



## Concerned Waterways Alliance submission to the Essential Services Commission Water Price Review 2023.

The Concerned Waterways Alliance (CWA) is a network of community and environment groups from Gippsland to the Otways. We share a deep concern about the degraded state of southern Victoria's rivers, wetlands and aquifers, and are committed to improving their health for the benefit of current and future generations. We welcome the opportunity to comment on Essential Service Commission's Water Price Review 2023.

The Guiding Principles in the 'Statement of Obligations' for water corporations require that the corporation must 'assist in the task of transitioning Victoria to an environmentally sustainable economy' and 'manage water resources in a sustainable manner that enhances environmental outcomes.'<sup>1</sup>

We submit that these principles should guide and inform the ESC's review of pricing submissions and subsequent determination, along with the requirement in the Water Industry Act that 'regulatory decision making has regard to health and safety, environmental sustainability (including water conservation) and social obligations of regulated entities.'<sup>2</sup>

### Reducing reliance on river water

A key challenge for all water corporations is the reduction in inflows and water availability due to climate change. The urban water corporations consider the risk to water supply and the potential to bring on alternative supplies through their Water Supply Strategies, while rural corporations such as SRW tend to pass the risk on to customers to manage. Very few consider the risk of damage to the rivers and aquifers that supply the water, despite the requirements of their statement of obligations.

The Central and Gippsland Region Sustainable Water Strategy (CGRSWS) begins to address the risk and envisages the return of water to rivers to the benefit of the environment and Traditional Owners.

'Urban water corporations will consider how to reduce their reliance on river water for urban water security to enable river water to be returned to the environment and Traditional Owners across the

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<sup>1</sup> [MBR028466R.pdf \(water.vic.gov.au\)](#) s1-6

<sup>2</sup> Water Industries Act s 4c

region as they invest in water efficiency measures, IWM and reconfiguration of existing supply infrastructure, and manufactured supplies come online. Each urban water corporation across the region will investigate options for reducing their reliance on river water, and will work with the Department of Environment, Land, Water and Planning to, by the end of 2023, identify a volume of water that could be returned by 2032.<sup>3</sup>

As far as we are aware only Barwon Water has brought this consideration explicitly into their pricing submission with a commitment to return 3,700ML/year to the Moorabool River by 2025. Further, they have included this commitment in their Performance Incentive Mechanism and will return money to customers if it is not met.<sup>4</sup>

**Recommendation 1. The ESC should require all water corporations to outline how they intend to reduce their reliance on river water and groundwater as part of their risk management strategy and response to climate change impacts, and the steps they will take to bring climate independent sources of water online. It is essential that these considerations become a key focus of water corporation planning and are factored into pricing submissions.**

### Improving catchment condition

Customer consultation undertaken by the water corporations and community engagement by DELWP in the preparation of the CGRSWS both indicate a high level of concern about the impacts of water extraction on rivers and wetlands and a strong desire to protect and improve waterway health. These findings are backed up by the recent My Victorian Waterway Survey 2022, which showed that 82% of respondents care about waterway health and 75% agreed that they are willing to cut back on water use to protect rivers.<sup>5</sup> Many customers are proud of their own efforts to conserve water and ‘do their bit’ under drought conditions and expect their water corporation (and government) to respond to the challenge of reduced water availability. Others indicate a willingness to pay more for water if the water corporation fulfills its obligation to ‘enhance environmental outcomes’.

These concerns are often sidelined when focus shifts to ‘value for money’ or ‘customer satisfaction’ discussions. Water corporations need to realize that customer satisfaction will improve if they are seen to be looking after their catchments and improving waterway health and river flows, and that customers are willing to pay for this once they see the broader benefits of this approach, especially for amenity, green open space and lifestyle.

Investment in catchment condition, particularly in the riparian zone, protects water quality, maintains channel capacity and reduces treatment costs for water corporations. For example, removal of willows and replanting with native vegetation can be a cost-effective means of relieving choke points in the delivery of both consumptive water and environmental water. Melbourne Water’s closed catchments are a classic example of reduced treatment costs and provision of the ‘world’s best drinking water’.

The recent flooding in Victoria, particularly in the Maribyrnong, demonstrates the value of intact floodplains as a reservoir for floodwater and in mitigating its impacts. Modifications to catchments over many years, such as clearing vegetation, channelising rivers and creeks, reducing the ability of

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<sup>3</sup> SWS Action 4.2

<sup>4</sup> Barwon Water 2023 price submission p50 [Barwon-Water-2023 price-submission-20200930\\_1.pdf](#)

<sup>5</sup> My Victorian Waterway Survey 2022 [PowerPoint Presentation \(water.vic.gov.au\)](#)

floodplains to store water and rendering surfaces impervious, have all tended to intensify floods, particularly flash flooding.<sup>6</sup> Natural solutions can have greater benefit than infrastructure solutions such as raising dams or building levees.

As dam owners and operators, water corporations have a key role to play in flood management and mitigation. It is in their interest to seek out multiple options for flood management and invest in catchment solutions that will improve ecological condition while reducing costs.

**Recommendation 2. The ESC should require water corporations to seek opportunities to provide multiple benefits by investment in improving catchment condition and to set out how they will meet their obligation under the Water Industry Act to improve waterway health.**

### General environmental duty (GED)

The general environmental duty (GED) is at the centre of the Environment Protection Act 2017 and it applies to all Victorians. It requires all businesses to reduce the risk of harm from their activities:

- to human health and the environment
- from pollution or waste.

The GED applies to discharges from wastewater treatment plants and water corporations must take steps ‘so far as reasonably practicable’ to reduce and minimise the harmful effects of pollution and waste.<sup>7</sup>

**Recommendation 3. The ESC should require water corporations to spell out how their pricing mechanisms can be used to avoid pollution and harm. The GED reinforces the ESC principle that externalities such as pollution from treatment plants should be taken into account in setting prices.**

### Monitoring and compliance

A preliminary study into private dam development by People for a Living Moorabool has revealed many new dams being installed which do not appear to have been captured through the Southern Rural Water (SRW) approval process.

The study has raised serious questions about the capacity of SRW to both monitor and enforce compliance regarding private dam development.

For a catchment like the Moorabool River, regarded as the most flow stressed in Victoria, unregulated dam development has serious consequences for its long-term sustainability for both users and the environment. The erosion of environmental water flows is a huge concern to those advocating for the river’s future.

To their credit SRW have acknowledged the organisation’s shortcomings on this issue within the Moorabool catchment. However, without an increase in resources, and therefore an increase in its prices for river water customers, it is hard to envision how a repeat of this scenario will be avoided in other catchments.

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<sup>6</sup> See for example [Victoria floods: We can’t prevent floods, but we can learn to live better with them \(theage.com.au\)](http://theage.com.au)

<sup>7</sup> EP Act s 25(4)

**Recommendation 4. The Essential Services Commission should ask SRW how they envisage increased monitoring and regulatory compliance of private dam development will be resourced.**

## Long-term value

The opening line on of the ESC website is: ‘We promote the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services.’ This is a clear supporting statement to the requirement in section 8 of the ESC Act: ‘the objective of the Commission is to promote the long-term interests of Victorian consumers.’<sup>8</sup> The emphasis on the ‘long-term interests’ is similar to the distinction that can be made between ‘price’ and ‘value’. It is our view that too many of the submissions focus on short-term ‘price’ rather than longer term ‘value’, even though too often short-term ‘price’ advantages translate into steep long-term costs.

With regards to water, long-term interest is particularly relevant and the pricing of water must include the long-term costs in terms of sustainability of supply and the external costs imposed on the environment and on future generations. Under-pricing will lead to market distortions and hidden costs. Water is a difficult ‘product’ to value. Unlike say electricity it is physical product and there are limitations on its supply as rainfall and runoff are unpredictable. Water’s path through the environment is unpredictable as is the pattern of rainfall supply. Much of the measurement of rainfall for decision-making has been done at times of higher rainfall and we are entering into a much more volatile period water delivery, in good part due to climate change. The time frames of many strategies are too short to manage this variability and can lead to over-allocation, which can then be difficult to wind back. The strategies can be further distorted by the shortness of the political cycle.

The CWA sees the ESC as the voice that takes the long-term view and requires the water corporations to impose the discipline of long-term planning on themselves. An under-quoting of pricing transfers costs further down the road and on to future generations.

Water needs to be costed adequately for the long run. Investment now in environmental health is going to be more cost-effective than any investments when the environment has already been impacted. Given the unpredictability of climate change a precautionary approach must be demonstrated in the pricing plans by water corporations.

The effect of climate change is going to be expressed through water and climate change will impose unpredictable costs on water corporations, which early investment can mitigate.

The legislation recognizes this in its emphasis not only on price but on ‘quality’ and ‘reliability’. Both quality and reliability have strong environmental components.

**Recommendation 5: While it is not the ESC’s role necessarily to address how this longer-term transfer of costs is managed, and how water corporations can effectively manage pressures on them to under-price water, the ESC should require every water corporation to demonstrate how they are dealing with long term cost of sustain supply and protecting the environment under the twin pressures of climate change and a growing population.**

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<sup>8</sup> [http://classic.austlii.edu.au/au/legis/vic/consol\\_act/esca2001327/s8.html](http://classic.austlii.edu.au/au/legis/vic/consol_act/esca2001327/s8.html)

## Tiered water use tariff structures (inclining block tariffs)

Water corporations vary in their approach to tiered water use tariffs for residential customers. Many water corporations have adopted the principle, some with two tiers (eg South East Water, Central Highlands Water) and others with three tiers (eg Yarra Valley Water, Wannon Water), while some use a single tariff (eg Barwon Water, Gippsland Water, East Gippsland Water). Most corporations set the base tier at 0-440litres/day, which according to Wannon Water accounts for 72% of residential water use.

Tiered water use tariffs are designed to encourage water conservation and are well accepted in principle and in practice by customers of the corporations that use them. By allowing a differential between basic use and higher levels of use there is a price incentive for customers to use less water while the corporations do not suffer a loss of revenue as a result. In future adjustment of the tiers could play a role in the shift towards manufactured water use, with customers who use the most water contributing the most to the new infrastructure required.

The CWA fails to understand why inclining block tariffs are not adopted by all water corporations. Provided support for larger, low-income households who may be disadvantaged is available, a tiered structure appears equitable and progressive, and could lead to significant demand reduction and consequent reduction in pressure on water supplies and the rivers that provide them.

Tiered structures can also be used to distinguish between the 'residential utility; and 'commercial' functions of water corporations and apportion the cost of supply augmentation and manufactured water accordingly. Large industrial and commercial users add significantly to the burden of water supply imposed on stressed rivers, over and above that of meeting critical human needs. This should be reflected in the price they pay for water.

**Recommendation 6. The ESC should encourage all water corporations to adopt tiered water use tariff structures, or at the very least to justify why they have rejected this approach and what else they are doing to encourage water conservation.**

For further information, please contact Juliet Le Feuvre, Convenor CWA

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