tariff changes

	2029/30	2039/40	2049/50	2059/60
Base case	\$254.7m	\$371.7m	\$551.6m	\$802.3m
Difference from base to 6.36 GL scenario	-\$3.8m	-\$8.7m	-\$12.9m	-\$19.3m
% difference to 6.36 GL scenario	-1.5%	-2.3%	-2.3%	-2.4%

Source: Frontier Economics

¹ The ICRC uses Icon Water's net revenue requirement in conjunction with the ICRC's final decision on demand forecasts, to calculate the prices to be charged for water and sewerage services.

² Icon Water advised Frontier Economics in 2020-21 that Icon Water's variable costs will reduce by \$0.15/kL of water savings (adjusted annually for inflation).

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- 2.1. If no water efficiency measures are introduced, Frontier Economics' modelling projects that Icon Water's revenue would grow annually by inflation plus the projected 1.49% annual increase in the number of dwellings in the ACT.
 - 2.2. If potable water efficiency measures save 6.36 GL per year by 2034 and ICRC price determinations increase customers' water prices to meet Icon Water's revenue requirement despite the overall decline in water usage, Icon Water's revenue is projected to increase at a lower rate until 2034. The flatter growth in revenue to 2034 is in line with delivering around 1% less water per dwelling per year while the number of dwellings is increasing by 1.49% per year. After 2034, water usage per dwelling is assumed to remain constant and Icon Water's revenue is projected to grow annually in line with inflation plus the projected 1.49% annual increase in the number of dwellings in the ACT.
 - 2.3. Improving water efficiency will reduce Icon Water's revenue in 2039/40 at the base case tariffs by \$45.1m. ICRC price regulation enables tariffs to adjust (increase), which would offset the impact by \$34.3m of new demand. Reduced water take also reduces the Water Abstraction Charges payable to ACT government by \$7.2m and reduced operating costs (e.g. water treatment) will result in \$1.5m savings in operational expenditure³. Overall, this scenario leads to an \$8.7m reduction in Icon Water revenue at 2039/40 — a 2.3% difference from the base case scenario. The \$8.7m reduction in Icon Water's revenue will be offset by the \$8.7m reduction in expenditure on Water Abstraction Charges and operational costs.
 - 2.4. Icon Water's revenue, excluding the pass-through of the Water Abstraction Charge, is projected to be 0.48% less than the base case scenario of no water savings by 2034/35, (\$1.23m foregone nominal revenue in 2034/35, which is equivalent to \$0.94m in \$2023/24 dollars). This will be offset by an equivalent reduction in operational expenditure, meaning there will be no net impact on Icon Water's profitability.
 - 2.5. Similarly, there will be no net impact on Icon Water's profitability if some of the water savings are made from non-potable water use.
 - 2.6. Improving water efficiency may delay Icon Water's capital expenditure on new water supply infrastructure but this has not been modelled.
3. **ACT Govt Revenue impacts:** As shown in Figure 3, the water efficiency measures will reduce Water Abstraction Charge payments to the ACT Government from reduced water take compared to the base case. Table 2A provides 10-yearly projection of cost impacts, assuming 100% of the savings are achieved from potable use.

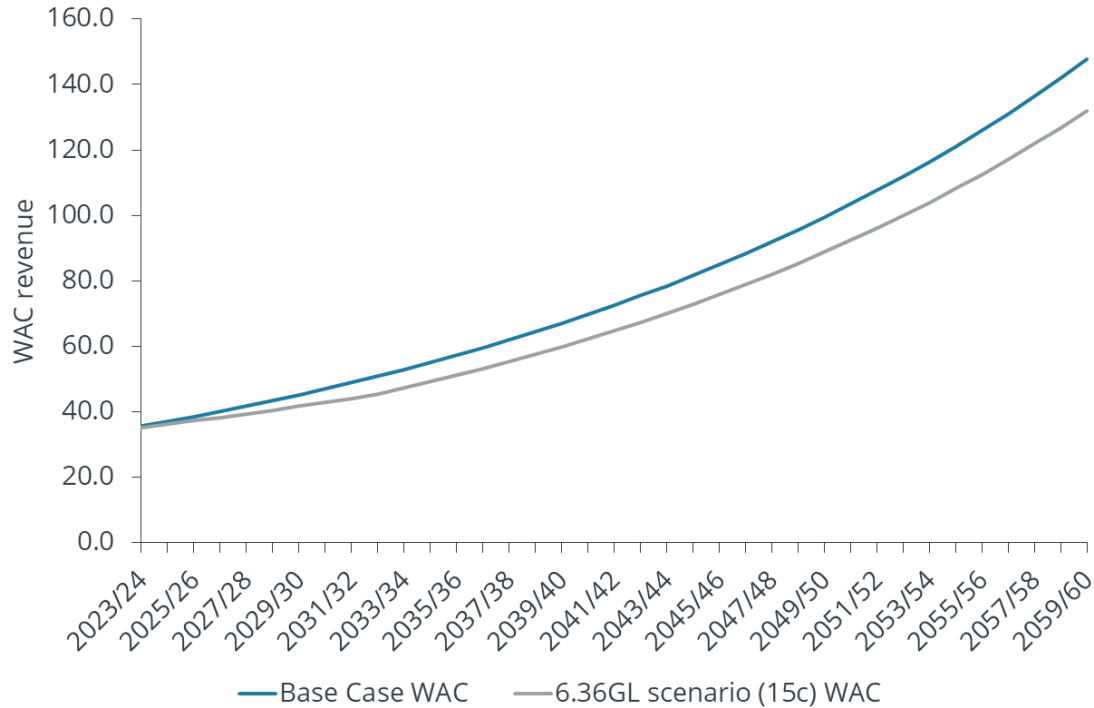
If some of the water savings are achieved through non-potable water efficiencies, there will be a slightly smaller difference in revenue compared with the base case. The current abstraction charge for potable water is \$0.69 per kL whereas the current abstraction charge for non-potable water is \$0.334 per kL. Based on this fee structure, if 10% of the savings are achieved from non-

³ Icon Water advised Frontier Economics in 2020-21 that Icon Water's variable costs will reduce by \$0.15/kL of water savings (adjusted annually for inflation).

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potable water use, the difference in revenue compared with base case in 2034/35 will be approximately \$5.6m instead of \$5.9m.

Figure 3: WAC revenue (100% potable water scenario)



Source: Frontier Economics

Table 2A: Water Abstraction Charge revenue – 10-yearly change compared with base case

	2029/30	2039/40	2049/50	2059/60
Base case	\$45.2m	\$67.1m	\$99.5m	\$147.7m
Difference from base to 6.36 GL scenario	-\$3.5m	-\$7.2m	-\$10.7m	-\$15.8m
% difference to 6.36 GL scenario	-7.8%	-10.7%	-10.7%	-10.7%

Source: Frontier Economics

Table 2B: Water Abstraction Charge revenue – Breakdown of change as at 2034/35

Water recovery scenario	Volume saved	WAC difference from base case	% difference from base case
Base case – zero	0 GL	\$0	0%
Shared Reduction Amount	4.9 GL	-\$4.5m	-8.2%
Additional recovery volume	1.46 GL	-\$1.4m	-2.5%
Total proposed recovery volume	6.36 GL	-\$5.9m	-10.7%

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Source: Frontier Economics

Note: Tables 2A and 2B assume operational costs of 15c/kL⁴

- 3.1. If no water efficiency measures are introduced, the ACT Government's revenue from the Water Abstraction Charges that Icon Water pays is projected to grow annually by approximately 4% in line with inflation (2.5%) plus the projected 1.49% increase in the number of dwellings in the ACT.
- 3.2. If water efficiency measures save 6.36 GL by 2034, the ACT Government's revenue from the Water Abstraction Charge that Icon Water pays and passes on in full to customers, is projected to be 10.7% less than the base case of no water savings by 2034/35 (\$5.9m foregone nominal revenue in 2034/35, which is equivalent to \$4.5m in \$2023/24 dollars). After 2034, ACT revenue from the Water Abstraction Charge is projected to remain 10.7% lower than base case while growing in line with inflation plus dwelling numbers.
- 3.3. Table 2B provides a breakdown of the difference in Water Abstraction Charge revenue as at 2034/35, for the scenario of achieving 6.36 GL water savings by that date. The revenue impacts are directly proportional to the water savings volumes.
- 3.4. As with the change in water demand, in real terms the WAC revenue increases slightly over the period when the efficiencies are implemented, whereas more growth is expected in the base case.
4. **Price impacts on customers:** Although price rises would result from the efficiency measures, the impact on a particular customer depends on how their demand interacts with the efficiency measures. Tables 3 to 10 depict the potential impacts on residential customers with typical and high water usage and on non-residential customers using 1,000 kL and 5,000 kL per year, resulting from the ACT saving 4.9 GL or 6.36 GL from potable water efficiency measures. The price impacts on customers vary based on whether the customer reduces their own water usage through water efficiency measures. The third column in each table identifies by what percentage the example customer would need to reduce their water usage, to keep their water bill constant.
5. Price impacts on customers would be nearly proportional to the total volume of water saved in the ACT, with variations due to the two-tier structure of water usage charges. The relative impacts on customers' bills that would result from the ACT saving 0 GL, 4.9 GL, 1.46 GL or 6.36 GL from potable water efficiency measures focused are summarised in Tables 11 and 12.

⁴ Icon Water advised Frontier Economics in 2020-21 that Icon Water's variable costs will reduce by \$0.15/kL of water savings.

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Table 3: 6.36 GL saved – Change in typical residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	192 kL	192 kL	178 kL
Tier 2 Usage Charge	8 kL	8 kL	2 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-10.2%
Annual Bill (2034/35)	\$1,761.70	\$1,867.00	\$1,761.70
Percentage change in bill	0%	6%	0%

Table 4: 6.36 GL saved – Change in large residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	100 kL	100 kL	75 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-8.4%
Annual Bill (2034/35)	\$2,435.62	\$2,638.44	\$2,435.62
Percentage change in bill	0%	8.3%	0%

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Table 5: 6.36 GL saved – Change in water usage and bill for non-residential customer using 1,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	800 kL	800 kL	686 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-11.4%
Annual Bill (2034/35)	\$7,350.38	\$8,264.39	\$7,350.38
Percentage change in bill	0%	12.4%	0%

Table 6: 6.36 GL saved – Change in water usage and bill for non-residential customer using 5,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 6.36 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 6.36 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	4,800 kL	4,800 kL	4,181 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-12.4%
Annual Bill (2034/35)	\$35,434.75	\$40,412.72	\$35,434.75
Percentage change in bill	0%	14%	0%

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Table 7: 4.9 GL saved – Change in typical residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	192 kL	192 kL	178 kL
Tier 2 Usage Charge	8 kL	8 kL	3 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-7.8%
Annual Bill (2034/35)	\$1,761.70	\$1,839.63	\$1,761.70
Percentage change in bill	0%	4.4%	0%

Table 8: 4.9 GL saved – Change in large residential customer’s water usage and bill, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	100 kL	100 kL	81 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-6.4%
Annual Bill (2034/35)	\$2,435.62	\$2,585.72	\$2,435.62
Percentage change in bill	0%	6.2%	0%

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Table 9: 4.9 GL saved – Change in water usage and bill for non-residential customer using 1,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	800 kL	800 kL	kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-8.7%
Annual Bill (2034/35)	\$7,350.38	\$8,026.82	\$7,350.38
Percentage change in bill	0%	9.2%	0%

Table 10: 4.9 GL saved – Change in water usage and bill for non-residential customer using 5,000kL per year, 2034/35

Bill component	Chargeable quantity (base case, no efficiency measures)	Chargeable qty (efficiency measures save 4.9 GL in ACT, but no usage change by customer)	Chargeable qty (efficiency measures save 4.9 GL in ACT, customer has reduced usage)
Supply Charge	1 connection	1 connection	1 connection
Tier 1 Usage Charge	200 kL	200 kL	200 kL
Tier 2 Usage Charge	4,800 kL	4,800 kL	4,326 kL
Sewerage Charge	1 connection	1 connection	1 connection
Percentage change in water usage	0%	0%	-9.5%
Annual Bill (2034/35)	\$35,434.75	\$39,118.85	\$35,434.75
Percentage change in bill	0%	10.4%	0%

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Table 11: Change in bills if customer's water usage remains constant

Type of customer	Impact type	Total water savings achieved in ACT			
		0 GL	4.9 GL	1.46 GL*	6.36 GL
Residential customer – typical water usage (200kL per year)	Bill amount	\$1,761.70	\$1,839.63	NA	\$1,867.00
	Increase in bill	\$0	\$77.93	\$27.37	\$105.30
	% bill increase	0%	4.4%	1.6%	6%
Residential customer – high water usage (300kL per year)	Bill amount	\$2,435.62	\$2,585.72	NA	\$2,638.44
	Increase in bill	\$0	\$150.10	\$52.72	\$202.82
	% bill increase	0%	6.2%	2.1%	8.3%
Non-residential customer – typical water usage (1,000kL per year)	Bill amount	\$7,350.38	\$8,026.82	NA	\$8,264.39
	Increase in bill	\$0	\$676.44	\$237.57	\$914.01
	% bill increase	0%	9.2%	3.2%	12.4%
Non-residential customer – high water usage (5,000kL per year)	Bill amount	\$35,434.75	\$39,118.85	NA	\$40,412.72
	Increase in bill	\$0	\$3,684.10	\$1,293.87	\$4,977.97
	% bill increase	0%	10.4%	3.6%	14%

* 1.46 GL water recovery can only be additional to 4.9 GL Shared Reduction Amount, so bill amount is not applicable for 1.46 GL.

Table 12: Change needed in customer's water usage to keep bill constant

Total water savings achieved in ACT:	0 GL	4.9 GL	1.46 GL	6.36 GL
Type of customer	Change needed in customer's water usage to keep bill constant			
Residential customer – typical water usage (200kL per year)	0%	-7.8%	-2.4%	-10.2%
Residential customer – high water usage (300kL per year)	0%	-6.4%	-2.0%	-8.4%
Non-residential customer – typical water usage (1,000kL per year)	0%	-8.7%	-2.7%	-11.4%
Non-residential customer – high water usage (5,000kL per year)	0%	-9.5%	-2.9%	-12.4%