Hon Nanaia Mahuta, Minister of Local Government

REPORT ON OVERSEAS TRAVEL: HON NANAIA MAHUTA
Issued 4 March 2019

The following documents are proactively released without redaction:

1. 4/03/2019, Cabinet Minute of Decision CAB-19-MIN-0059, Cabinet Office

2. 4/03/2019, Report on Overseas Travel: Hon Nanaia Mahuta, Office of the Minister of Local Government
Report on Overseas Travel: Hon Nanaia Mahuta

Portfolio: Local Government

On 4 March 2019, Cabinet noted the report from Hon Nanaia Mahuta under CAB-19-SUB-0059 on her travel, from 14 to 16 December 2018, to Victoria, Australia, to investigate the regulatory, service delivery and institutional arrangements for the three waters.

Michael Webster
Secretary of the Cabinet

Hard-copy distribution:
Prime Minister
Deputy Prime Minister
Hon Nanaia Mahuta
Office of the Minister for Local Government
Chair, Cabinet

Report on Overseas Travel: Hon Nanaia Mahuta

I recommend that Cabinet note this report on my travel to Victoria Australia from 14th December 2018 to 16 December 2018 to investigate the regulatory, service delivery and institutional arrangements of Three Waters in Victoria, Australia.

1. Executive Summary
   1.1. The purpose of the visit was to investigate the regulatory, service delivery and institutional arrangements of Victoria, Australia three waters.
       The visit itinerary enabled me to meet with regulatory bodies and water utility providers.

2. Visits
   - **Friday 14th of December**: Australian Department Environment, Land, Water and Planning (DELWP).
   - **Saturday 15th December**: Site visit to Kyneton Water Treatment Plant and meeting with Colliban Water
   - **Sunday 16th December**: Roundtable meeting with Environmental Protection Authority and Essential Service Commission (Economic Regulator)

3. Regulatory Framework
   3.1. Overview of Regulatory and Service Delivery Arrangements in Victoria, Australia

   Drinking water and wastewater services are delivered by 19 statutory corporations (Government Business Enterprises) established under the Water Act 1989. They operate as State Owned Enterprises and are governed by boards, with the chair and non-executive directors appointed by and reporting to the Minister for Water. An annual dividend from entity operations is returned to Treasury.

   Melbourne Water is the only Water Corporation that has a responsibility for storm water. Three companies provide bulk water supply to other water corporations in regional Victoria and Melbourne Water provides wholesale supply to the three metropolitan retail companies and a number of regional businesses.
The State Government owns the infrastructure assets through its statutory corporations. The 19 statutory corporations manage the infrastructure assets. Municipal councils often manage flood mitigation infrastructure.

Consumer representation and protection is provided through the Energy and Water Ombudsman and by the existence of customer service codes/charters that must reflect any standards and conditions set by the Essential Services Commission.

The overarching policy is provided by the Water and Catchment Division of the Department of Environment, Land, Water and Planning. This includes monitoring performance and compliance by the water corporations with a set of sustainability principles, and managing the Victorian Water Register of all water-related entitlements.

The sector is regulated and monitored by three bodies:

- Essential Services Commission, economic regulator, responsible for approving charges.
- Environmental Protection Authority, environmental regulator.
- Department of Health and Human Services, drinking water quality regulator.

Key statistics based on 2016/17 Governing the Victorian Water Industry show that:

- 2.7 million Customers receive services (74% served by the three metropolitan retailers and one bulk water company, with regional water businesses serving the remaining 26%)
- Revenue: A$5.85b, Operational works: A$3b, Capital works: A$1.5b, Borrowings: A$10.8

3.2. Met with Australian Department Environment, Land, Water and Planning (DELWP).

We discussed the interdependencies between drinking water and environmental regulation and the role of institutional arrangements to drive improved health and environmental outcomes. The interface between Federal and State levers in were also discussed as it applied to legislated reform and regulatory powers.

3.3. Site visit to Kyneton Water Treatment Plant and meeting with Colliban Water

This site visit focussed on the approach to water service delivery in a peri-urban rural catchment to understand the institutional arrangements between a service delivery provider and the regulatory regime. We also met with the contract provider of water treatment services for the Kyneton site to discuss in greater detail infrastructure investment arrangements and the relationship with the Water Authority (Colliban) and customer interface.

We spent some time understanding within the Melbourne water context challenges of water scarcity and servicing small rural communities. We also discussed the importance of skills training accreditation and assurance for those working in the drinking water treatment industry. There were other useful insights such as innovation via technology, waste to energy consumption methods, and the historical journey of Melbourne water reform that were discussed in this meeting.
3.4. Roundtable meeting with Environmental Protection Authority and Essential Service Commission (Economic Regulator)

This discussion provided context to the role and function of the environmental water regulator within the EPA and the relationship to drinking water regulation which currently sits within the Department of Health. We also discussed the oversight roles of the Ministers for Health, Water, Environment and Treasurer who hold differing responsibilities for oversight across the water service delivery system. It is evident that the ‘catchment to tap’ focus in the Melbourne context is supported by closed catchment and a focus on source protection.

The economic regulator emphasised that while price settings and the negotiation of 5-year water infrastructure plans is core to the negotiating activity with Water corporations, there is an increasing focus on customer expectations and the interface with the measures around service delivery standards. This is a maturing conversation that has led to a number of improvements across the system.

4. Proactive Release

Our intention is to proactively release this paper in full

5. Recommendations

5.1. I recommend that Cabinet:

5.1.1. Note this report