

NSW Submission to the Productivity Commission Inquiry into National Water Reform

Introduction

NSW remains committed to the principles of the National Water Initiative (NWI) and is progressing a strong program of water reform. This reform program seeks to provide safe, secure and healthy water resources and services to support the growth and development of our regional communities and metropolitan areas while ensuring the protection of our natural environment. The water reforms that NSW is undertaking are consistent with the NWI.

NSW notes the scope of the PC's inquiry aims to avoid duplication with the 2018 inquiry into the effectiveness of the implementation of the Basin Plan and the ACCC Murray–Darling Basin Water Markets inquiry. However, NSW has concerns with the operation of the Murray-Darling Basin Plan and the timeframe for its implementation. In correspondence with the Minister for Resources, Water and Northern Australia, NSW noted that the scope of this inquiry may limit its effectiveness given the strong crossover between the Basin Plan and the NWI.

This NSW Submission provides an overview of the key water policies, programs and projects in NSW. Amendments to the NWI and further implementation of the objectives and outcomes of the NWI need to account for the unique context in which we are currently operating. This includes the severe drought conditions affecting nearly of all NSW and much of the country, other extreme conditions caused by climate variability and the Covid-19 pandemic.

Drought

Despite recent rainfall, NSW continues to experience drought conditions, particularly in the northeast, far west and southeast of the state. As of late-August 2020, around 43% of NSW is still in drought or affected by drought.

Rainfall in inland NSW and the Hunter region has provided good flows in downstream sections of the rivers, but unfortunately has not made a significant difference to the storage levels of our rural dams.

Water for critical human needs, such as town water supply, remains the priority. While unused general security water can be carried over into the new water year, further inflows will be needed right across inland NSW before any new significant general security allocations can be provided in 2020/21.

One good outcome of the localised storms across the northern basin in NSW and Queensland in the first few months of this year is that we have seen well over 500 GL enter Menindee Lakes and releases along the Lower Darling are continuing to reach the Murray River. We are still seeing connectivity of the Barwon and Darling rivers from above Collarenebri in the north to Wentworth at the end of the Lower Darling – for the first time in some two years.

The restrictions from January to March 2020 placed on most commercial pumping upstream along the Barwon-Darling River and northern rivers re-started our parched rivers. Critically, the flows replenished town water, domestic and stock water supplies and other high priority needs along these rivers. While these flows were welcome, they were not drought breaking.

The NSW Government has appointed an independent panel to assess the management of the 2020 Northern Basin First Flush event.

Independent Panel members Dr Wendy Craik and Greg Claydon will make recommendations to improve management of future first flush events, including:

- the communication of water restrictions to water users and the public
- decision making processes, including matters considered when applying the public interest test; and
- how prepared the Department of Planning, Industry & Environment - Water, WaterNSW and the Natural Resources Access Regulator were to manage the event.

As part of the assessment, the Panel will seek information from relevant state and federal agencies. The department expects to receive the final report in early September 2020.

Drought support

Over \$4 billion dollars has been provided to the drought response in NSW. More than \$2 billion is being provided to support primary producers, businesses and communities. A further \$310 million has been announced to ensure that drought assistance is continued into 2020/21.

This package includes interest-free or low interest loans to farmers, plus rebates for carting water and moving stock, and funding for communities to kick start regional infrastructure projects. In recognition of the ongoing impacts of the drought on our irrigators, the Government has again waived fixed water charges for 2020/21.

Since 2016, \$1.019 billion has been committed to 189 water projects, including building and upgrading water storages, pipelines and bores across regional NSW through programs like the \$1 billion Safe and Secure Water program and the NSW drought response.

With the Commonwealth, the NSW Government will deliver over \$1 billion to state significant dam projects, including the upgrade of the Wyangala Dam and Dungowan Dam and pipeline.

Critical State Significant Infrastructure Dams Program

The NSW and Commonwealth governments are working collaboratively to prioritise and fast-track critical water infrastructure projects.

In partnership with the Commonwealth Government, we will provide over \$1 billion to major dam projects including –

- \$650 million to raise the Wyangala Dam wall in the Lachlan Valley, and
- \$480 million for a new Dungowan Dam near Tamworth in the Peel Valley.
- These costs will be shared on a 50/50 basis between the State and Commonwealth Governments.

NSW is also investing an initial \$24 million, on a 50/50 basis with the Commonwealth Government, for detailed investigations into a proposed new dam on the Mole River in northern inland NSW.

To support fast-tracked delivery, these three projects and the Western Weirs program have been declared Critical State Significant Infrastructure in the *Water Supply (Critical Needs) Act 2019* passed by the NSW Parliament in November last year. This will streamline the process for assessments and approvals under the *Environmental Planning and Assessment Act 1979*.

\$245 million has been allocated for the first stage of the program, which will fund the development of business cases for all three projects, as well as pre-construction activities and early works for the Wyangala and Dungowan projects so that construction can begin as soon as possible.

These are progressing to achieve ‘shovels in the ground’ for early works by October 2020 and commencement of construction by October 2021 for the Wyangala and Dungowan projects.

Investing in water security is the highest priority for the \$4.2 billion Snowy Hydro Legacy Fund and other priority water infrastructure projects are also being investigated.

Water Reform Action Plan

The Water Reform Action Plan was the NSW Government's response to a number of reviews in 2017 into water management in NSW. It contained 40 separate commitments, delivered over a 2 year period.

Under the Water Reform Action Plan (WRAP):

- The Natural Resources Access Regulator (NRAR) was established to deliver proactive and reactive enforcement across NSW;
- New rules commenced to improve the standard and coverage of non-urban water meters across NSW, supported by a telemetry system to transmit water take data to government; and
- New solutions were put in place for the better management of environmental water, including rules to protect held environmental water, manage resumption of flows and limit daily water take.

The delivery of the WRAP demonstrates the government is committed to best-practice water management and building public confidence and trust.

Further Water Sector Reform

The NSW Government is pursuing further reforms to improve the function and performance of the NSW Water Sector. The reforms include:

- Enabling government, rather than state-owned corporations, to lead strategic planning
- The creation of Water Infrastructure NSW to provide oversight to infrastructure investment and facilitate
- Clarifying roles and responsibilities between government departments and state-owned corporations
- Enhancing performance of local water utilities and improving water safety and security through improved planning, targeting of investment and strategic direction

State Water Strategy

The need to develop a State Water Strategy for NSW was identified in the State Infrastructure Strategy 2018, where a range of issues were highlighted as needing to be addressed, including that a long-term view must be taken in addressing the management of water resources in NSW.

The Strategy will:

- support the critical needs of NSW industries and communities by ensuring water security and quality of supply
- support regional development and enhance opportunities for promoting a diverse economy
- facilitate a water supply market that is responsive to changing demands
- facilitate financial efficiency in the delivery of water
- protect and maintain the certainty of water rights
- provide the market with opportunities to determine and manage its own risks
- protect the integrity and sustainability of environmental and cultural assets.

A draft State Water Strategy is planned for public exhibition in 2021.

Regional Water Strategies

The NSW Government is developing 20-year regional water strategies across the State. These intend to set the long-term strategy for water management. Regional Water Strategies will help provide long-term, tailored water management solutions for our regional communities by better understanding the opportunities and challenges of each region.

The strategies specifically aim to look at the challenges and opportunities faced by each region and look at ways to:

- deliver and manage water for local communities;
- enable economic prosperity;
- recognise and protect Aboriginal cultural values and rights;
- protect and enhance the environment; and
- deliver affordable policy and infrastructure options.

Accounting for the impacts of climate change in water planning

Regional water strategies will be underpinned by new climate data and modelling that improves our understanding of past climate conditions and plausible climate futures, and the impacts this could have on our water resources. This new climate modelling will consider climate change projections and help provide a more accurate picture of the frequency, duration and magnitude of extreme climate events such as extended droughts.

Water Resource Plans

NSW is responsible for 20 out of the 33 water resource plans required across the Murray Darling Basin.

The NSW Government has spent the past three years working with stakeholders to develop draft water resource plans and to update or replace the associated water sharing plans.

In December 2019, the Government announced that NSW would be delaying its submission of NSW water resource plans until the unprecedented drought conditions NSW is experiencing have improved.

The 11 groundwater water resource plans were submitted to the Murray – Darling Basin Authority on 7 April 2020. The remaining nine water resource plans for our Basin surface water systems were submitted on 30 June 2020.

Water Sharing Plans

Water sharing plans remain the primary statutory instruments for water sharing in NSW, consistent with the requirements of the *Water Management Act 2000*. There are 31 water sharing plans that were replaced or amended as part of the water resource plan development process.

Water sharing plans are a key component of water resource plans. The plans prescribe how water is managed to support sustainable environmental, social, cultural and economic outcomes. They are intended to provide certainty for water users over the life of the plan, which is typically ten years, unless the plan is extended.

Urban Water

The NSW Government promotes continued productivity and performance improvement by regional NSW's local water utilities to improve the quality and efficiency of services to all NSW residents.

Performance monitoring and benchmarking are becoming increasingly important management tools and are required under the National Water Initiative. Performance monitoring provides assurance to the NSW Government that the requirements of the Water Management Act 2000 are being met.

Performance monitoring and benchmarking also provide valuable data for determining the current position and assessing future water supply and sewerage needs for regional areas. This ensures an appropriate focus and targeting of programs to assist local water utilities.

The NSW Government has been providing comprehensive and publicly available performance monitoring and benchmarking of local water utilities for more than 2 decades. The reporting encompasses indicators prescribed by NWI as well as others.

In the past 2 years, the Department of Planning, Industry and Environment has been working closely with local water utilities to implement an online platform for the public reporting and comparison of local water utility performance data.

This is available on the department's website: <https://www.industry.nsw.gov.au/water/water-utilities/lwu-performance-monitoring-data>

Greater Sydney Water Strategy

DPIE Water is developing a 20-year Greater Sydney Water Strategy (GSWS) to guide the effective management of water in Greater Sydney over the next 20 years. The GSWS will replace the 2017 Metropolitan Water Plan (MWP) and reflect the Government's objectives and desired outcomes for a productive, vibrant and more sustainable city as outlined in the Greater Sydney Region Plan - A metropolis of three cities. The Government is concerned with water security, enhancing and enabling economic growth, liveability and community wellbeing, environmental sustainability and improvement. The Strategy will be informed by integrated water cycle management principals to guide major infrastructure planning and investment decisions for Greater Sydney

The GSWS will provide a long-term plan for managing Sydney's water resources over the next 20 years. It will:

- Define and explain the Government's objectives and desired outcomes regarding water management in Greater Sydney.
 - Presenting water management on a whole of water cycle with the aim to make Sydney's water supply security resilient to drought and climate change
 - Reflecting the government's and community's expectations for affordable and reliable water services to support economic growth, community wellbeing, and environmental outcomes
 - Supporting economic growth forecast in the NSW 2040 Economic Blueprint.
- Analyse how different water sources (i.e. rainfall dependent and non-rainfall dependent sources), water conservation and environmental flows can best contribute to meet the Government's objectives and outcomes.
 - Reflecting the design principles and development patterns set out in the Greater Sydney Region Plan

DPIE-Water is collaborating closely with the State-owned water corporations, Sydney Water and WaterNSW to deliver the strategy by mid-2021.

Safe and Secure Water Program

The Safe and Secure Water Program (SSWP) is the NSW Government's flagship water infrastructure program for local water utilities. The program co-funds water and sewerage projects that will improve public health, water security and environmental outcomes for communities in regional NSW.

The program provided funding to the Wentworth to Broken Hill Pipeline and since the establishment of the program, funding has been approved for 168 projects, committing \$688 million across regional NSW.

The program follows the NSW Government's long-term investment in local government water utilities through the Water Security for Regions Program and Country Towns Water Supply and Sewerage Program.

The program was redesigned in 2018 and now prioritises funding to regional communities facing the highest priority risks across three service risks:

1. Water quality
2. Water security
3. Environment

The NSW Government has assessed the services risks for all water and sewerage services to guide the program's risk-based prioritisation framework. In April 2020, the NSW Government wrote to all of regional NSW's water utilities informing them of the water and sewerage service risks prioritised in their LGAs.

As a result of the program redesign the program no longer takes applications for capital funding from water utilities in regional NSW. Rather, the NSW Government works directly with water utilities facing the identified high risks, through the infrastructure delivery stages until the high priority risks have been resolved.

To support water utilities in developing projects, in recognising the differing level of capacity and maturity of water utilities, the NSW Government has increased the level of assistance available to plan for and deliver critical water and wastewater infrastructure.

The NSW Government has also acknowledged the criticality of strategic planning to the successful delivery of water services and infrastructure, and extended the program's funding to Integrated Water Cycle Management strategies. This long-term business planning assists local government water utilities to continue to deliver the water services that their customers expect.

Indigenous access to water and culturally appropriate consultation

There are opportunities to provide better access to water and better engagement in water managements issues for first nations peoples in NSW. NSW is actively seeking new and better ways to involve first nations people in water management and decision making.

NSW undertook culturally appropriate First Nations consultation with 28 First Nations as part of the water resource plan development process. In partnership with the Murray Lower Darling Rivers Indigenous Nations and Northern Basin Aboriginal Nations organisations, NSW took a culturally appropriate, nation by nation approach to obtaining feedback from First Nations people. The

feedback sought included their values and uses, objectives and outcomes for water management within their nation area.

NSW also ensures that key Aboriginal stakeholders, such as NSW Aboriginal Land Council and Local Aboriginal Land Councils are consulted on Aboriginal values and uses of water. The Department also aims to engage and work with Aboriginal-owned and affiliated businesses to provide culturally appropriate engagement and consultation with First Nations groups.

Feedback from the Nation consultations has been positive, and senior Traditional Owners have welcomed this approach as affording a new level of respect.

The NSW Government is committed to best practice First Nations consultation through water reform processes. This approach supports Commonwealth measures to improve Basin Plan outcomes for First Nations people.

Barkandji native title

The NSW Government acknowledges and recognises the significance of the Darling River to the Barkandji people and is making sure the Barkandji people are supported in reform processes currently underway. This includes:

- providing \$300,000 to the Barkandji Prescribed Body Corporate to assist them during 2019/20 to participate in the range of water reform processes underway, as part of a two-year Water on Country project;
- agreeing to provide a further \$300,000 grant for the second year Water on Country project (2020/21); and
- nominating a single point of contact within the Department's Water Group to make engagement as easy and effective as possible for the Barkandji people.

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