

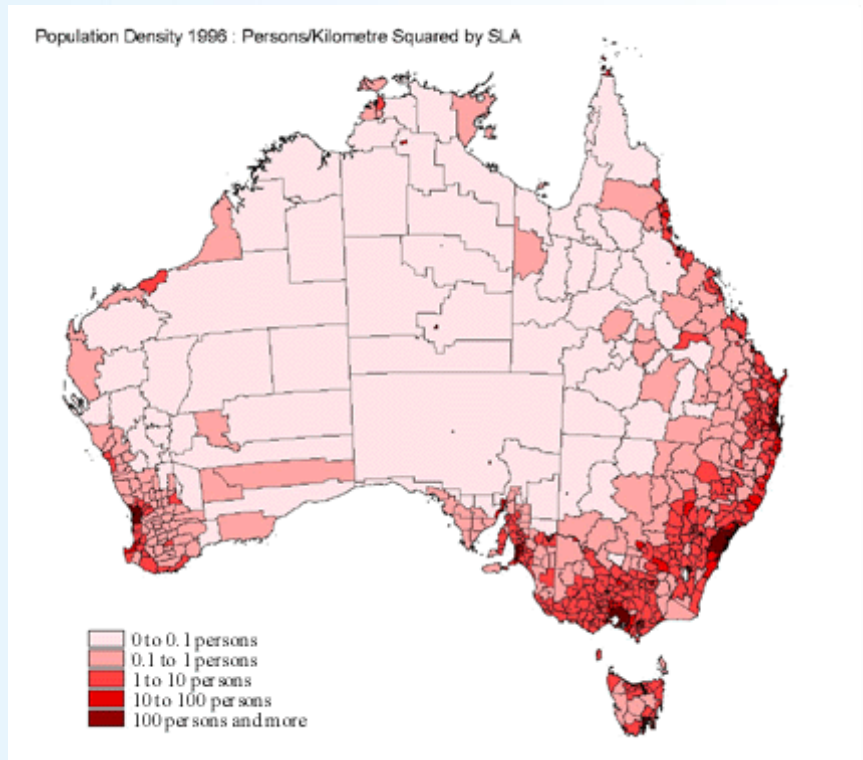
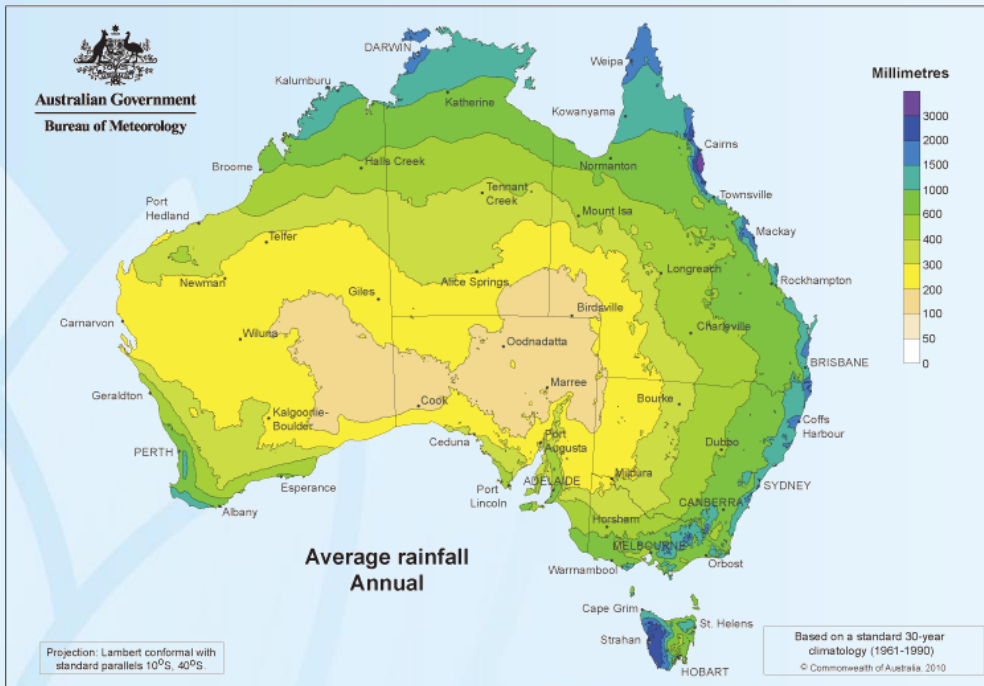


Department of
Primary Industries

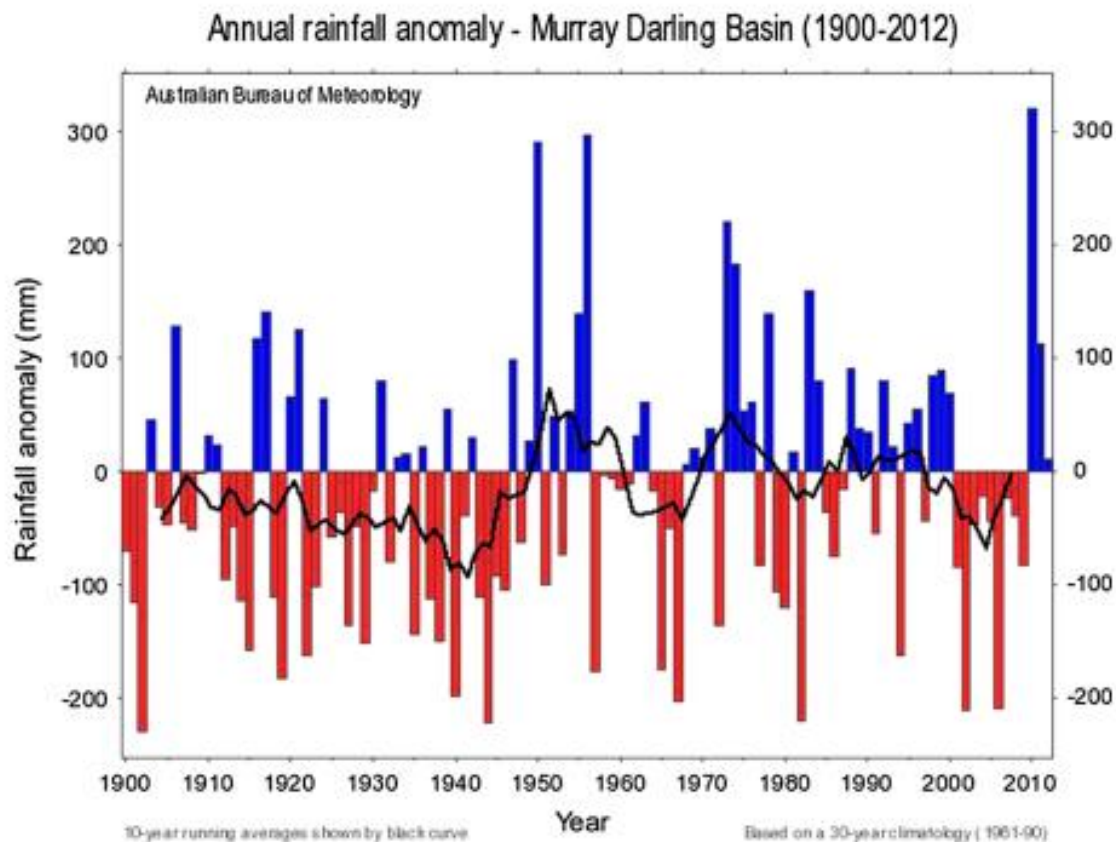
Water Pricing in Australia

Gavin Hanlon
Deputy Director General, Water.

Average rainfall and population density



Annual Rainfall Anomaly



Context

- Australia is a Federation
 - Water control rests with the states
 - States are “*responsible*” for prices charged to water users
 - The states are signatories to The National Water Initiative 2004. (NWI)
 - The NWI provided a framework for consistent management of water across the states.

Key components of the NWI

- Water Access Entitlements and Planning Frameworks
- Water Markets and Trading
- Best Practice Water Pricing
- Integrated Management of Water for the Environment and other Public Benefit outcomes
- Water resource accounting
- Urban Water Reform
- Knowledge and and capacity Building
- Community partnerships

Entitlement Framework

Tier 1
Rights held by Crown



Framework for rights outlined in *Water Management Act 2000*
For Murray Darling Basin, sustainable diversion limits set by the Basin Plan

Tier 2
Shares in available water specified for consumptive users and the environment

Long term extraction limit

Environmental water

Tier 3
Individual rights with priority for access*

Water access licences:
• Regulated river
• Unregulated river
• Groundwater

Basic landholder rights
• Domestic and stock
• Harvestable rights
• Native title rights

Licensed environmental water

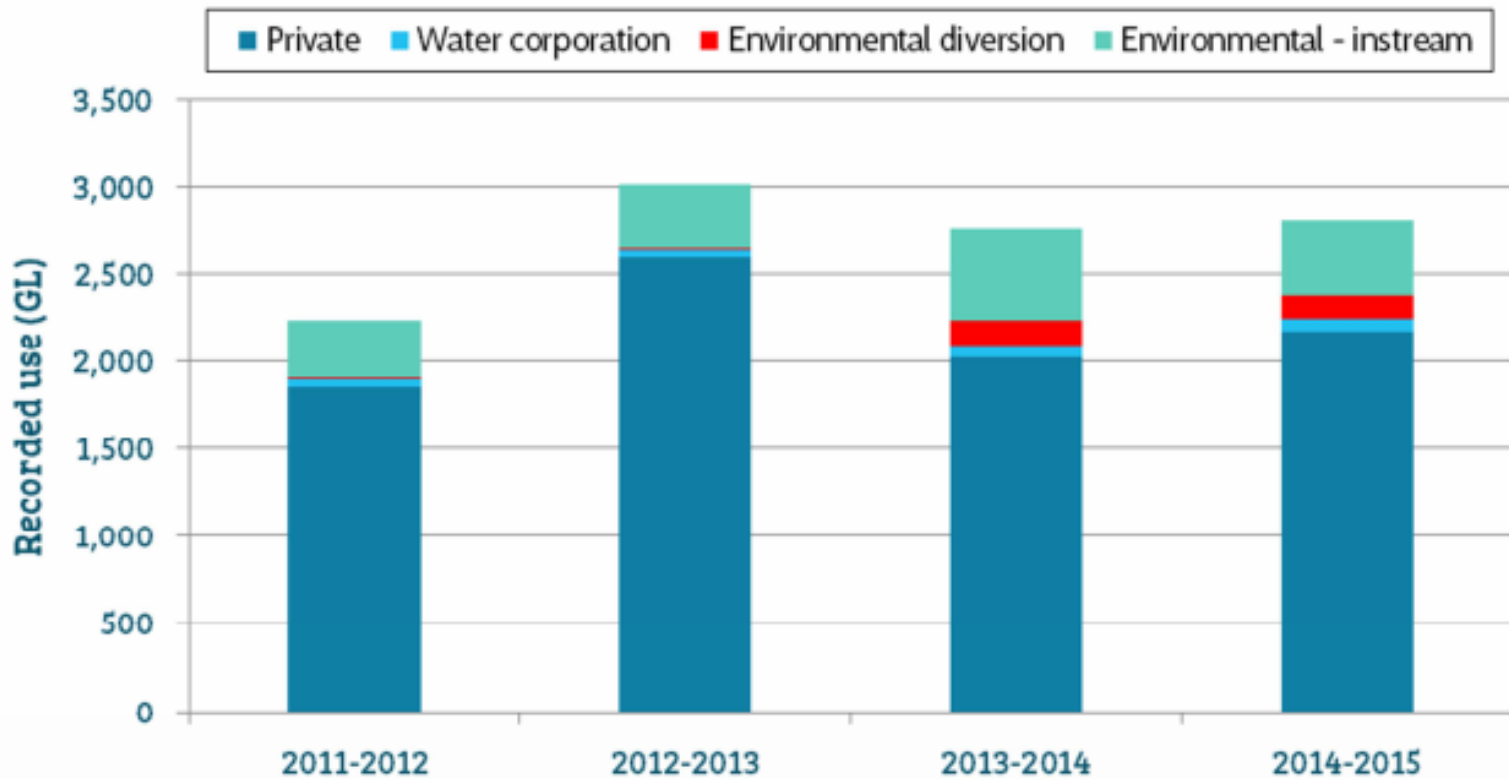
Planned environmental water

- Priorities between different categories of licence
- (a) Local water utility, major water utility, domestic and stock licences
 - (b) Regulated river (high security) access licences
 - (c) Other access licences (priority prescribed by the regulations)
 - (d) Supplementary water access licences

Water Entitlement Characteristic

- Rural
 - **Water share** has allocation announced against the share dependant on availability (usually announced monthly)
The utility delivers others water
 - **Licences** with conditions (groundwater, unregulated rivers)
 - **Delivery shares**, a right to have a certain volume delivered to your meter (delivery system capacity share)
 - **Water use license**, a right to irrigate a certain volume on land to ensure no third party impacts.
- Urban
 - No entitlement held by individuals but sold through the meter
 - *The utility sells water.*

Water used in Victoria



Water held in storage

	Private Water Share Holders (including Irrigators)	Environmental Water Holders	Water Corporations
Carried over	203 GL	58 GL	36 GL
Spilled	0 GL	0 GL	0 GL
New allocations	613 GL	346 GL	95 GL
Net trade in / out	72 GL	-37 GL	-16 GL
Used	328 GL	162 GL	6 GL
Currently available in allocation accounts	559 GL	205 GL	108 GL
Volume remaining in spillable accounts	0 GL	0 GL	0 GL

Water providers in each state

Water Corp

Power and Water NT

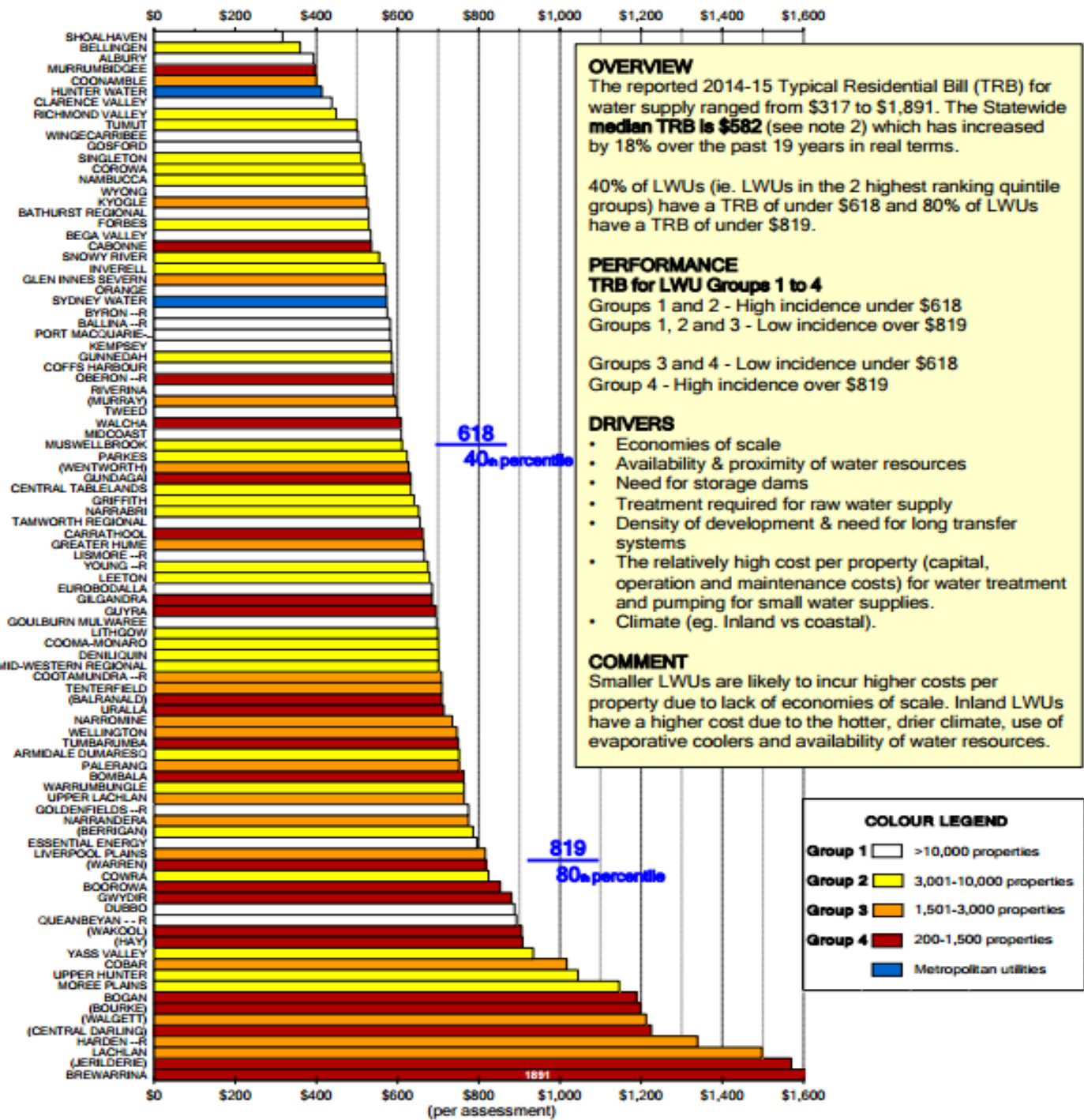


105 Local Water utilities
State Bulk water provider
Private Irrigation Companies
State Owned Corporations in large centres
Third party Access Arrangements and Private providers

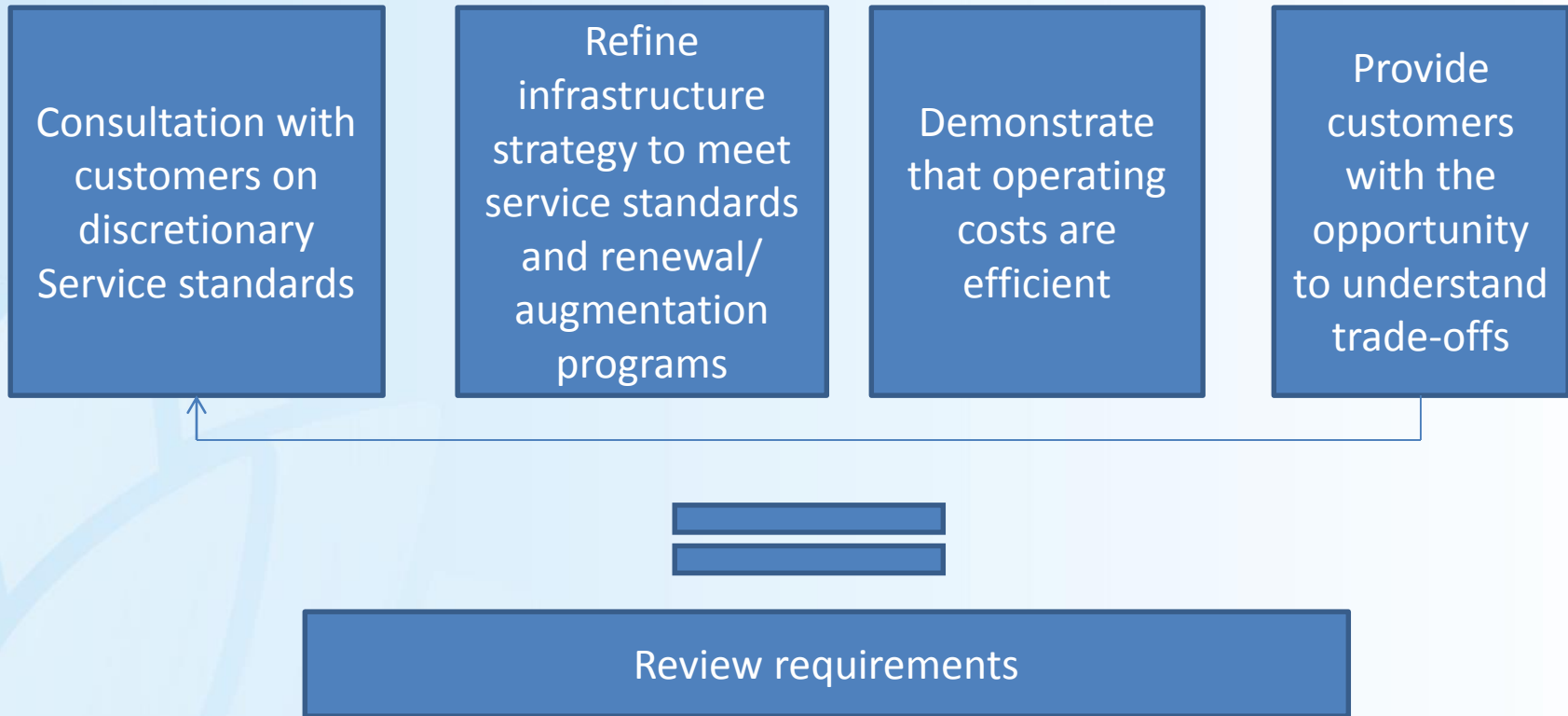
19 State owned utilities

Governance of the industry in NSW

Who	What
Treasurer and Minister for finance and services	Shareholder of large water utilities
Minister for Water	Portfolio Minister, Policy and Water allocation Regulation
DPI Water	Policy Development, state-wide and regional planning , regulation of Local Water utilities
IPART (Independent Pricing and Regulatory Tribunal)	Approval of prices (large utilities and the Department)
Department of Health	Potable water supply standards
Environmental Protection Authority	Sewerage, hazardous chemicals
Local Land Services	Catchment Management / River Health



Pricing submissions to the economic regulator(s)



Then you can start a discussion on tariff design

Tariff design

- Fixed vs variable
 - High fixed price to match fixed costs = perception of laziness
 - High variable component = revenue volatility and risk
- Inclining block tariff or not
 - Water is Water?

Typical tariff structures

- Urban
 - Generally two part tariffs
 - With or without inclining blocks
- Rural
 - Bulk water fee (fixed and variable)
 - Delivery charge (fixed and variable component)
 - Connection fee (fixed)

Once approved

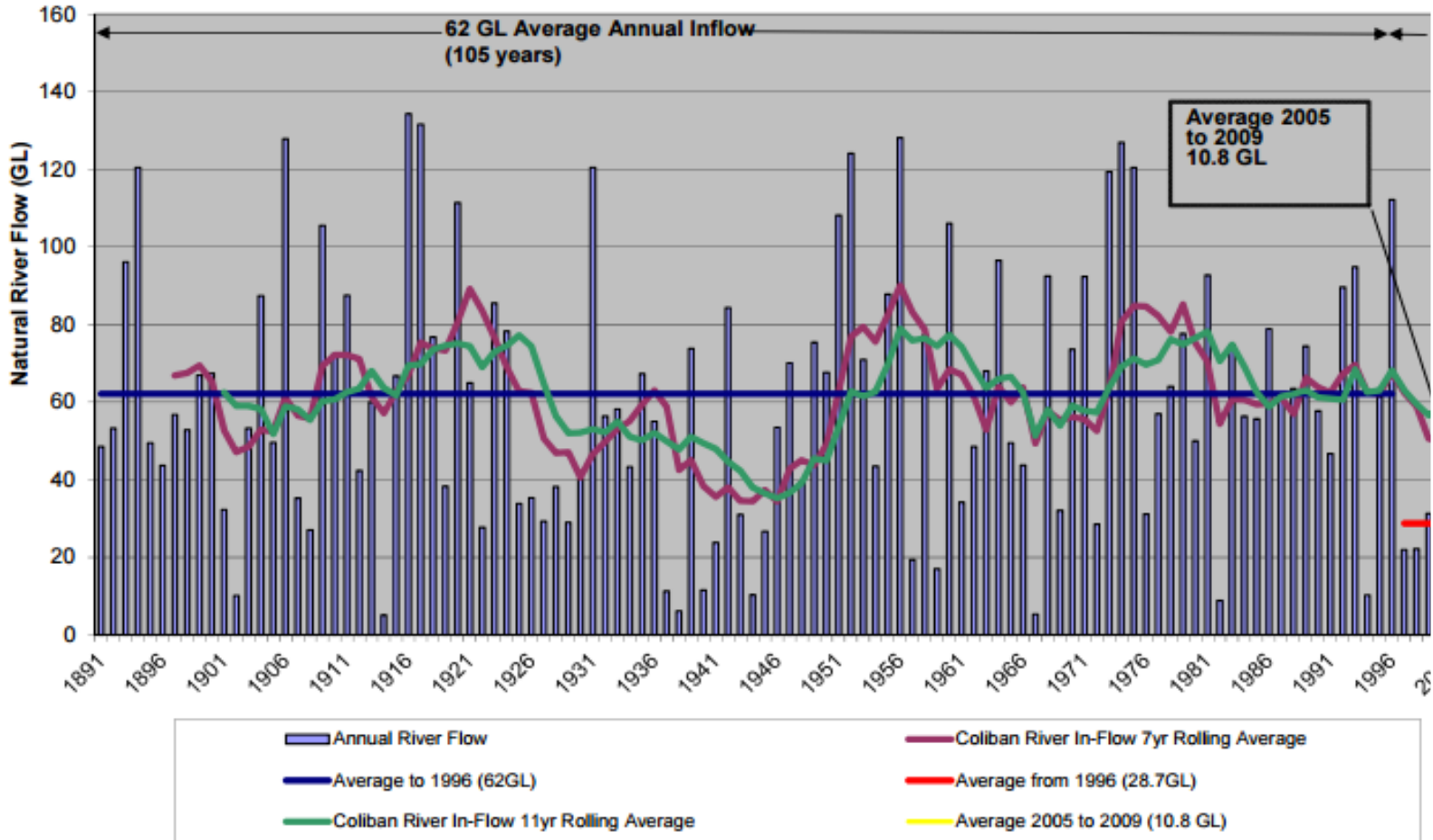
- Annual reporting requirements
- Mid term audits.
- Restricted opportunities to reopen pricing

Bendigo water pricing in prolonged drought.

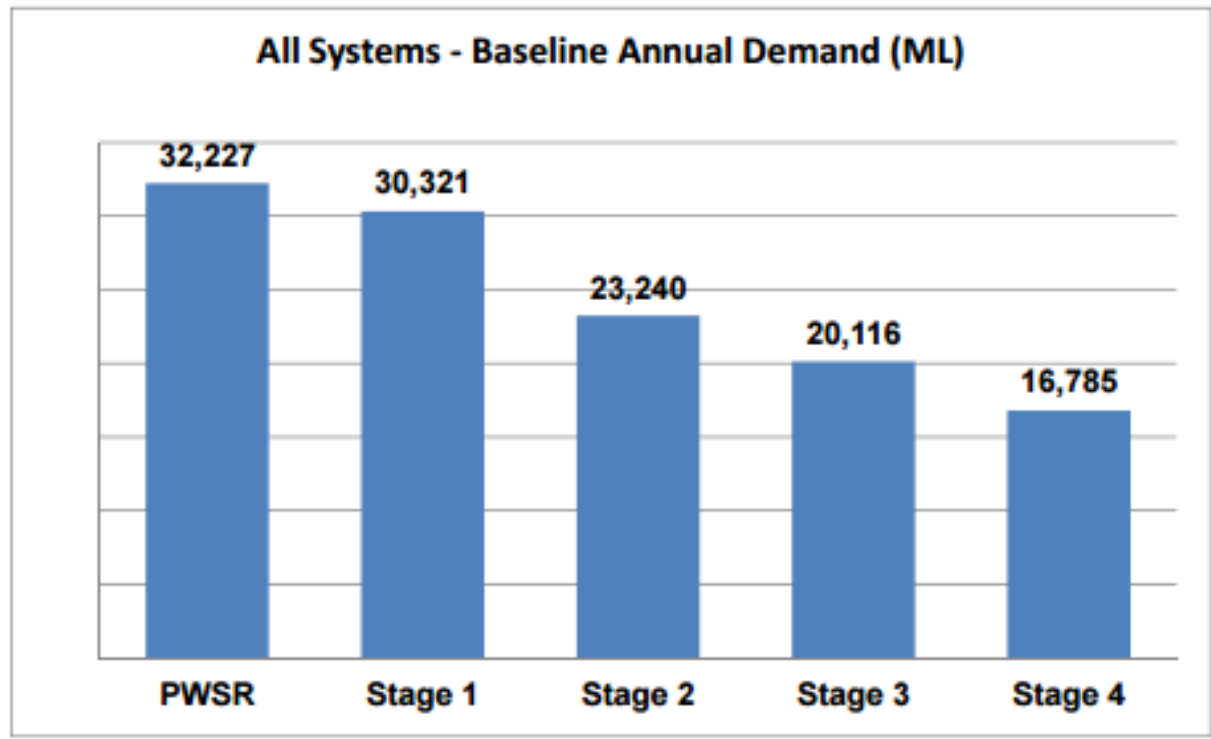


Bendigo inflows

Annual Coliban Storages In-flow (GL)

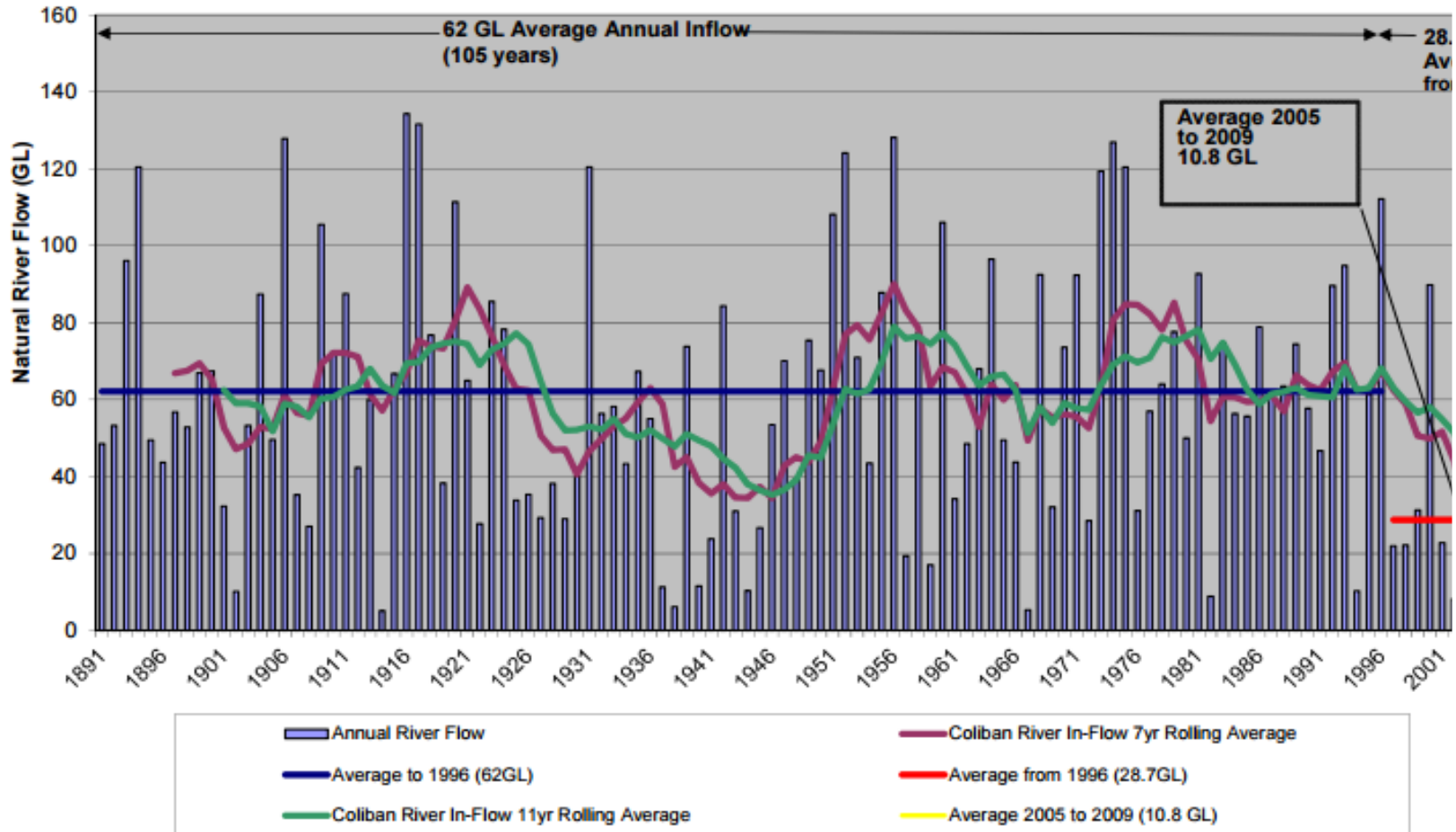


Demand management



Bendigo inflows

Annual Coliban Storages In-flow (GL)



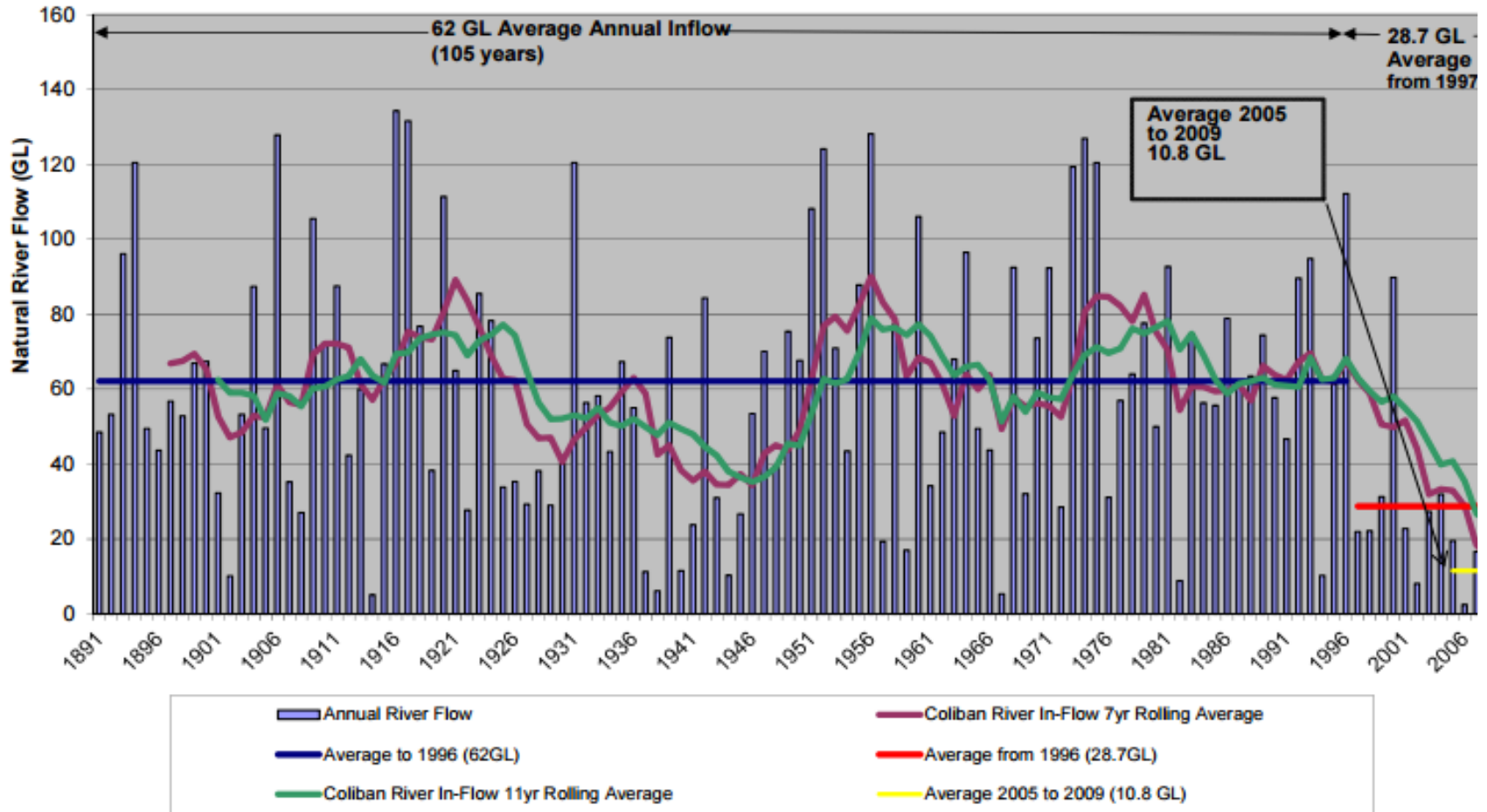
Community education + Demand management + investments in recycled water

Recycled water



Bendigo inflows

Annual Coliban Storages In-flow (GL)



Community education + Demand management + investments in recycled water + “Oh *&%\$#” moment”

Coliban Reservoir



Access to the water market



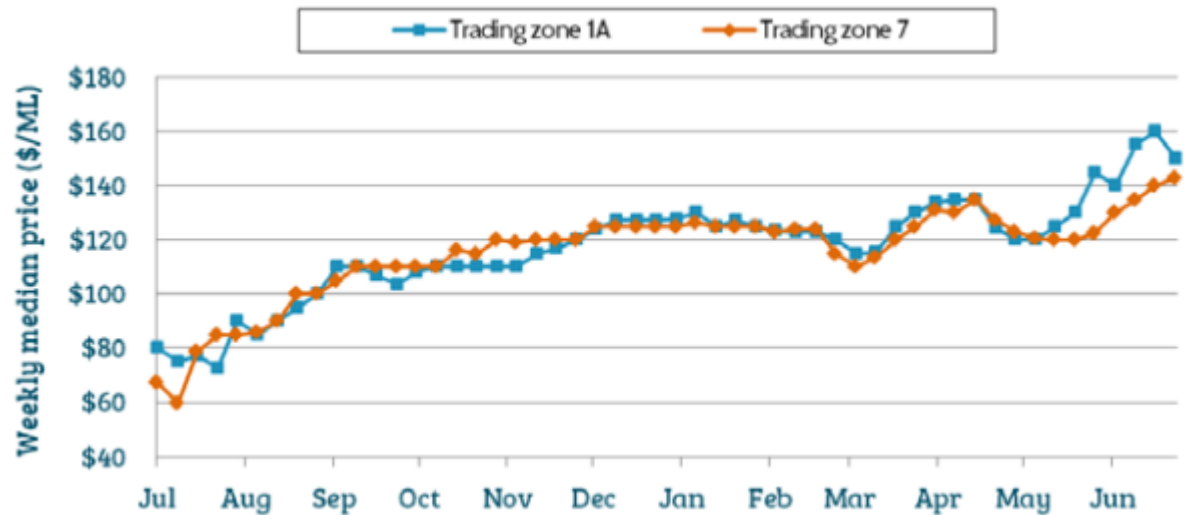
Dealing with pricing

Scarcity pricing ruled out early as a measure for reducing demand.

Prolonged drought resulted financial sustainability problems with increasing prices

- Substantial consultation and market research
- Concept of “Fairness” seen as important
- Reopened and increased pricing to be seen to “pay our way”
- Substantial internal savings
- Pathway to sustainability.

From supply problems to supply optimisation problems



How did it end up?

- Largest flood in recorded history...



History doesn't repeat itself but it does rhyme.....Broken Hill



Some lessons being applied

- Genuine community engagement gives a social licence talk about pricing.
- Engage the market early in both solution and mechanism for solution. (government does not have a monopoly on knowledge)
- Be on the front foot with everything!

Questions?

Thank you

Some of my favourite Australian Water Web sites if interested

<http://waterregister.vic.gov.au/>

<http://www.coliban.com.au/site/root/index.html>

<http://nvrn.net.au/>

<http://www.g-mwater.com.au/>

<http://www.bom.gov.au/>

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