

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the 2026–27 Budget Estimates**

Melbourne – Thursday 21 May 2026

### **MEMBERS**

Sarah Connolly – Chair

John Pesutto – Deputy Chair

Jade Benham

Michael Galea

Mathew Hilakari

Lauren Kathage

Aiv Puglielli

Richard Riordan

Meng Heang Tak



**WITNESSES**

Harriet Shing MLC, Minister for Water; and

Kate Houghton, Secretary,

Kirsten Shelly, Deputy Secretary, Water and Catchments,

Andrew Fennessy, Executive Director, Water Security and Resilience,

Deb Brown, Executive Director, Water Sector Strategy and Partnerships,

Jesse Rose, Executive Director, Water Resource Strategy, Department of Energy, Environment and Climate Action.

**The CHAIR:** I declare open this hearing of the Public Accounts and Estimates Committee. I ask that mobile telephones please be turned to silent.

On behalf of the Parliament the committee is conducting this Inquiry into the 2026–27 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside of this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome the Minister for Water the Honourable Harriet Shing, as well as officials from DEECA. Minister, I invite you to make an opening statement or presentation of no more than 5 minutes, after which time the committee will ask you questions. Your time starts now.

**Harriet SHING:** Thank you, Chair, and thank you, committee members, for the opportunity to present to you today on the water portfolio. I would like to begin by acknowledging the traditional owners of the lands upon which we gather. We are on Wurundjeri country today, and I pay my respects to elders past and present. I would also like to acknowledge any and all Aboriginal and Torres Strait Islander leaders or emerging leaders who are here today or who are part of the vital work to make sure that as we deliver on *Water is Life*, on the work around our commitments to truth, treaty and reconciliation, we can understand the innate connection between the world's oldest continuous culture and water country.

**Visual presentation.**

**Harriet SHING:** I might take us to the first substantive slide, if I may. Thank you. Water, as people would be aware and appreciate, underpins our economy and our livelihoods. Global cost-of-living pressures, climate change and population growth are placing a lot of pressure on many services across Australia. Despite this, Victoria's water sector continues to deliver the safe, reliable and affordable services that Victorians need to unlock economic opportunity and also to support healthy environments and communities. Our water corporations are investing almost \$4 billion into infrastructure in 2026–27 to service our growing communities. Melbourne's water bills, importantly, remain the lowest of any capital city in Australia – on average \$114 below the next city, Sydney. Our water markets support an irrigation system which underpins \$5 billion worth of irrigated agriculture annually and Victorian jobs and food security. Water corporations are unlocking more homes for Victorians, with 15,998 applications for water connections and 526 development applications processed so far this year. The water sector has been on the ground as well when communities need them, including though the bushfires earlier this year and also in flood response and recovery. I want to thank the water sector for their quick work during the bushfires and floods to support communities, restore essential water services and provide drinking water relief for families.

Next slide, please. Our investment in sustainable water management is also critical to meet these growing strategic challenges, and there is \$707 million over the next four years through the sixth tranche of the

environmental contributions for 2024–28. \$192 million will be rolled out in 2026–27 to support regional jobs, protect waterways and catchment health and strengthen the effective, innovative and efficient use of water resources across the state, including fit-for-purpose recycled and stormwater use. We are making communities safer with priority reforms to flood preparedness and response to better protect communities in line with *Plan for Victoria* and key recommendations of the 2022 flood inquiry. We are backing affordability with rebates to almost 3000 customers in hardship through our community rebate program, saving households \$64 per year on bills on average, with a total estimated water saving of 71 megalitres. We are boosting reliability with \$24 million for integrated water management projects that will improve water security and waterway and landscape health, including at Birdsland, where I was earlier this week with the Member for Monbulk Daniela De Martino, to preserve the significant breeding population of platypus across Monbulk Creek.

Next slide, please. This is all critical to address the biggest challenge that we have, which is water security. Much of Victoria continues to experience very dry conditions, and major storages are now 47 per cent full. The Melbourne storage system's storage levels are currently at 64 per cent. Regionally, Geelong storages are down to 36 per cent as of today. Looking ahead, the Bureau of Meteorology's outlook predicts low to moderate likelihood of above-average rainfall in the next few months.

Next slide, please. But we are planning now to meet future water needs. Modelling by Melbourne Water indicates the region will need an extra 95 gigalitres of water per year by 2030, even with the desalination plant operating at full capacity. Without the desalination plant our supplies would already be at critical levels. The desalination project has contributed 505 gigalitres, or 27.9 per cent, of the Melbourne water storage capacity since 2016–17. We have also ordered 150 gig of desal water for this year to bolster supplies. Since 2016 it will have contributed more than 655 gigalitres of water, equivalent to 415 MCGs. The Melbourne–Geelong pipeline, completed late last year, is also increasing water security for Geelong, which would be on water restrictions now but for that work. The every drop counts campaign, the water security plan and the expert water security task force will also inform investigations.

The Murray–Darling Basin is the next slide I do not have the opportunity to go to, but Ms Benham, I am looking forward to discussing it.

*Members interjecting.*

**The CHAIR:** Thank you. We will go to Ms Benham. I can hear the excitement.

**Jade BENHAM:** I am excited. Thank you, Chair. Welcome, fellow water people – it is lovely to have you – and welcome back to this portfolio, Minister.

**Harriet SHING:** Thank you.

**Jade BENHAM:** Let us start by talking about the Murray–Darling Basin plan then. I was reading the executive summary to the Victorian government's submission to the plan review, and some of those points in there are critical, so thank you for that – and thank you for your work in this portfolio in Victoria's interests in the plan. Can you tell me if the government has secured any funding support associated with the Commonwealth's \$300 million voluntary water buyback program under the restoring our rivers initiative?

**Harriet SHING:** Thank you, Ms Benham, and thank you for the opportunity for me to reinforce Victoria's position. We remain opposed to non-strategic buybacks –

**Jade BENHAM:** Hear, hear!

**Harriet SHING:** on the basis that they cause and sustain significant socio-economic damage to areas of the state which are also Australia's food bowl, particularly where Victoria has continued to do heavy lifting when it comes to the return of environmental water to some of the most stressed river systems in Australia. The basin supports towns and food production that underpin so much of our national economy. This is where the strategic approach that was outlined in our prospectus has been really of key importance to making sure that the Commonwealth is aware of opportunities to move in a strategic direction into the future to make sure that we have got sustainable environmental outcomes that also support resilient regional communities and economies.

You have seen from the submission that we have made to the basin plan review that we have called for an immediate and permanent end to non-strategic water buybacks; acknowledgement of the missing chapter and critical role that irrigation plays in the basin; recognition of local knowledge and lived experience; improved environmental outcomes; recognition of First Peoples' rights; stronger action to adapt to climate change; and a transition plan for incomplete SDLAM projects

**Jade BENHAM:** So are we getting more funding?

**Harriet SHING:** Yes. This has supported Victoria to secure \$120 million for the Coliban rural water efficiency project; up to \$132 million for the Broken reconfiguration project, built on many years of community-driven discussions; over \$40 million to deliver restoring flows to the Mallee floodplain; almost \$1.4 million for stock and domestic feasibility studies, and that sits on top of over \$19 million to implement the Murray–Darling Basin plan and over \$100 million to progress – I have to be careful not to use all of the abbreviations that we all know within the water space – the Victorian Murray floodplain restoration project at Hattah Lakes North, Nyah and Vinifera.

**Jade BENHAM:** You can use them here in the interests of time.

**Harriet SHING:** Thank you.

**Jade BENHAM:** I get it; it is fine. We could talk about this for hours and we have got less than 5 minutes left, but what assessment has the government undertaken on the impact that further water buybacks could have on Victorian irrigators, regional economies and agriculture production?

**Harriet SHING:** We have continued, following initial work that was undertaken as part of the Frontier Economics report that was tabled back in 2024, to deliver on research to understand not only what the impact of non-strategic buybacks does to communities in monetary terms but also what it means for job losses, and we continue to do that work. That is also set out in the submission that we have referred to in the course of the basin plan review, so in the interests of time, I will refer you back to that.

**Jade BENHAM:** Great. Excellent. Thank you so much. Can you confirm that – I was going to say ‘we’ – Victoria has already surrendered more than 22 per cent of the high-reliability water entitlements in the southern connected basin through previous Commonwealth buybacks?

**Harriet SHING:** We have previously returned water through Commonwealth buybacks in earlier rounds prior to the Murray–Darling Basin plan and to the most recent reforms and those non-strategic buybacks that have occurred under this and the previous Commonwealth government. So, yes, we had buybacks that initially caused significant damage, which was the basis for the research around what the impact of those buybacks was.

**Jade BENHAM:** So 22 per cent or more than that – i.e., Victoria are doing the heavy lifting here, and New South Wales need to step up.

**Harriet SHING:** I take that as the point that you are driving here, Ms Benham, but I do just want to note that under the current buybacks – this is according to the Australian government's data – as at February this year 78.4 gig of water has been agreed or contracted to be recovered from Victoria. We have contributed 41 per cent of the open tender water purchases agreed or contracted to date, and of these Victorian transfers, 62.1 gig are high-reliability water shares, and the socio-economic impacts of buying that back are far greater than low-reliability shares.

**Jade BENHAM:** I might go to the very last one. Does the government then accept – I think I know the answer to this – that rising irrigation water prices caused by buybacks, amongst other things, are increasing pressure on agricultural production costs and regional farm viability?

**Harriet SHING:** We know that the impact of any upward pressure on costs for production has an impact further downstream, whether it is at the farm gate or as far as supply chain and delivery.

**Jade BENHAM:** And at the supermarket shelf.

**Harriet SHING:** Well, that is the end product. Again, this is where one of the things that we have continued to do, including through the prospectus and through that strategic plan and proposal, is to identify how we can

return environmental water in accordance with the principles and the objectives of the Murray-Darling Basin Plan, whilst also minimising the socio-economic impact upon communities. We also know that return of environmental water, when done well, means we can get better environmental outcomes without using as much water, so there is a significant benefit to be had there. We will continue to work alongside the Commonwealth. The legislative framework that exists at a Commonwealth level exists; we cannot do anything about that. What we can do, however, is make sure that we are continuing to advocate to the Commonwealth and that the Commonwealth is clear about their understanding of our ongoing opposition but that we do want to collaborate to make sure that Victorian communities get as much support as possible as this process occurs and that as the process occurs it happens in an equitable way and in a way that minimises socio-economic impact.

**Jade BENHAM:** Great. That advocacy – can you tell me what you are advocating for instead of direct entitlement buybacks from productive agricultural communities?

**Harriet SHING:** Have a look in the submission again that we provided to the basin plan review. That is probably, in the very limited time that we have available, the best starting point for the work that we have undertaken to date and what we would like to see happen into the future.

**Jade BENHAM:** Excellent. I do have another 7 minutes very soon, so we might even come back to that and talk about –

**Harriet SHING:** I look forward to it, Ms Benham.

**The CHAIR:** Thank you. Mr Galea.

**Michael GALEA:** Thank you, Chair. Good afternoon, Minister, Secretary and officials. Minister, I would like to talk about financial sustainability of water corporations, specifically budget paper 4, chapter 3, in its entirety in fact, where we can see that water corporations are investing approximately \$4 billion in capital works over the coming financial year. How is this being financed?

**Harriet SHING:** Thank you, Mr Galea, for that question. Water corporations' prices and water prices are regulated by the independent regulator. The Essential Services Commission is the entity that sets those water prices. Water corporations forecast what their expenditure and debt requirements are, and that is reflected in the price review process and financials that are then reported through annual reports. Now, debt plays a really important role in enabling water corporations to finance that long-term investment, and that ensures that the cost of capital is shared by all customers that benefit from that asset across the life of the asset. So taking on debt, with its gradual payback, actually allows for the cost to be smoothed so that the customer bills do not vary significantly from year to year. As I said earlier, our water bills are the lowest of any capital city around Australia – \$124 below Canberra, \$156 below Sydney, which are the next-lowest capital cities. Again, this pricing process is about making sure that we are balancing the need for investment in infrastructure and how to deliver that over the long term, whilst also maintaining affordability in water pricing.

**Michael GALEA:** Minister, have the returns to government affected these capital investments in any way?

**Harriet SHING:** Governments over decades have invested in the initial vital infrastructure that our water corporations need to deliver that safe and reliable and affordable water to our homes – that is not a new concept. Dividends and capital repatriation allow us to return that investment to taxpayers and also to support the programs that Victorian communities rely on that support schools and hospitals and public transport. A dividend is only paid out of profit, so this is after the delivery of new water and wastewater infrastructure where it is needed most. That then assists the state as we grow to ensure that our water and wastewater infrastructure is safe and sustainable. These matters are then reported through budget papers and annual reports. But dividends and capital repatriation do not impact prices and capital investment or result in any increases to customers' bills, so that is a really important thing to underscore here.

**Michael GALEA:** Thank you, Minister. Page 242 of budget paper 5, under 'Public non-financial corporations' dividends, talks through each individual metropolitan water company's dividends and shows no payment on the part of Greater Western Water. In our financial performance outcomes hearings last year we discussed this quite a bit with department officials in terms of their recent billing challenges. Are those billing challenges the reason why there is no dividend this year?

**Harriet SHING:** Well, it is really clear that Greater Western Water has failed to meet customer expectations. That is why we commissioned an independent review that was about understanding what had happened so that we can prevent it from happening again and so that we can also understand the magnitude of the problem. There is new leadership within Greater Western Water that has been very clear in apologising to customers, accepting all of the recommendations of that review and reaffirming its singular focus on delivering a return-to-service plan and also rebuilding trust with customers and the community. As Greater Western Water has said, Greater Western Water is paying for this. There will be no increase to customers' bills, and there are legislative obligations to report on finances through the annual reports.

Greater Western Water's annual report in 2024–25 indicated that the Treasurer had provided a letter of comfort to Greater Western Water. Letters of comfort are not sitting idly in bank accounts as large cheques; they are actually directed to where they receive the best outcome and return to Victorians. Water corporations also have access to short-term borrowing arrangements, and the Essential Services Commission accepted a \$130 million enforceable undertaking from Greater Western Water. That is the largest enforceable undertaking the Essential Services Commission has ever accepted. Through that undertaking, Greater Western Water is providing \$55 million in redress credits to customers who have experienced prolonged delays, waiving \$75 million in unbilled charges from 2024 and improving communication with customers, as one could reasonably expect.

Customers who are experiencing hardship or are unsure about their bills, though, should contact Greater Western Water. The number for the purposes of anyone who wants to pass this on is 13 44 99. There is also in-person support that is available in Greater Western Water's Footscray and Sunbury offices. There are ongoing supports around extended payment arrangements and also hardship and utility relief grants. So there is a lot of work for Greater Western Water to do, but again, the steps that are being taken are in the right direction, and I am assured that there is a commitment to long-term change and improvement to acceptable standards.

**Michael GALEA:** Thank you, Minister. At the risk of delighting my colleagues to my left, I would also like to ask you about the Murray–Darling Basin plan, specifically budget paper 3, page 27, which outlines a number of investments and output initiatives in this budget which do seek to support communities in the face of the very damaging Commonwealth push for buybacks. Minister, how will these initiatives support these basin communities?

**Harriet SHING:** Yes. Thank you. I will reiterate with the time I have available a lot of what I have said to Ms Benham and direct you to those answers. We have put an alternative plan to the Commonwealth with the *Planning our Basin Future Together* prospectus, and that has then enabled us to secure funding for prospectus projects, so that was the Coliban rural water efficiency project, the Broken reconfiguration project and restoring flows to the Murray floodplain.

**Michael GALEA:** Thank you, Minister. Indeed this is a very important issue for many northern Victorian communities, as we have already been through and as I am sure Ms Benham will be taking you through again in just a few moments time.

**Harriet SHING:** Thank you so much.

**Jade BENHAM:** Does that include funding for a new Mildura weir? Because that is in the pipeline too, isn't it?

**The CHAIR:** Thank you. We are going to – is it to Ms Benham?

**Jade BENHAM:** Sorry, yes. Okay, back to me. Thank you. That 78 gigalitres we were talking about before purchased from Victoria – can you tell me whether any of that was purchased from the large water portfolios?

**Harriet SHING:** Can you just provide a bit more context?

**Jade BENHAM:** There was the 78 gig that you were talking about before that were purchased in that first round of buybacks. Can you disclose whether any of that was purchased from the big water portfolios that may or may not have an AUL?

**Kirsten SHELLY:** We might have to –

**Jade BENHAM:** Come back to me on notice? That is okay.

**Jesse ROSE:** The source of truth for the purchases that the Commonwealth have undertaken is the Commonwealth government's AusTender website. They will have the details there of the contracts that they have struck, so that will likely be the best source of information around who the sellers were.

**Jade BENHAM:** Okay. We cannot get any more information than that?

**Jesse ROSE:** Not beyond what the Commonwealth are publishing themselves.

**Jade BENHAM:** Okay. The other question I had on that is probably Commonwealth related, so as much as I would like to continue discussing the Murray–Darling Basin plan and some of the big projects that are going online –

**Harriet SHING:** I am always here for you, Ms Benham.

**Jade BENHAM:** Terrific. We should also recognise the work of the Mallee catchment authority too. Jenny Collins and James there do an amazing job.

**Harriet SHING:** All of the CMAs and the water corporations do a phenomenal job, absolutely.

**Jade BENHAM:** I deal with mine; they are brilliant. I just wanted to get that on the record. Minister, I want to talk about water security demand planning and future water supply. Page 18 of the 'Department Performance Statement', table 4, shows funding for water and catchments decreasing from a revised budget of \$329.7 million in 2025–26 to \$302.9 million in 2026–27. Can we explain why funding has been reduced despite growing pressure on Victoria's water system, as we just saw in the slide presentation? I am happy to take that answer from anywhere.

**Harriet SHING:** We are investigating all of the viable options that are available to us to maintain our supply. The water security plan is a really big part of that work, and investigations on that will be informed by an expert bipartisan approach. We have got former water ministers Lisa Neville and Peter Walsh, again showing that joined-up approach, and industry expert Dr Jane Doolan as well. We do have taskforce findings that are due to be provided to government in March 2027, and in investigating these options we will evaluate the best available data and the insights around how we can provide investment decisions around future water supply sources. But again, I just want to be really clear around the fact that the taskforce needs to complete its investigations, and their decisions and their investigations, recommendations and findings will guide outcomes or any mix of options that might be considered into the future.

**Jade BENHAM:** Like an another desal plant potentially?

**Harriet SHING:** The Water Security Taskforce does need to complete its work. But to go back to some of the comments that I made in my opening remarks, the desalination plant is providing a really significant volume of water into our system. 27.9 per cent of our water supplies are coming from the desalination plant, so a quarter of this glass of water is coming from the desalination plant. So we do need to make sure that we understand what water security looks like and also how we need to innovate, but that is work that the taskforce needs to be able to do in order to come up with those options.

**Jade BENHAM:** With the data centres, the proposed data centres across metro Melbourne, what assessment has been done for future water demand? Because they use a lot of water. What assessments have been done there with water availability and water security?

**Harriet SHING:** Thank you for that question. Data centres are just like any other large water user: we have to make sure that we are ensuring water supply and security for drinking water is not affected.

**Jade BENHAM:** Or irrigation water – just saying.

**Harriet SHING:** Again, irrigators and large-scale primary producers are also part of that work, so I just want to be clear about that. Data centres will not proceed if they would compromise existing caps on extraction or also service reliability for existing customers. We also know, though, that many data centres use those closed-loop systems, and they have also got net zero water commitments as well.

Technology is continuing to evolve around how data centres are developed and delivered and the technology that underpins their operations. We do support data centre investment – we have been very clear about that – but we also need to make sure that we are managing the water, energy, land use and community impact, and our expectation is that Victoria’s urban water corporations will work with all large customers, including data centres, to incorporate what that best practice looks like in design and in supply and then also what alternatives look like around recycled water.

**Jade BENHAM:** Great. Has the department undertaken any modelling on phantom-demand scenarios, where multiple large-scale developments are proposed but only a portion ultimately proceed, potentially distorting long-term water infrastructure planning?

**Harriet SHING:** Are you talking specifically around data centres or more broadly?

**Jade BENHAM:** No, more broadly. Data centres is a great example, but there might be other large-scale proposed developments.

**Andrew FENNESSY:** Yes, data centres are a good example of that. It is actually the water corporations who receive the application, so they are the ones that look to process it. But we do know in the case of data centres, sometimes they might get, you know, even five or six applications for the one site for development. So we need to be very careful that they are not extrapolating that number from what the demand is going to be on the system. That is why it is imperative that the water corporations work early with the data centres when they come in to actually identify what the true demand is within the system there.

**Jade BENHAM:** Yes. Great. Can we go back, in the 20 seconds I have got left, and talk about a new Mildura weir. Is that planning in the pipeline?

**Harriet SHING:** I was in Mildura the last time I had the portfolio, talking about exactly this matter, Ms Benham. There are always projects happening around the state to make better use of waterways and riverine environments, whether that is for the visitor and tourism economy, whether that is for First Peoples or for industry or for primary production. I would welcome an opportunity to talk with you further.

**Jade BENHAM:** Great. Come to Mildura.

**Harriet SHING:** Again!

**The CHAIR:** Ms Kathage.

**Lauren KATHAGE:** Thank you very much, Chair, minister and officials. I want to talk about budget paper 3, page 27. There is information there about VMFRP projects and that they must be complete by the end of the year. Are they on schedule?

**Harriet SHING:** Thank you, Ms Kathage. I am really delighted about the opportunity to be able to talk about what we are doing up north. It does not get enough coverage or discussion, and I know that we may seem flippant in our enthusiasm about this, but it is so essential that people are across what is happening further up near the border. We have secured \$100 million of Commonwealth investment. That is about restoring the health of those critically important floodplains at Hattah Lakes North, Nyah and Vinifera. That will provide around 7.5 gig of water recovery and deliver that regional employment. That means better environmental outcomes and also more water remaining in the system for basin communities and farmers. Works are on track to be constructed by the end of 2026; that is in line with federal legislated timelines. And two regional Victorian construction companies have been engaged to deliver those works, and that then in turn delivers local jobs and provides that economic boost to Murray townships and surrounding regional communities.

**Lauren KATHAGE:** Thank you. And I can see on the same page that there is funding for both constraints and what we have just been speaking about. So what is the difference between the two?

**Harriet SHING:** Thank you. Constraints alone cannot actually meet the frequency and the duration of the flooding required for the environmental health of these floodplains, so for constraints to achieve the same environmental outcomes as the VMFRP there would be significant flooding that would impact upon towns and properties along the river, so we need to calibrate that really carefully. Any decisions about whether to commit to full implementation need to really properly understand what those benefits and costs and risks look like.

Anybody who lives in any riverine environment will know what the high-water mark looks like along trees and why it is important to make sure that we understand, appreciate and mitigate those risks.

We have secured \$8.8 million of investment from the Commonwealth government in two years to build on that really extensive technical and policy work that was published by Victoria in June 2024 as part of that constraints feasibility study. That is funding that will also ensure construction of permanent environmental works. That is to allow site-specific environmental watering. When we do environmental watering we are enabling water to flow really gently over the landscape. That then means that we get the environmental benefit without those high-water marks because of flooding. Ryan's Lagoon in north-east Victoria is a really good example of that. But, again, we are not going to flood private land without landholders' consent or compulsorily acquire land or easements for the purpose of this project.

**Lauren KATHAGE:** Okay. Thank you. I would like to take us back to the water security plan that we have been discussing. It is referenced on page 39 of the questionnaire. But for the benefit of the committee, can you just sort of outline what this plan is and how we are managing falling water storage?

**Harriet SHING:** Yes. Thank you for that question. And again, this is something which I think deserves much more community awareness and public discussion. As at today's date, our water storages across Victoria are 47 per cent. After three years of La Niña and those really significant falls, we are now heading dramatically in the other direction. Melbourne's storage levels are at 64 per cent. Our water storages across Melbourne have dropped 24 per cent in two years. This is the largest drop since the millennium drought. As people would remember, we were down to silt in our storages at that point in time. So without the desalination plant, Geelong and Melbourne would be on water restrictions. That is a plant that, as people would remember, was howled down as excessive and unnecessary, and we are relying upon it in order to avoid water restrictions. The Geelong pipeline, Melbourne–Geelong, is providing up to 60 per cent of Geelong's demand, so without that, Geelong storages would be at just 6.7 per cent.

**Lauren KATHAGE:** It is crazy.

**Harriet SHING:** The desalination plant has contributed an enormous volume. I did describe it in MCGs before, which is a somewhat challenging thing for me to do, given that sport is not my forte, but it has contributed 505 gig already and by mid next year it will have contributed 655 gegalitres. Yes, it is 415 MCGs. But these orders are actually a really ordinary part of the way in which we are supplying drinking water, not just in Victoria or around Australia – globally, there is an increasing reliance upon desalinated water. It is also about supporting populations as they grow and providing a measure of protection against the impacts of climate change. We also need to make sure that this fits in with the work we are doing as a government across multiple jurisdictions. Working within the water security plan, it is important to investigate what those options look like for augmenting our water supplies to meet this task of forecast gap in demand.

The infrastructure that we have is also necessary to prevent and avoid permanent 3A water restrictions, and increasing and expanding the water grid, for example, to Cape Paterson, Inverloch and Wonthaggi was an important part of making sure we could address that shortage in demand. This is happening all over the state. But a bipartisan taskforce, as I mentioned in response to Ms Benham's question earlier, is a big part of making sure that we can have those answers, those investigations and those options around acuity of need and also where and how we might develop and deliver solutions, including in partnership with the Commonwealth. The Make Every Drop Count campaign is another really important example. How do we reduce our consumption? How do we conserve what we have? How do we augment supply? And how do we plan for the future? These are all of the questions that guide integrated water management, good stewardship and that overarching plan that involves all levels of government, CMAs, water corporations, DEECA obviously and the work of policy direction.

**Lauren KATHAGE:** And greater public awareness.

**Harriet SHING:** Absolutely.

**Lauren KATHAGE:** Thank you, Minister.

**The CHAIR:** Thank you. We are going to the Deputy Chair.

**John PESUTTO:** Thank you, Chair, Minister and officials. Minister, can I take you to page 63 of budget paper 5, please. Minister, can we establish for our viewing audience that water authorities sit within what we call the public non-financial corporation sector?

**Harriet SHING:** Yes.

**John PESUTTO:** And can you see there in the net debt figure table 2.2 at the bottom of the page the revised figure for net debt of the public non-financial corporation sector, which comprises for the most part water authorities? Net debt for this current financial year is \$30.1 billion, and it increases steadily to the estimate in 2030 of net debt for the public non-financial corporation sector of nearly \$50 billion. Minister, I put it to you that particularly in light of your comments before about debt, that represents nearly a 70 per cent increase in net debt across the water sector and other entities within the PNFC in four years. Can you please tell Victorians who pays for that debt and who pays for the interest on that debt if not Victorians and in particular water customers?

**Harriet SHING:** Mr Pesutto, I might take this opportunity to talk you through the way in which dividends and capital repatriation and debt operate.

**John PESUTTO:** I have not come to dividends yet. I will. I just want to know about debt.

**Harriet SHING:** I am wanting to perhaps –

**John PESUTTO:** You talked about debt and water authorities taking on debt – okay. But I am trying to establish for Victorians that that has to be paid for. Who pays for it?

**Harriet SHING:** This is where long-term investment is something which we address, as I indicated in my answer to Mr Galea – a smoothing of the cost of capital so that we share that across all customers.

**John PESUTTO:** It is not a smoothing, Minister, it is an explosion in debt. That increase in debt across the water sector is nearly three times or more the rate of increase in the growth of debt in the general government sector. It is three times worse than it is in the general government sector. Don't you have concerns that this level of debt is going to have a number of effects, including higher water prices in the future and less investment in infrastructure? Because the burdens of that debt are enormous.

**Harriet SHING:** Mr Pesutto, debt has a really important role to play in enabling water corporations to finance that long-term investment in infrastructure that they rely upon, that we rely upon. The work that we are doing to ensure that we have adequate infrastructure, that we have adequate supply, goes to all of the things that I have just discussed in answers to previous questions. When we talk about water prices – and I want to be very, very clear about this – I want to ensure that you are aware that the Essential Services Commission sets prices for water. It is not done by water corporations. The work of dividends, capital repatriation and water pricing is not something that impacts upon or results in increases to customers' bills.

**John PESUTTO:** How could it not?

**Harriet SHING:** Because they are set independently by the Essential Services –

**John PESUTTO:** It is coming out of the coffers of our water authorities.

**Harriet SHING:** It is set by the Essential Services Commission, Mr Pesutto.

**John PESUTTO:** Is there a money tree that we do not know about somewhere in the state of Victoria, Minister? Because how do you pay for this if not through higher bills and poorer infrastructure?

**The CHAIR:** Deputy Chair, the Minister is answering you quite clearly.

**Harriet SHING:** Mr Pesutto, Melbourne's water bills – I have said it before; I will say it again – are lower than any other Australian capital city. Melbourne's water bills are \$124 below Canberra, \$156 below Sydney –

**John PESUTTO:** But interstate the water authorities do not have this kind of debt profile, Minister.

**Lauren KATHAGE:** It is not just water authorities, though.

**John PESUTTO:** No, it is not, but it is the most part. Other states do not have water authorities that are so badly leveraged as to have nearly \$50 billion in net debt within four years.

**Harriet SHING:** I am going to take that as an expression of opinion, Mr Pesutto. The Essential Services Commission, as I have just outlined, sets water prices by reference to a range of criteria. It sets prices to recover the cost of investments, but it also takes the cost of finance into account. In setting those water prices, as the ESC has determined, those levels continue to be the lowest water prices of any capital city in Australia.

**John PESUTTO:** But who is paying for this then, Minister?

**Harriet SHING:** Now, that then ensures that we have an appropriate balance struck between the bills that customers receive, affordability and service delivery and then also financial sustainability. When future customers get the benefit of the investments in infrastructure that are being made now, that is also reflected in the cost of finance and what that looks like for delivery of that infrastructure. Now, as a further safeguard, the Department of Treasury and Finance also sets a limit on how much a water corporation can borrow in a financial year, as you would be aware, which generally aligns with that forecast view of capital expenditure in the course of that year.

**John PESUTTO:** Thank you, Minister. Can I just ask, given the earlier discussion with Ms Benham and your presentation: can you rule out for Victorians any scenario in the next 12 months or in the 12 months following where any existing water restrictions will be tightened or any other water restrictions will be introduced? Can you assure Victorians there will not be any need for any decisions on that front?

**Harriet SHING:** You are asking me, Mr Pesutto, to forecast the weather.

**John PESUTTO:** No. Have you had any advice? On the advice you have received, obviously, can you say that there will be no change to the current settings around water restrictions?

**Harriet SHING:** What I would say, Mr Pesutto, is because of our interventions – because of the largest possible order being placed from the desalination plant – we are in the best available position to safeguard ourselves against water restrictions. We would already be there, Mr Pesutto, in Melbourne and in Geelong. We safeguarded –

**John PESUTTO:** But there is no possibility in the next 12 months?

**Harriet SHING:** through previous years with quick-fill, quick-drain areas of –

**John PESUTTO:** Sure, but is there no possibility of any change to water restriction settings in the next 12 months?

**Harriet SHING:** Again, we are managing what appears to be, based on long-term forecasts, lower than average rainfall. If you are asking me to predict the weather, Mr Pesutto, that might be a skill set you have; it is not one that I am equipped with.

**The CHAIR:** Thank you. Mr Tak.

**Meng Heang TAK:** Thank you, Chair, Minister and officials. Further to Ms Kathage's question, Minister, page 34 of the department questionnaire references the drought support package. What is being done in the water portfolio to support drought-impacted communities?

**Harriet SHING:** Thank you. This actually builds on the conversation that we have been having. Again, we have a very good understanding of the likely trajectory of where we are heading based on climate information, based on the scenarios for longer term modelling done by technical experts with far greater capacity to make these informed opinions than me. But we are continuing to deliver on drought support for affected communities, and the drought taskforce established by the Premier has been really central in this work. That includes \$25 million in water sector initiatives.

We have got a network of about 300 emergency water supply points, and that is about making sure that we are addressing the need for carting, for emergency stock and for domestic purposes in times of shortage. There has been \$5.5 million allocated to review and upgrade the emergency water supply points and also to facilitate

access to unutilised groundwater and those bores under the Farmer Helping Farmer program. We are also working to explore the Dilwyn aquifer to strengthen water security at that really critical point of the food bowl at Heytesbury through the feasibility study. This is about improving access to emergency stock and domestic water supply for those regional Victorians. And we have turned the sod on an 80-kilometre extension to the East Grampians rural pipeline. That is backed by \$15 million in investment from the Allan government and also \$15.6 million from Grampians Wimmera Mallee Water. This is about providing that really vital relief to communities.

People who live in and around waterways are increasingly used to too much and too little. The challenges are that we are seeing volatility in climatic conditions that mean that flood preparedness is as essential as planning for long-term reduction in groundwater or rainfall and reduced levels there. We want to make sure we are partnering with communities, then, to ensure that sustainability is at the heart of the decisions that we are taking, and this is where we have got ongoing work in consultative committees – the work with our CMAs, the western region sustainable water strategy, which again is about making sure we can kickstart those conversations in the west. We know that the challenges are not going anywhere. It is about how we respond to them.

I might go back to a question that Mr Pesutto raised around the forward estimates. There is a difference between weather and what might happen in any one year – in any one season as you sow or as you harvest – and climate, what the trends are into the long term. The climate of a diminishing supply means that the themes, despite variations from year to year, mean that we can and should be taking decisions to reduce consumption, to improve availability, to shore up security and to have those infrastructure projects in place that manage and accommodate, for example, population growth. This means engineers – those assessments and that technical on-ground work – are really important. And this has enormous environmental benefit as well when we are investing in those projects, however small they may be – as I mentioned earlier, safeguarding one of the smallest remaining populations of platypus' breeding area in the Monbulk Creek because we are investing in an automated wetland that basically means we can release water when it is dry and we can hold water back for storage when it is wet and we get deluges through, for example, the Dandenong Ranges.

It is those projects that enhance the work that is already happening on the ground and that deploy technology. Often it is pretty rudimentary – it is solutions that involve pumps on the ground – but it is also work that is informed by data. It is evidence backed. This is where we know that where we do that work, we are safeguarding some often really fragile environments. We are ensuring that we have got sustainability. Livability, though, also means that people can go out and spend time in and around waterways that, again, contribute enormously through flora and fauna preservation. There are opportunities to manage encroachment and delivery of new community infrastructure but also in a way that balances what it is the environment needs and what we need to do to continue to support it.

**Meng Heang TAK:** Thank you, Minister. Also, as you mentioned in your presentation, and it is reflected in budget paper 4, from page 83 onwards, we can see that significant amounts of capital investment are being delivered by Victoria's water corporations. We also know that a key piece of delivering more houses for Victorians is not just building houses but delivering the enabling infrastructure for those houses, including sewerage and water. Minister, can you take us through what the water sector is doing to support delivery of more housing?

**Harriet SHING:** Yes. Thank you. There is about \$3.6 million in investment across capital works for the next financial year alone. That then means that almost four – sorry, I said 'million', didn't I? It has been a long morning. It is billion – \$3.6 billion in water infrastructure capital works. That takes us to almost \$4 billion on top of that for the next financial year. We want to make sure that Victorians are able to get into a home faster, and that then means that connections and that essential infrastructure are important. Melbourne Water is processing over a thousand applications every month, and we also know from the Commonwealth budget that investment in that essential and enabling infrastructure is going to facilitate the delivery of more housing. Melbourne Water's public reporting on their performance in processing development applications shows that at least 90 per cent of applications are completed within service standards, and that has been really important around the streamlined development and delivery work that they have done. That includes identifying flood and drainage requirements early, and that has therefore reduced delays. We have also got new practical guidance that has been delivered through a range of systems, including a flux clarifying the assessment of floodwater flows. We want to make sure that decisions are consistent, so over 36,000 housing lots were enabled by

Melbourne Water in 2025 and more than 11,000 were enabled this year. All of that translates into more people into their homes sooner.

**Meng Heang TAK:** Thank you, Minister.

**The CHAIR:** Thank you. Mr Puglielli.

**Aiv PUGLIELLI:** Thank you, Chair. Good afternoon, Minister and officials. Starting on budget paper 3, page 27, the Environment Protection Regulations 2021 changed wastewater regulations so that industries are now self-auditing the wastewater that they send to Melbourne Water. I understand that since then levels of solids such as grease and fats in wastewater have skyrocketed, which means that Melbourne Water is now treating far higher levels of solids than it was doing previously. Regional projections from Melbourne Water for increased solids in wastewater by 2050 have already been overtaken as a result of the shift to self-auditing. I understand upgrades to equipment to keep up with this demand are projected to cost over \$300 million, and many expect this cost will likely be pushed onto home owners and businesses in the form of increased rates. Can I ask: what is the department doing to rectify this dangerous situation?

**Harriet SHING:** Thank you, Mr Puglielli, for that question. In a moment I am going to throw to Ms Brown, who is an expert in these matters, but I do just want to note that we are encouraging innovation to make sure that we have got valuable products being developed as part of a circular economy, so what was once considered to be a by-product without purpose or capacity to be deployed is now valuable indeed. The water minister's climate innovation challenge is one of the examples where we are providing really targeted competitive grants to water entities to be able to deliver the solutions that tackle the impacts of climate change but also the issues that you have raised. We will be continuing to seek those solutions that transform how biosolids are managed and utilised. That is about reducing emissions, recovering resources and addressing those contaminants of concern.

Again, I just want to use this as an opportunity: people need to make sure that they are not flushing oil or fats, that they are not flushing wipes. We have in the system what are known as fatbergs. They are these giant masses that cause all sorts of problems. They are enormous masses that are avoidable and preventable if people are not putting things into waterways that do not belong in waterways. That is a really important thing to note. Please make sure that you are only using your sinks and taps for the purposes for which they were intended. Ms Brown, with that public service announcement, I might throw to you.

**Deb BROWN:** Thanks, Minister. I would just add last year that there were updates to trade waste regulations, which articulate the arrangements by which people can put matters into the sewer, and that is often to ensure that that occurs in a way that the system can be sustainable. So there are obligations on individuals to ensure that they are not putting matters into those sewerage systems that are not appropriate, so we do have updated regulations in relation to that. And it is the expectation of the water corporations that they have those conversations with their customers around ensuring that what they are putting into that system is compliant with those regulations.

**Aiv PUGLIELLI:** Thank you for that information. They are still self-auditing, though, correct – the wastewater that they are sending to Melbourne Water – is that correct?

**Deb BROWN:** A customer is obligated to ensure that what they are putting into the system is consistent with those regulations.

**Aiv PUGLIELLI:** Okay. But is that process self-audited?

**Deb BROWN:** I am not quite sure what you mean by self-audited.

**Aiv PUGLIELLI:** So the companies themselves are auditing the wastewater that they are sending in, is that correct, or has that since changed?

**Deb BROWN:** I do not have that in terms of an auditing arrangement.

**Harriet SHING:** We can see what we can get you in terms of what the arrangements are.

**Aiv PUGLIELLI:** My understanding is that changed in 2021, and we are talking about resulting effects since that change came into effect.

**Harriet SHING:** Why don't we see what we can get you around what has changed since the timeframe that you have referred to –

**Aiv PUGLIELLI:** Yes. That is all right. That is much appreciated.

**Harriet SHING:** because it is out of the window that we are talking about here.

**Aiv PUGLIELLI:** And if I can follow that one up. Are there any plans to make further regulatory changes over the forward estimates so that these companies are no longer allowed to self-audit their wastewater?

**Harriet SHING:** We have some pretty stringent standards that do apply around what can happen and what cannot and also what happens if there is a breach. So again, there are not any plans that I am aware of. I am not going to make any announcements here today in terms of any change to policy or to direction. But there is oversight. There are auditing functions and there are penalties for breach, and action can be taken where there is persistent breach, including as that may offend various provisions of different legislative arrangements. Do you want to add anything, Deb?

**Deb BROWN:** Yes, I was just going to make the additional comment that there is the general environmental duty, which is under the EPA arrangements, that speaks to the expectation of individuals to behave in a certain way in relation to the environment. In addition to that, we do have those trade waste agreements and regulations that set standards above that, particularly when putting materials into sewerage systems. So it is important to note that there is more than one regulatory arrangement by which the management of products into the system is managed and those expectations on individual customers meeting those trade waste regulations and agreement in addition to the obligations in the general environmental duty.

**Aiv PUGLIELLI:** Thank you. Can I ask: does the department hold its own projections of costs over the estimates to tackle this issue of increasing levels of fats and solids in wastewater?

**Kate HOUGHTON:** We have conversations with water authorities, including Melbourne Water, the urban water corporations as well as our regionals. Through that, issues are raised. Systematic issues, like the one that you have just raised, we will ask them about that. It has not been proactively raised from them to us.

**Aiv PUGLIELLI:** There is not an estimated cost to hand that you would be able to provide?

**Kate HOUGHTON:** It has not been an issue that has been raised as a concern from the water corporations, but we are more than happy to proactively ask them what they are seeing.

**Aiv PUGLIELLI:** Thanks, appreciate it. I will move on. I understand \$24 million in funding was announced at the end of last year for integrated water management grants to accelerate adoption of integrated and sustainable water management practices across the state. Can I ask how many of those have related specifically to the Birrarung?

**Harriet SHING:** I am getting ready to make some comments about the issuing of grants, Mr Puglielli. I would be very happy to make sure that you are aware of the extent to which Birrarung is part of that, but again, I just want to note the work that we are doing is consistent with the work of Birrarung being recognised as a living entity. *Burndap Birrarung Burndap Umarkoo* is basically a framework by which we understand how we can preserve and incorporate the importance of this living entity into the work that we do. This is, again, the sort of thing that informs grant decisions like this.

**Aiv PUGLIELLI:** Okay. Thank you. Are any more of these grants being provided in the 2026–27 budget?

**Harriet SHING:** I am looking forward to having more to say about that, Mr Puglielli. I am not here to make any announcements, but we have had about \$7 million in allocations to date. \$24 million is the total envelope.

**The CHAIR:** Thank you.

**Aiv PUGLIELLI:** Thank you.

**Harriet SHING:** We will keep talking. You know where to find me, Mr Puglielli.

**The CHAIR:** Mr Hilakari.

**Mathew HILAKARI:** Thank you, Minister and officials, for your attendance this afternoon. I iterate your call on fatbergs and only flushing and putting down the drain what you need to. I have been to the Altona treatment plant, and I saw real live versions of it.

**Harriet SHING:** They are just – do not google it.

**Mathew HILAKARI:** No. And if you attend one of the treatment plants, be prepared. Minister, I want to take us to something different, which is related to bushfire relief and recovery – budget paper 3, page 3 – and the substantial investment that we have made in that area, particularly in waterway restoration. I am hoping you can talk through some of the activity of the department in relation to this and the recovery that is going on in some communities across Victoria.

**Harriet SHING:** Yes, absolutely. Thank you for the opportunity to talk to bushfire recovery. Communities have done it really, really tough when it comes to managing not just the impact of response but also rescue and recovery. We want to make sure that we are also equipping them through a range of measures that are supported by the work of water corporations and the way in which we are rising to the challenge, including on emergencies and natural disasters. In the same way that I spoke to Ms Benham before about flooding, it is not dissimilar in terms of bushfires.

Our climate, as I have talked to on multiple occasions today and in other hearings as well, continues to become warmer and drier. That is obviously then going to be creating the sort of climatic conditions that can lead to really significant bushfire events. Where we have overlapping fires, we have got heatwaves and we have also got flash flooding, there are some challenges. We know, for example, at Wye River we had inundation and coastal erosion at the same time that we had bushfires occurring in the very same area. So we want to make sure we are strengthening the resilience of our water system across the board when it comes to natural disasters and response to climate change.

We had a really big disruption to water supplies as a result of the bushfires in January. That affected Harcourt, Longwood, Longwood East and Gellibrand. There was a lot of damage and contamination to water tanks, and that is a common thing. Water tanks will often require a complete flush, and that affects households in those non-reticulated areas. Water corporations played a really important role in making sure that we had a maintenance of that essential water across the system: supplying drinking water at relief centres, refilling domestic tanks, providing extensive relief and recovery support in addition to that core service delivery responsibility.

Going back to what we talked about earlier in flooding, it is the same sort of challenge that arises: drinking water supplies, security of essential services and making sure that we can get in and repair or replace damaged infrastructure so that supply can be secured. There were four water service disruptions that occurred to customers associated back to the bushfires, with those events, and water corps worked really hard to make sure that those services were restored. Longwood was one of those examples. There were 260 households that were affected for seven days. Longwood East had 140 households affected for seven days. Harcourt, due to the Ravenswood fire, had 900 households affected for eight days, and Gellibrand had 300 households affected for nine days. In all of those instances drinking water was provided as a relief to impacted customers. Incident control centres as well are a really important part of responding to natural disasters and emergencies, and they have also had water corporation presence in them alongside what we have seen with flooding as well.

This is about continuous improvement. Water corporations continue to get better at being integrated, alongside catchment management authorities, into the work that happens on response, rescue and recovery, and this was no different. There were rapid restoration efforts around water and sewer services. There were assistance measures provided to non-customer landholders and proactive check-ins as well on vulnerable community members, and a drinking water supply was established alongside drinking water refill points and hydration stations and also customer liaison officers, supporting businesses and locals as well. We know that, where fundamentals like water and power are disrupted, people do not stay in the towns where they need to be in order to rebuild their lives or to take stock of what may remain of their homes or outbuildings or properties in the event that they do need to get to work once it is safe to return. Helping the community on those recovery

efforts is also really important. It might mean making land available for emergency grazing for cattle that have been displaced and also making sure that we are auditing in the first instance the impact of bushfire on our catchments and on our waterways.

We have also seen, for example, in East Gippsland just recently the release of fish. I think it was a trout variety of some description. Their population was all but wiped out in the Black Summer bushfires. Having a population that is taken out, bred up and then able to be returned once we have seen oxygen return, oxygenated water levels go up and a reduction of contaminants in water means that we can then restore those populations. That is just one example of the hundreds of things that are done in response to bushfires and natural disasters. There has been \$16.1 million allocated for immediate public land and waterway recovery since the January fires. That includes funding for CMAs to undertake that urgent waterway repair and also rebates to assist landholders in tank, roof and gutter cleaning and eligible households getting up to 20,000 litres of relief water as well.

Again, it is an enormously distressing thing to come through bushfires or any natural disaster and have to navigate a system which is often incredibly complex. CMAs have definitely risen to the challenge alongside water corporations, and this is all part of the adaptation plan and the sort of work that we are doing across the board to understand risk, including as our population grows, as people move to areas that previously were not so densely populated.

**The CHAIR:** Thank you very much, Mr Hilakari. Minister and officials, thank you very much for appearing before the committee today. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is going to take a break before beginning its consideration of the portfolio for police at 1:45 pm. I declare this hearing adjourned.

**Witnesses withdrew.**