



ACT
Government

Chief Minister, Treasury and
Economic Development

Non-potable Water Review

Discussion Paper

Chief Minister, Treasury and Economic Development Directorate

March 2021

Table of Contents

Definitions / Acronyms	3
1. Introduction	5
2. Key information about the Review	6
Key Dates	6
Contacts	6
How to make a submission	6
3. Terms of Reference.....	7
4. Background Information	8
High-intensity club users of non-potable water in the ACT	8
Surface Water and Groundwater	9
Stormwater from the Inner North Reticulation Network.....	10
Recycled Water	11
Cross-subsidisation in the context of the Review	11
5. Key issues to be considered by the Review.....	11
The costs associated with the supply of each type of non-potable water	11
Assistance programs	12
Appropriateness of the current arrangements for non-potable water users	13
Experiences from other jurisdictions	13
Other matters	13
6. Key legislation related to non-potable water in the ACT	14
7. List of Discussion Paper questions	15

Definitions / Acronyms

A number of water-related terms are used throughout this paper. To ensure consistency in the meaning of each term, definitions are provided below.

ACAT	ACT Civil and Administrative Tribunal.
CEP	Competition Equalisation Payment.
CMTEDD	Chief Minister, Treasury and Economic Development Directorate.
Effluent	Outflow of wastewater from any water processing system or device.
EPA	Environment Protection Authority.
Groundwater	Water located underground in permeable soil or rock. It includes both naturally occurring water and water pumped underground for storage. However, it does not include water held in underground tanks, pipes or other works.
ICRC	Independent Competition and Regulatory Commission.
INRN	Inner North Reticulation Network
Integrated urban water management	A comprehensive approach to urban water services, where water supply, stormwater management and wastewater management are viewed as components of an integrated system.
Kilolitre	One thousand (1,000) litres.
LMWQCC	Lower Molonglo Water Quality Control Centre.
MES	Market Equity Scheme.
Megalitre	One million (1,000,000) litres.
Non-potable water	Water that is not of drinking quality, and has not been treated to the standards outlined in the Australian Drinking Water Guidelines (2011) and ACT Public Health (Drinking Water) Code of Practice. In the ACT it is water in our rivers, lakes, ponds, dams, aquifers, stormwater system and includes treated effluent as well as recycled water.
PAGA	Parliamentary and Governing Agreement of the 10 th Assembly.
Potable water	Water suitable for human consumption (alternatively termed drinking water), which is of a quality suitable for drinking that meets the Australian Drinking Water Guidelines (2011) .

Recycled water	Includes water sourced from wastewater (treated effluent from a water treatment plant or sewer mining scheme and greywater).
Reticulation	Distribution through a network of pipes used to transport water to the point where it is consumed.
Stormwater	Water that originates from rain falling in the urban area and is collected into the public stormwater network.
Surface water	Water on or flowing over land (including in a waterway) after having fallen as rain or hail or precipitated in any other way; or risen to the surface naturally from underground; or been returned to the environment following treatment or use.
TCCS	Transport Canberra and City Services.
WAC	Water Abstraction Charge

1. Introduction

This Discussion Paper outlines the key issues to be considered in the non-potable water review to guide feedback and input from stakeholders. The ACT Government is seeking to understand the costs of providing non-potable water for high-intensity club users with the aim of allowing these clubs to maintain operations, while not requiring cross-subsidisation by other ACT water users.

The Discussion Paper sets out the current pricing framework for non-potable water and how it applies to high-intensity club users and encourages stakeholders to provide feedback on the appropriateness of the current framework in practice, and areas for possible improvement.

The Discussion Paper is structured as follows:

- Chapter 1 – An introduction to the Review
- Chapter 2 – Key dates, contact details and information on how to make a submission
- Chapter 3 – Terms of Reference for the Review
- Chapter 4 – The current pricing framework for non-potable water
- Chapter 5 – Questions for members of the community with an interest in the pricing of non-potable water
- Chapter 6 – Key legislation related to non-potable water

To assist with the Review, the ACT Government has sought advice from the Independent Competition and Regulatory Commission (ICRC) in relation to recycled water supplied by Icon Water. The ICRC will make recommendations on the prudent and efficient costs for supplying recycled water services to relevant clubs. In doing so, the ICRC will consider the approach taken in other jurisdictions to the provision and pricing of recycled water, and advise on the most appropriate approach for the ACT to ensure that charges for recycled water services reflect the costs of provision.

The ACT Treasury (the Treasury), as part of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD), welcomes submissions addressing the key issues and questions set out in this Discussion Paper. Submissions do not need to address all issues and questions outlined in the Discussion Paper, and while those considering making a submission are encouraged to provide evidence in support of their views, submissions do not need to be detailed documents.

Your contribution to the Review will assist the Treasury in providing advice to the Government, which will inform the Government's consideration of whether any changes should be made to non-potable water pricing in the Territory.

The Government is also providing a rebate to high-intensity club users for their non-potable water charges incurred in the 2020-21 financial year to support clubs while this Review is undertaken. The rebate covers recycled water charges, Inner North Reticulation Network (INRN) charges and non-potable Water Abstraction Charge (WAC).

2. Key information about the Review

Key Dates

Release of Discussion Paper:	March 2021
Submissions due by:	30 April 2021
Final Report:	June/July 2021

Contacts

For further information please contact

Review Officer:	Ms Nicole Wong (02) 6207 0275
Email address:	npwaterreview@act.gov.au

How to make a submission

Interested parties are encouraged to make a written submission to the Review, and preferably provide it electronically via email to npwaterreview@act.gov.au. Alternatively, submissions can be sent to:

Non-potable Water Review
C/- Ms Nicole Wong
Economic and Financial Group
Chief Minister, Treasury and Economic Development Directorate
GPO Box 158
CANBERRA CITY ACT 2601

Submissions do not need to address all issues and questions outlined in the Discussion Paper, and while those considering making a submission are encouraged to provide evidence in support of their views, submissions do not need to be detailed documents.

Submissions may also cover topics not raised in the Paper, but that are directly related to the Terms of Reference.

If confidential information is included in a submission it must be clearly marked “CONFIDENTIAL” either in part or in full, with the reasons included. Where material is only confidential in part, a separate submission should also be provided with the confidential material removed.

All written submissions received will be published on the Review’s website after the removal of any contact details (such as email addresses) and content highlighted as confidential.

However, it should be noted that the Review’s documents are subject to the *Freedom of Information Act 2016* (ACT). While the Review will respect the wishes of those making submissions “in confidence” to the extent possible under the Act, the application of the Act in any particular case is ultimately outside the control of the Review. Those wishing to make a submission in confidence are asked to contact the Review Officer before doing so.

The Review will consider all submissions submitted by **30 April 2021**.

3. Terms of Reference

As part of the ACT Labor and ACT Greens Parliamentary and Governing Agreement (PAGA) for the 10th Australian Capital Territory Legislative Assembly, the Government has committed to undertaking a review into water costs for high-intensity club users of non-potable water in 2021 (the Review), with the aim of allowing clubs to maintain operations while not requiring cross-subsidisation from other ACT water users.

The Review will be led by ACT Treasury and will incorporate specialist advice from the Independent Competition and Regulatory Commission (ICRC) on recycled water pricing. It will examine costs related to the usage of non-potable water by clubs, such as that incurred in the form of usage charges, infrastructure costs, operation costs and maintenance costs for various sources of non-potable water.

Within this context, the Review will investigate and provide recommendations on:

- The appropriateness of the current pricing framework for non-potable water, informed through an analysis of the associated costs in its supply;
- Whether any adjustments can be made to the current framework which would enable clubs to continue operating, without entailing cross subsidisation from other users;
- Whether there are other relevant arrangements which could achieve the goals set out in the PAGA, such as those adopted by other jurisdictions; and
- Any other issues identified through the Review.

Consultation: The Review will invite submissions from high-intensity club users of non-potable water and other Government business units involved in water supply management and regulation.

4. Background Information

This Chapter provides background information on:

- who are considered high-intensity club users;
- non-potable water types in the ACT; and
- the basis for 'not requiring cross-subsidisation from other ACT water users'.

High-intensity club users of non-potable water in the ACT

For the purposes of the Review, high-intensity club users of non-potable water are those clubs who are defined to be associations incorporated in the ACT that are dedicated to promoting recreational, social, sporting, or athletic activities, and licenced by the Environment Protection Authority (EPA) to take at least 3,000 kilolitres of surface water and groundwater each year.

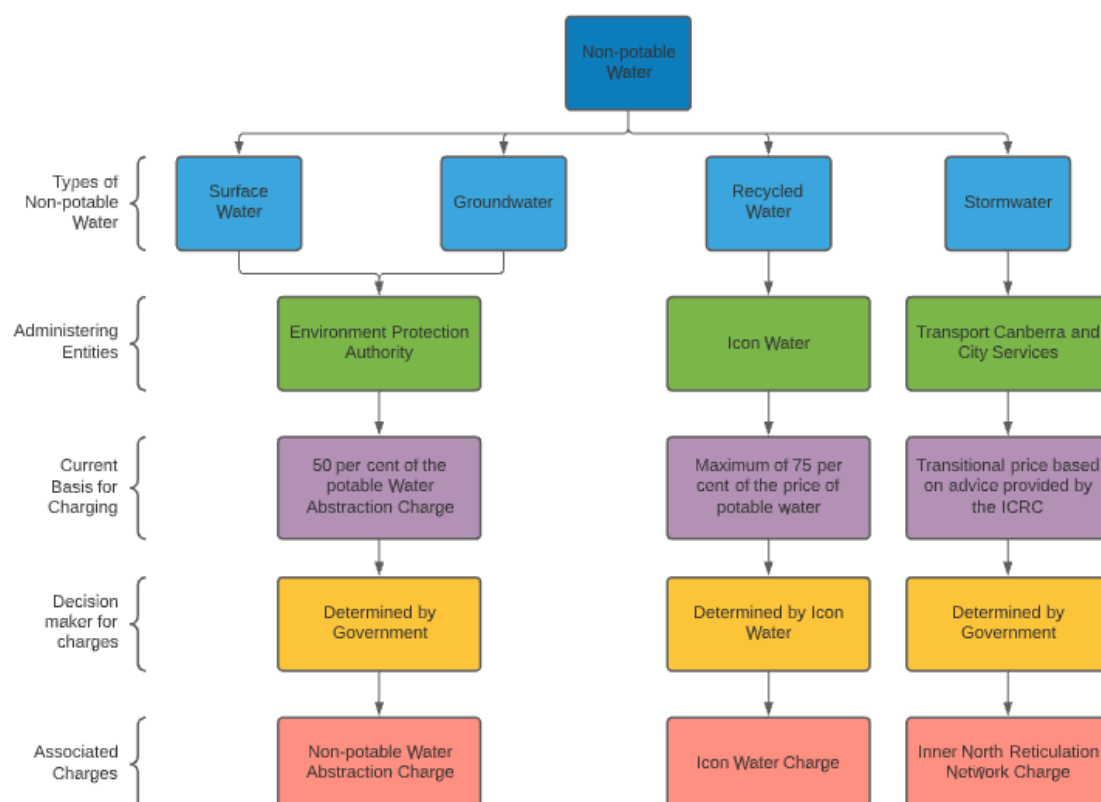
Non-potable water

The Review will focus on the following types of non-potable water that are used by the high-intensity club users for the purpose of irrigation and providing services to the community:

- surface water and groundwater;
- stormwater; and
- recycled effluent (referred to as recycled water in this paper).

Figure 1 below provides an overview of each source of non-potable water, the charges associated with each source and the entities responsible for administering each charge, with further details outlined in this Chapter.

Figure 1: Overview of non-potable water sources



Surface Water and Groundwater

The use of surface water and groundwater is regulated in the ACT by the EPA. All users must be licenced to use water for non-urban purposes under the *Water Resources Act 2007* (ACT). This licence is based on a water access entitlement that specifies a water management area that licensees are entitled to take surface water and groundwater from. For clubs, the water management area typically encompasses water sources such as reservoirs and bores located on or near each club's premises.

The EPA is a statutory office responsible for administering the *Water Resource Act 2007* (ACT), which aims to ensure the sustainable use and management of the Territory's water resources. As part of these responsibilities, the EPA oversees collection of the WAC through the regulatory process involved with licences to take water issued under the *Water Resources Act 2007* (ACT).

Associated Charge

All users of water from these two sources are subject to the non-potable WAC of \$0.305 per kilolitre as set out in the *Water Resources (Fees) Determination 2020* (ACT).

The WAC was initially implemented in 1999 as part of the *Water Resources Act 1998* (ACT), with the aim of fostering water conservation and providing a return on the use of a Territory asset. In 2006, the WAC was separated into the potable WAC and non-potable WAC, which distinguished the WAC collected by the water utility, Icon Water (formerly known as ACTEW), from the WAC incurred by non-utility water users.

The potable WAC is based on a pricing framework consisting of three key components:

- the costs incurred by the ACT Government in maintaining water catchments;
- the environmental costs associated with the consumption of water in the ACT; and
- the "scarcity value of water" as a resource that holds significant value across the broader community.

The non-potable WAC is set at 50 per cent of the potable WAC, which takes into consideration the differences between the two water sources, such as the associated environmental costs, availability of the resource and its relative "scarcity value".

Government assistance schemes

There are several Government assistance schemes related to non-potable water use, with each targeting specific segments of the ACT community.

Assistance to golf clubs

There have been two schemes that provide assistances to golf clubs through discounts and offsets to the non-potable WAC:

- The Infrastructure Offset Scheme allowed clubs to offset their non-potable WAC against investments into water saving infrastructure between 2002 and 2014, with approved offsets claimable up until 31 December 2020.
- The Market Equity Scheme (MES) was introduced in 2014 to provide golf clubs with a 50 per cent discount on the non-potable WAC. The scheme was introduced to allow ACT golf clubs to compete with NSW golf clubs, which do not pay a charge for water

stored on their own land. This aimed to provide equal support across all golf clubs independent of their ability to invest in significant infrastructure upgrades to improve water efficiency.

The combination of these two assistance programs has significantly reduced the non-potable WAC payable by golf clubs and in most cases resulted in no WAC being payable for a number of years.

Assistance to rural irrigators

The Competition Equalisation Payment (CEP) scheme was also established in 1999, with the aim of providing a subsidy to ACT rural irrigators. The CEP was designed to reduce the impact of increased water costs experienced by ACT rural irrigators as a result of the WAC through effectively providing them with similar water charges to those applied to water from the Murrumbidgee River. This allowed them to better compete with nearby irrigators in NSW. The net cost to CEP recipients is between \$0.002 per kilolitre and \$0.008 per kilolitre.

Currently, the CEP is only applied to irrigated agricultural production and not to water used for other purposes such as industrial processing or domestic use.

Assistance to groundwater users through a data sharing agreement

Groundwater licence holders can enter into an agreement with the EPA. As part of this agreement, in exchange for granting the EPA access to groundwater sources for the purpose of monitoring and data collection, the licensee does not have to pay the annual licence fee of \$473 for 2020-21.

Stormwater from the Inner North Reticulation Network

The INRN is Canberra's first neighbourhood-scale stormwater harvesting and managed aquifer recharge system, constructed with financial support from the ACT and Australian governments. The system captures urban stormwater in constructed wetlands and treats it before pumping it through a reticulation network for irrigation of urban green spaces. The INRN provides significant environment, social and economic benefits through reducing inflows of nutrient rich stormwater into Lake Burley Griffin, potentially reducing algal blooms in the lake, and reducing demands on potable water through providing end users with fit-for-purpose stormwater for irrigation.

Transport Canberra and City Services (TCCS) is responsible for the management of the stormwater network, which includes the management of the INRN.

Associated Charge

Water from the INRN is available to a range of users including two high-intensity club users who have tanks to receive and store the water before it is pumped into their irrigation systems. The INRN currently supplies water to end users at a rate of \$3.995 per kilolitre, consisting of a water rate (\$3.69 per kilolitre) and the non-potable WAC (\$0.305 per kilolitre). Income generated from water sales is used for operation and maintenance and to recover capital costs over the life of the infrastructure associated with the INRN.

The price of stormwater from the INRN is based on advice provided by the ICRC in 2009, which resulted in an initial price of \$3.32 per kilolitre in 2015-16, with prices increasing by reference to the Wage Price Index each year. This was a transitional price while the INRN became established. The intention is for the price to reflect the full costs of the scheme, after it has been in place for a sufficient period for these costs to be able to be reasonably estimated.

This Review will consider the costs incurred to date, to what extent these have stabilised and could be reliably estimated into the future.

Recycled Water

The Lower Molonglo Water Quality Control Centre (LMWQCC) reuse scheme supplies treated effluent in the form of recycled water to nearby vineyards and golf course for irrigation.

Icon Water is an unlisted public company wholly owned by the ACT Government and is the sole provider of regulated potable water and sewerage services to customers in the ACT.

Associated Charge

Icon Water provides recycled water under a non-drinking water standard customer contract that can be viewed through Icon Water's [webpage](#). The contract sets out the standard terms by which Icon Water provides recycled water services to customers connected to a recycled water network in the ACT.

The charge is currently capped by Icon Water at a maximum of 75 per cent of the current price set for the usage of drinking water (potable water) or if agreed otherwise.

Cross-subsidisation in the context of the Review

The PAGA makes clear that any recommendations from the Review that aim to assist clubs in maintaining operations should not involve cross-subsidisation from other ACT water users. This means that true costs should be reflected either in the prices charged to clubs or, if less than the costs of provision, transparently covered by a subsidy from the Government.

In this light, submissions putting forward a case for assistance should be framed in terms of direct subsidies to achieve the level of assistance necessary, rather than lowering the price charged. Any recommendations made by the Review will need to ensure that other ACT water users do not pay more for water.

5. Key issues to be considered by the Review

The costs associated with the supply of each type of non-potable water

A key focus of the Review will be an assessment of the costs associated with supplying each source of non-potable water to high-intensity club users, as this information will be critical in determining the appropriateness of current arrangements.

Surface Water and Groundwater

The costs associated with supplying surface water and groundwater to clubs for the purpose of irrigation are generally borne by the clubs themselves, and are primarily related to the construction and maintenance of irrigation systems, metering and water storage features. There are fees imposed by the ACT Government in the form of the non-potable WAC on water use and a licence administration fee.

Clubs rely on being able to irrigate their fields to be able to operate, and these costs can differ significantly from year to year depending on the rainfall. Accordingly, in some years the price of water may become a key budgetary consideration. The Review is seeking cost data from high-intensity club users to better understand the capital and maintenance costs relating to the storage and supply of surface and groundwater. This data will inform the costs incurred by high-intensity club users for surface water and groundwater in addition to the WAC payable to the EPA.

Questions – costs to maintain your infrastructure

1. What were the annual costs of operating and maintaining non-potable water related infrastructure in 2019-20 and 2020-21 year to date?
2. Do these infrastructure costs vary significantly from year to year?
3. Is there capacity to expand non-potable water infrastructure at your club?

Stormwater from the Inner North Reticulation Network

The Review will conduct an analysis of the cost of supplying stormwater from the INRN based on data on the operational, maintenance and capital costs incurred by TCCS and the relationship to the current price.

Recycled water supplied by Icon Water

To assess the supply costs associated with Icon Water's recycled water charges to high-intensity club users, the Review will draw on advice provided by the ICRC, who have been engaged to investigate the costs to Icon Water with supplying recycled water to high-intensity club users.

Questions – costs of purchasing non-potable water

4. What were the annual costs of purchasing non-potable water in 2019-20 and 2020-21 year to date?
5. How much does the cost of purchasing non-potable water contribute to overall annual operation costs?
6. Are there any other costs not identified in this Discussion Paper that should be considered as part of the Review?

Assistance programs

The Review is seeking feedback on the current assistance programs and suggestions for possible changes.

Questions – assistance measures

7. Does the current assistance program – the Market Equity Scheme (MES) – remain an appropriate form of assistance?
8. What other assistance measures could be considered in the future?

Appropriateness of the current arrangements for non-potable water users

As detailed in the Background Section, there are a range of pricing arrangements in place for non-potable water in the ACT, coupled with assistance programs to provide support where appropriate.

The Discussion Paper is seeking views from interested parties on whether the current framework for non-potable water is appropriate and, if not, what improvements could be made.

The following principles will be taken into account during the Review and in assessing the feedback provided in submissions:

- the price of non-potable water should generally reflect the cost of supply;
- any subsidy provided should be transparent and based on a demonstrated need; and
- cases for support will have regard to the ongoing wider benefits to the community such as economic, social and environmental outcomes.

Questions – long term implications on viability

9. To what extent does the cost of providing non-potable water affect a club's viability in the short term or long term?
10. What are the key factors that impact on the viability of the club?

Experiences from other jurisdictions

In addition to considering whether any changes to the current arrangements are necessary, the Review is seeking information on arrangements used in other jurisdictions that would be relevant for clubs in the ACT.

Questions – broader jurisdictional experiences

11. Are there any examples of alternative arrangements from other jurisdictions that may be useful for consideration in the ACT?

Other matters

The Terms of Reference for the Review also includes scope for the consideration of other issues that might be relevant to the pricing frameworks for non-potable water. The Review welcomes feedback from stakeholders on other issues that should be considered as part of the overall examination into water costs for high-intensity club users of non-potable water.

Questions – other matters

12. Are there other matters relating to the costs of supplying non-potable water for high-intensity club users that ought to be considered in the Review?

6. Key legislation related to non-potable water in the ACT

The key pieces of legislation that are central to the current regulatory framework for the provision of non-potable water in the ACT are:

- the ***Independent Competition and Regulatory Commission Act 1997 (ACT)***, which establishes an independent commission to, among other things, regulate pricing, access and other matters in relation to regulated water services.
- the ***Utilities Act 2000 (ACT)***, which regulates the provision of certain gas, electricity, water and sewerage utility services in the Territory;
- the ***Water Resources Act 2007 (ACT)***, which provides for the sustainable management of water resources in the Territory (see also the *Water Resources Regulation 2007 (ACT)*); and
- the ***Water Resources (Fees) Determination 2020 (ACT)***, which provides for the water abstraction fees payable in the 2020-21 financial year.

This legislation can be found on the ACT Legislation register at <https://www.legislation.act.gov.au/>.

7. List of Discussion Paper questions

Questions:

Costs to maintain your infrastructure

1. What were the annual costs of operating and maintaining non-potable water related infrastructure in 2019-20 and 2020-21 year to date?
2. Do these infrastructure costs vary significantly from year to year?
3. Is there capacity to expand non-potable water infrastructure at your club?

Costs of purchasing non-potable water

4. What were the annual costs of purchasing non-potable water in 2019-20 and 2020-21 year to date?
5. How much does the cost of purchasing non-potable water contribute to overall annual operation costs?
6. Are there any other costs not identified in this Discussion Paper that should be considered as part of the Review?

Assistance measures

7. Does the current assistance program – the Market Equity Scheme (MES) – remain an appropriate form of assistance?
8. What other assistance measures could be considered in the future?

Long term implications on viability

9. To what extent does the cost of providing non-potable water affect a club's viability in the short term or long term?
10. What are the key factors that impact on the viability of the club?

Broader jurisdictional experiences

11. Are there any examples of alternative arrangements from other jurisdictions that may be useful for consideration in the ACT?

Other matters

12. Are there other matters relating to the costs of supplying non-potable water for high intensity club users that ought to be considered in the Review?