

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2025–26 Budget Estimates

Melbourne – Wednesday 11 June 2025

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Jade Benham

Michael Galea

Mathew Hilakari

Lauren Kathage

Aiv Puglielli

Meng Heang Tak

Richard Welch

WITNESSES

Gayle Tierney MLC, Minister for Water; and

John Bradley, Secretary,

Kirsten Shelly, Deputy Secretary, Water and Catchments, and

Andrew Fennessy, Executive Director, Water Security and Resilience, 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 2025–26 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 today is protected by parliamentary privilege. However, any comments repeated outside of this hearing may not be protected by this privilege.

All evidence given today is being recorded by Hansard and is broadcast live on the Parliament's website. The broadcast includes automated captioning. Members and witnesses should be aware that all microphones are live during the hearings and anything you say may be picked up and captioned, even if you say it quietly.

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

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream today and other committee members.

I welcome the Minister for Water the Honourable Gayle Tierney 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 committee members will ask you some questions. Your time starts now.

Gayle TIERNEY: Thank you, Chair. I start this session by also acknowledging the traditional owners of the lands on which we are meeting, the Wurundjeri people, and acknowledge their elders past, present and emerging.

Visual presentation.

Gayle TIERNEY: The Allan Labor government is continuing to partner with the water sector to deliver secure, affordable, high-quality water for Victorians. In addition to public health and environmental outcomes, our water sector also plays a critical role in economic development. In infrastructure our water corporations are investing over \$3.2 billion in this financial year and \$3.6 billion next year to service our growing communities. Victoria has amongst the lowest water bills in Australia, with average household bills in Melbourne \$124 lower than the next lowest capital city, Canberra. Our waterway health investments of over \$270 million over four years also support direct employment – around 325 jobs across regional Victoria. Victoria's water corporations also play a critical role in delivering the housing statement, investing over \$905 million in 2024 to meet the rapid increase in residential water connections.

The government's investment in sustainable water management is critical to meeting the sector's strategic challenges and underpins its contribution to the economy. The government previously announced the latest tranche of the environmental contribution for 2024–28. This is expected to generate \$705 million to reinvest in sustainable management of water, or roughly \$176 million per year. Funding from the EC6 will ensure effective, innovative and sustainable water use resources, including through promoting recycled water use; protecting waterway and catchment health for long-term resilience into the future; supporting economic

prosperity, cultural values, health and wellbeing; and funding regional jobs essential for waterway health within the catchment management authorities.

Alongside our long-term planning we are responding to the immediate pressures of low rainfall and drought. Despite rainfall in recent days, much of Victoria continues to experience very dry conditions. Many areas have had their lowest rainfall on record. The majority of the state received less than 40 per cent of average May rainfall. This drops to less than 20 per cent for much of central and north-west Victoria. At the end of May the Melbourne system combined storage level is 73 per cent, compared to 88 per cent this time last year. Water restrictions are not expected in greater Melbourne for 2025; however, stage 3 water restrictions are in place for Apollo Bay, which may progress to stage 4 by late June, dependent on current rainfall. Stage 2 water restrictions are in place for Euroa and Violet Town, and we are closely monitoring the latest rainfall, particularly for the at-risk regional systems listed on the slide.

We know in years to come we will see less overall rainfall while our population continues to grow. Based on expert advice in response to significant drops in water reserves, I have placed an order of 50 gigalitres from the desalination plant. We are also investing in the Melbourne–Geelong pipeline to strengthen Geelong’s water security. Since we built it, the desalination plant will have contributed 505 gigalitres to our storages since 2016–17. This is the equivalent of filling the MCG 320 times.

The Premier has established a dedicated drought response taskforce that met just last week, and I am leading the water sector’s contribution. DEECA water and the water corporations continue to support Agriculture Victoria as the lead agency for drought response on this whole-of-government effort to provide much-needed relief to our farmers. The government through the agriculture portfolio has committed an additional \$37.7 million to expand support for farmers and communities across the state, and this builds on the government’s existing \$29.4 million investment. DEECA and regional water corporations are supporting farmers and industry by updating the public database for water-carting points; providing hardship relief for water bills and a dedicated water-trading room for the south-west; identifying options for temporary infrastructure; and providing recycled water and operational supports and long-term infrastructure programs for additional investment in the East Grampians rural pipeline.

The CHAIR: Thank you, Minister. We are going to go to Ms Benham.

Jade BENHAM: Thank you, Chair. Thank you, Minister. On the first slide – also budget paper 4 – you pointed out that water infrastructure is critical to the government’s housing statement and delivery of that. How many vacant residential blocks in Victoria have full sewerage and water infrastructure in place now, compared to pre COVID, in 2018–19? Do we have those figures?

Gayle TIERNEY: No. The water corporations might have those figures, but we certainly would not have that level of operational detail.

Jade BENHAM: You could not supply those on notice or get me those figures?

Gayle TIERNEY: It is not held by the department.

Jade BENHAM: So do you know of any developments that are waiting on that infrastructure for full water and sewerage infrastructure now, compared to pre COVID?

Gayle TIERNEY: Again, that is not something that has come to our notice.

Jade BENHAM: Okay. Do you have any idea of the level of debt that each water corp is in right now, and how it compares, again, to pre COVID? I am just trying to get an idea of where we are at.

Gayle TIERNEY: In terms of lines of borrowing, it is pretty business as usual for water corporations to undertake that. They do that to fund a range of things. There is nothing unusual, as I understand it, unless the department – Andrew?

Andrew FENNESSY: No. It is standard practice that they do run through a level of debt. They do have debt borrowings that they can actually apply through Treasury for, and they are all within those particular bounds at the moment. The debt levels will be set by their capital programs, and the capital programs are actually approved by the Essential Services Commission, who are able to fund that level of debt within there. So the

level of debt, whether it is talking about pre COVID or post COVID, will vary depending on the capital programs for the water corporations.

Jade BENHAM: Okay. Thank you. Also in the presentation, in the beginning you mentioned that Melbourne is not expected to face water restrictions. We know that the storage is about 73 per cent at the minute. But the experts suggested an order for 50 gig, I think, from the desal plant. Who were the experts that are recommending that 50-gig order?

Gayle TIERNEY: This is the advice that the department receives. Kirsten.

Kirsten SHELLY: So from Melbourne Water and then from Melbourne metro retailers, the water retailers.

Jade BENHAM: Okay. Melbourne metro retailers, you said.

Kirsten SHELLY: Water retailers.

Jade BENHAM: Right, okay. All right. Excellent. Thank you for that. Can we just talk about also the SDLAM projects really quickly – the sustainable diversion limit adjustment mechanisms, or SDLAMs in my part of the world. Timelines have been extended now. How are those projects progressing?

Gayle TIERNEY: Andrew, were you wanting to talk about this?

Andrew FENNESSY: Yes. So there are the two main projects. As you rightly say, a lot of them are within your area. We have got the constraints project and we have got the Victorian Murray Floodplain Restoration Project. I will take the floodplain restoration project in particular. There are nine projects that we are looking at for that program of works. There are three that we are still looking at at the moment that we are on track to deliver by 2026. There is one in regard to the Belsar site that was assessed as not actually providing the overall benefits, so that one will not be progressed at this particular stage, and we are looking to progress the other five projects.

Jade BENHAM: So Belsar is off the program?

Andrew FENNESSY: Yes, at the moment it is because it did not actually stack up within the overall benefits.

Jade BENHAM: Right. Okay. When the funding lapsed and there was a period of uncertainty we lost a lot of good staff. You mentioned the CMAs in the program as well. In the Mallee CMA Jenny and James have kept going, and they are brilliant. We lost a lot of good people, though. Where are staffing levels at now to make sure those projects are completed?

Andrew FENNESSY: I cannot give the exact numbers for the staffing levels within it, but we have continued to ramp that up. As you rightly say, the project is being delivered under the guise also of Lower Murray Water, so we are using that as the main vehicle to do it, but it relies heavily as well on our catchment management authorities. It does run as a reasonably small project team within the office, but it does that relying on catchment management authorities such as the Mallee CMA, as you have outlined, and the North Central CMA there as well.

Jade BENHAM: So the Mallee CMA and Lower Murray Water have enough staff now to make sure that is delivered by 2026?

Andrew FENNESSY: That is correct. While the program is running through – that is correct.

Jade BENHAM: Great. Minister, will Victoria meet its obligations under the basin plan? The previous minister, Minister Shing, was excellent at digging her heels in and continuing to fight against buybacks. I trust you are going to continue with that same plan.

Gayle TIERNEY: Absolutely. I think that it was probably my first week back in Parliament after being bestowed the honour of being water minister that I stood up and made it very clear to the sector and to anyone that is interested in the Murray River –

Jade BENHAM: We are interested, all right.

Gayle TIERNEY: that I have got a very similar position, if not the same position, as former Minister for Water Ms Harriet Shing. I also showed the chamber the prospectus documentation and talked about the need for communities to continue to talk amongst themselves and with government to work through the best possible solutions. I also have talked to the new federal minister Murray Watt in relation to buybacks, and he is very clear that I made clear what the Victorian government's position is in respect to that.

Jade BENHAM: Is his position the same as the previous water minister's, or is that the reason that she has lost that portfolio?

Gayle TIERNEY: Well, that is subject to commentary that I am not party to, and I would not think it was important particularly for this hearing to go into any discussion about the way federal portfolio matters are distributed. But can I say that I had a really good relationship with Murray Watt when he was agriculture minister at a federal level and I was state Minister for Agriculture. We worked very, very closely on biosecurity matters, and I believe that we will be able to continue to work together productively. We have got different positions and different views on buybacks, but I am sure that we can have a productive relationship.

Jade BENHAM: Great. Thank you.

The CHAIR: Thank you, Minister. We are going to go to Miss Kathage.

Lauren KATHAGE: Thank you, Chair, Minister and officials. Minister, I want to draw your attention to page 28 of budget paper 3. There is a line item there around protecting Victoria's water security. We know, obviously, water is the most precious asset; I think that is probably one of the reasons why you said it is such a privilege to be the water minister. It has been such a dry summer. We have touched a bit on the desal water order, but can you talk a bit about what that actually means in terms of supporting the state's water security?

Gayle TIERNEY: The desal order essentially impacts on the water grid. The water grid obviously is Melbourne and Geelong, although parts of Gippsland also benefit from any desal order. Of course what it does is not just boost drinking water levels. It means that there is more drinking water, and therefore non-drinking-water areas are dealt with in a different way. It means that we have got an insurance policy by having that desal plant. As I said, primarily it is based on advice that the water minister receives as to whether an order is put in place. It means that Victorians can rely on the fact that water will come through their taps. It is incredibly important for Geelong in particular, because their water storage levels were much lower than even Melbourne, so it was time that something needed to happen to assure us that water could continue.

It also is a fact that we are investing in the Melbourne–Geelong pipeline, and that means that there is greater capacity for water to get to Geelong. For many people that are not familiar with the water system in terms of Gippsland, Melbourne and Geelong, water actually comes from the east and has got to make its way to the west, and the grid is incredibly important to that connectivity. Having the desal plant where it is means that water can enter the system and provide water security for the majority of Victorians. As I said, we built it at a time when there was significant drought, and over the period in which it has existed, 505 gigalitres have gone into our storages. I used this in my presentation, but it is a very handy visual: picture the MCG. Most people understand what the MCG looks like; they have been there or seen it on TV. We have been able to order the equivalent of filling the MCG 320 times, so it is an enormous asset for Victorians, particularly in terms of water security.

Of course having the drought that we have had in regional Victoria has highlighted the need for water security and the precious nature of water. That is why it has been incredibly important that we support our agriculture industry and our farmers and, to that point, incredibly important that the Premier herself is chairing and has announced a drought taskforce to respond to the drought. And yes, we have received an enormous amount of rain the last few days.

Jade BENHAM: Not enormous.

Gayle TIERNEY: In certain parts it has been enormous. But I think most know that even so, that does not mean that the drought is over – far from it. There is a lot of work that still needs to happen, and we still need to make sure that people in metro Melbourne understand the issues that are confronting those in regional Victoria.

That is why it is important that we reinforce the fact that we also need to ensure that people are doing things like being mindful about the types of behaviours associated with laundry washing, shortening their showers – all of those sorts of things. Those permanent savings are in place for metro Melbourne as well. But we also of course need to understand that there is hardship and difficulty facing the agriculture sector and our farmers, and that is why it is so important that all of the key players and representatives of peak organisations are around the table looking at a number of things that we might be able to do to alleviate some of the pressures that are confronting our agricultural sector.

But can I say that by ordering the desal plant, by having the water restrictions in certain parts of Victoria and by having the drought in certain parts of regional Victoria, it means that the whole opportunity of educating the Victorian community in a more whole-of-government way is incredibly important. Indeed it is very important that we make sure that those that were not even around during the last drought are educated pretty quickly about what it means to have water, what it means not to have water and what they need to do as individuals and as a community to make sure that we have the proper values and actions around water now and into the future because as I said in my presentation, we know that rainfall is going to reduce over time and that what we also need to do is not just respond to difficulties but also build the resilience within our communities on how we deal with lower rainfall now and into the future. I know that a lot of the water corporations have put their mind to that and have got their shoulder to the wheel; they are looking at some very innovative ideas.

The CHAIR: Thank you, Minister. We are going to Ms Benham.

Jade BENHAM: Thank you, Chair. I want to keep discussing the desal plant. An additional \$10 million, by the looks of it, from last year's \$685 million budget was allocated toward the desal plant for 2025–26, making the state's contribution nearly \$700 million. How much of that is for the 50-gigalitre order? And if there has been enormous rain, do we pause the order? How is all that decided?

Gayle TIERNEY: Again, an order was placed at the end of May – I am looking for confirmation.

Andrew FENNESSY: It was the end of April.

Gayle TIERNEY: Was it April? The order has to be lodged yes or no by that time, so there is no going back. But having said that, as you have just indicated, water resources and rainfall are not going to change dramatically, even with the amount of rain that we have had on the weekend, so the order will continue to be needed and will come through our taps next month, as I understand it.

Jade BENHAM: What is the cost of the 50-gig order?

Gayle TIERNEY: The cost of the 2025–26 water order is expected to be \$34.3 million. Given the cost-of-living pressures being experienced, a state contribution was deemed to be appropriate. In this instance the cost of the water order was subsidised by \$3.8 million to bring the average monthly cost for a customer using 150 kilolitres of water to less than \$1 a month.

Jade BENHAM: One dollar a month increase. Okay. If we can now go to capital – actually, I want to go back to the water corporation debt levels. You did say that they are within the normal levels at the minute. Can we get just a broader picture of where they are at? You can take this on notice if you need to, but I just want to get a better idea of where they are actually at.

Andrew FENNESSY: They will differ by water corporation as well, given their size and their ability to be able to finance that.

Jade BENHAM: Have you got a breakdown of, or could you supply a breakdown of, each of the water corps?

Gayle TIERNEY: We do not have the total debt with us.

Jade BENHAM: I am happy to take it on notice.

Gayle TIERNEY: What I can say is that all water corporations have retained investment-grade credit ratings. This is an indicator of healthy balance sheets of water corporations and their ability to repay any debt. Using debt to spread the payment of the asset across the life of the asset means customers can pay through

prices as they receive the benefit from it. This means the cost of the asset does not fall disproportionately on only current customers. For example, the construction period for a new pipeline may be two or three years, which is when the capital costs are incurred, but the benefits of that asset may be up to, say, 40 years. Taking on debt with its gradual payback allows for the cost to be smoothed so that customer bills do not vary significantly from year to year. Borrowing limits with the Treasury Corporation of Victoria are a cap on how much water corporations may borrow. They do not necessarily borrow up to that limit, but you would know that. There is a process of scrutiny by the Department of Treasury and Finance to ensure that business can manage their debt, and water corporations forecast their expenditure and debt requirements in their corporate plans. The price review process and borrowing limits reflect that.

Jade BENHAM: No-one is doubting the need for water infrastructure and investment. We just want to get an idea of where the debt levels are at for the water corps. I am happy to take it on notice just in the interests of time.

Gayle TIERNEY: Well, the other thing is to actually look at their annual reports. It should be in those.

Jade BENHAM: Okay. Minister, are you familiar with the Aither report commissioned by the Victorian Water Register that was released in March 2023? A-I-T-H-E-R. I do not know if I am pronouncing it correctly.

Andrew FENNESSY: There have been a number of reports produced by Aither. I am just trying to understand –

Jade BENHAM: The water supply and demand in the southern Murray–Darling Basin.

Andrew FENNESSY: The socio-economic assessment? Yes. It started in 2016–17 and I think there was another one in 2022.

Jade BENHAM: A 2022 update.

Andrew FENNESSY: Yes. That is correct.

Jade BENHAM: In that report it was noted that the lower Murray part of the basin would not have sufficient water in a dry year – like it is now, despite the rain – such as 2015–16 and would be well short in a moderately dry or extremely dry year. What work is being done now to ensure that farmers' water security is being guaranteed, because it is a real concern?

Gayle TIERNEY: Did you want to do that?

Andrew FENNESSY: I can start with that one, Minister, if you like. As you are aware, within the northern system as well there are a number of things that farmers can actually look to do. We do have an active water market within the north of the system as well so that people can actually look to trade their water and so that it does allow it to go from areas which may not be using their water, whether that is used within cotton and rice within southern New South Wales as well, and it can move through the market. We do allow that to actually occur. We have other products there with –

Jade BENHAM: Do we trust those in northern basin, though?

Andrew FENNESSY: Well, I do not think it is up to me to actually make comments in regard to it. But we do recognise that there does need to be the synergy, and the Aither report does actually point that out as well.

Jade BENHAM: It does.

Andrew FENNESSY: We do need to have an active –

Jade BENHAM: Victoria is doing its part of the heavy lifting.

Andrew FENNESSY: Exactly right, and it does need to ensure that. There are obviously the buybacks which are occurring within the north, and that is where the Aither report really goes to as well with the amount of water coming out of the system. And a key part of what Victoria is looking to do there is that it has produced what is referred to as a prospectus. So it is within the northern system, and it is a better way that Victoria

actually believes that if the Commonwealth is going to come into the market instead of having open tenders it can undertake work such as targeting in particular areas. We have seen evidence of that already within northern Victoria. In managing the water as it stands with less water in the environment, it is coming down to whether it is trade and carryover and other products such as that.

The CHAIR: Thank you, Mr Fennessy. Mr Galea.

Michael GALEA: Thank you, Chair. Good afternoon, Minister, Secretary and officials. Minister, I would like to ask you about the ways in which we are preserving the water that we do have in terms of effective water management and supply. There are a significant number of outputs discussed and a fair amount of funding to discuss in the 'Department Performance Statement', page 33. I am aware in my electorate of one recent project at Max Pawsey Reserve in Narre Warren, which will save a considerable amount of water. Minister, could you talk to me about how the funding in this budget will be supporting schemes such as the one at Max Pawsey and others to save water?

Gayle TIERNEY: Recycling water and stormwater recapture are incredibly important, and again the best way that we can harness both those things is through projects where there is serious community involvement, and that I think has occurred with the Max Pawsey example as well as others that have been and continue to be underway. And of course the importance is not just the capture, it is the fact that it helps conserve drinking water. And the other special by-product in all of this is that locals continue to have their sporting facilities and their recreational spaces kept green so that they can enjoy what is available locally.

We are taking steps to conserve our precious drinking water in so many ways. The one that you mentioned, the Max Pawsey Reserve, was a \$5.3 million investment, and it was exciting to see everyone there. Max Pawsey, as I understand – and I will give a shout-out to him; whilst he might have passed, his family are very keen to have his legacy known – was an engineer primarily in local government that had an absolute commitment to and fascination with all things water, and he would have absolutely enjoyed the launch of the Max Pawsey Reserve. It is an example of what we are investing in to support using more stormwater and recycled water, as I said, to protect our drinking water. The new system is helping keep the local sporting grounds in tiptop condition whilst saving up to 40 Olympic-sized swimming pools for drinking water. That is quite a bit of water, and one would imagine that it has been put to great effect in the last few days given the rainfall that we have received. It is stormwater that is run-off and then treated and used to irrigate the gardens and the open spaces, and it also helps futureproof community recreational spaces.

We know that Victoria's population is growing and it is putting pressure on our precious drinking water supplies. That is why this new infrastructure investment is so important. It is important to older communities, but also I think it is important in terms of designing it into new developments and new communities so it does not have to be retrofitted at some other point in time. And of course there is the great accompaniment of the planning that is required in those new growth areas for recreational and green space and environmental design.

The project that you mentioned does have many, many benefits, and we are wanting to see more and more communities step up and have conversations with government and have conversations with their local government to work up proposals so that we can harness this run-off and put it to better use, but also build up our drinking water reserves.

Michael GALEA: Fantastic. I did not know that history about Max Pawsey himself, so you learn something new every day. Thank you, Minister. In terms of other initiatives like this, can you talk to us about some of the other projects across the state that are, in a similar vein, working to improve our efficiency with water?

Gayle TIERNEY: Look, there are so many, so it is hard, but I will try and give you a regional example. The one that comes to mind is Horsham. There was an investment of \$11.8 million for the Horsham SmartWater and integrated water management project, and it included new water recycling infrastructure at the wastewater treatment plant. That will help parks and gardens stay green across Horsham. The project involved the construction of a new network of pipes through the city of Horsham with connections to green spaces. As I said, ovals, parks, the cemetery and the racecourse also benefit from this. It provides up to 126 megalitres of recycled water for irrigation per year, reducing the need to use valuable drinking water. This also includes better water quality for the Horsham SMART farm for their crop irrigation research, and of course that is incredibly important.

Agriculture Victoria has many SMART farms. We are just very special in Mildura because we have got one attached to our TAFE. It is also helping in terms of agricultural research, this project. It is really, really good. Having an integrated water management project like this is crucial to diversify our water sources and to secure more sustainable water supplies for our communities, whether they are in urban metro Melbourne or indeed in the west, in the Mallee, in the Wimmera or in Horsham.

Michael GALEA: Indeed. I am also learning a lot this week about how wonderful the city of Mildura is.

Jade BENHAM: You should come and visit. Come to tropical north Victoria.

Michael GALEA: I am looking forward to taking you up on that, Ms Benham, and visiting you in tropical north Victoria. Minister, that is my time up, so thank you for those answers.

The CHAIR: Thank you, Mr Galea. Back to Ms Benham.

Jade BENHAM: Yes, me again. If we can go back to the environmental water, there will be water shortfalls this year, and we know that that will drive the price of irrigation water up for farmers. Do we know what the water shortfall will be and hence what allocations will be?

Gayle TIERNEY: This is a live question, and I cannot give you an ironclad response at this particular time. It is a moving piece that we are all watching and obviously concerned with, but I can assure you that we will continue to advocate for a different position to the Commonwealth in terms of buybacks. I can also advise you that we will continue to raise the profile of our four Victorian projects that remain under consideration for funding by the Australian government, and they are the lagoon reconfiguration, the Loddon system reconfiguration, the Campaspe system reconfiguration and the GMW irrigation district configuration.

Jade BENHAM: As far as shortfalls go, you can understand farmers need to plan because the shortfall in water means prices skyrocket. The environmental water holder carry water over every year. Do you agree that removing water from the consumptive pool and returning it to the environment is going to make the problem worse, and is there flexibility to take that carryover from the environmental pool and put it into the consumptive pool to help farmers with their projected costs, given they are being sluggish? Yes, the emergency services tax has been paused, but with land tax and all the other taxes that they are facing, they are doing it tough. Anything that we can do as far as keeping water costs down for food producers would be greatly received.

Gayle TIERNEY: There are two elements to this. There are a number of things that the taskforce is dealing with. It would be inappropriate for me, and it is early days as well, to make comment. There are a number of propositions that have been informally put in relation to that. Can I say to you, though, that I have not given up on buybacks – far from it.

Jade BENHAM: I hope not.

Gayle TIERNEY: And indeed I have also written to the minister for water and have sought a commitment to pause on buybacks.

Jade BENHAM: But as far as the environmental water goes, they are like any other irrigator, they carry over every year when there is an abundance. Is there a view in Victoria that we could release some of that water back to the consumptive pool just to keep the prices down?

Gayle TIERNEY: This, again, is a matter that requires a whole-of-government approach. We are considering a whole range of options at the moment because so many people are being impacted as a result of the drought. But, Andrew, if you have got anything else –

Jade BENHAM: It is a pretty simple one, though, isn't it?

Andrew FENNESSY: Under the *Water Act*, the environmental water must actually be used just for positive environmental outcomes, so there will be things like that that need to be considered. So whilst –

Jade BENHAM: Permanent plantings are surely a positive thing for the environment. Food security.

Gayle TIERNEY: The Act is the Act.

Andrew FENNESSY: The Act is the Act in regard to how it is actually looked at for environmental purposes and for environmental benefits.

Jade BENHAM: But Minister, as the minister, surely you could make some amendments to that Act, in times of drought and hardship, for farmers.

Gayle TIERNEY: I understand your question. The fact of the matter is that there are legislative consequences to a whole range of things, and I am not in a position to give you the answer that you are seeking at this point.

Jade BENHAM: I would love a yes. It is something we are working on.

Gayle TIERNEY: We know that you would love a yes, but the Act is the Act, and it is pretty clear.

Jade BENHAM: It could be changed by the government. But I will move on. I want to ask you about the 2022 commitment to build the new water register. I think this was written about in the *Weekly Times* yesterday. You have spent \$36 million to date, and we are still using outdated systems from 2007. So after \$36 million and that long – nearly 20 years – it has been a failure. When is it going to be ready?

Gayle TIERNEY: This was a project that was started around 2020; I have been in this portfolio for close to I think five months. This is a project that, in terms of the answers you are seeking, should probably be directed to those that have been closer to the project, so I will let the department respond.

Kirsten SHELLY: In terms of the expenditure that you outlined of the \$36 million, that was a program outlined in EC5, or in environmental contribution 5, and that was delivered against sustaining a resilient and secured water register for Victoria. That was four years of operation of the Victorian Water Register, and it included things like operation of the water register, maintenance of the water register, water accounting and trade services as well as working towards the new water register platform.

Jade BENHAM: So when will it be ready?

Kirsten SHELLY: We are now working through a proof of concept. We were looking at a new build, a greenfields build.

Jade BENHAM: So we are only at concept stage right now?

Kirsten SHELLY: We were at looking at a new build, a greenfield, so a brand new platform if you like. We looked at that; it was cost prohibitive not only to do the new build but also to operate that build. So we are now looking at migrating the current platform to something that will be supported ongoing. We know that Microsoft is moving away from supporting the current platform in the next three to four years.

Jade BENHAM: They do that?

Kirsten SHELLY: They do do that. So proof of concept completed, we will be moving to implementation towards the end of the year.

Jade BENHAM: So how much –

The CHAIR: Thank you. We are going to Mr Tak.

Meng Heang TAK: Thank you, Chair, Minister. In the 'Department Performance Statement', page 33, we can see that the performance measure 'Number of traditional owner groups funded to undertake self-determined water projects' was met and was higher than last year. This is a fantastic outcome for the First Nation people who have long been denied fair and just access to water. Minister, you made an announcement recently about the Latrobe 3/4 bench bulk water reallocation. Can you take us through what that means for Gippsland, including traditional owners?

Gayle TIERNEY: Yes, and thank you so much for that question. Of course I am very pleased to go through in some detail in respect to this initiative. It was great to be able to be in Gippsland to make that announcement with traditional owners and the community. It means that our government is delivering an additional

16 gegalitres of water for Gippsland farmers, as well as traditional owners, to improve the health of the Latrobe River. The water was previously set aside for power generation but is currently unused and has been now reallocated. Sixteen gegalitres will be equally shared between agriculture, traditional owners and the environment.

Additional water for environmental flows will improve the health of the La Trobe River as well as the Gippsland Lakes system downstream. The Gunaikurnai Land and Waters Aboriginal Corporation will have access to additional water for self-determined cultural uses. Southern Rural Water will make additional water available to farmers. Agriculture supports thousands of jobs in Gippsland, and the availability of more water licences to help boost the local economy is incredibly important. This water allocation is – you are quite correct – known as the Latrobe 3/4 bench bulk water entitlement, and it was originally allocated back in 1996 for coal-fired power generation. The decision to reallocate the 16 gegalitres of the 25-gegalitre water entitlement was made through the *Central and Gippsland Region Sustainable Water Strategy*. The remaining 9 gegalitres of the entitlement will be retained by government to provide continued flexibility to respond to emerging needs within the Gippsland region. The allocation is absolutely a win-win-win for Gippsland. This change ensures more water supply within Gippsland to support the environment, farming and traditional owners. I have got to say the excitement in the area was absolutely amazing, but even in terms of the taskforce that met in Camperdown last Friday there was a representative from one of the financial entities. She is also a farmer in Gippsland, and she spoke very highly of this particular project and how well it has been received by the farming community. So again, can I just use this as an opportunity to thank everyone who has been involved in this. It has been a real example of different community groups working through issues. Some of them were pretty tough, but they have worked through issues, and they have been able to construct an arrangement where everyone is a winner.

Thank you for your question. Again I use this as an opportunity to encourage anyone who has got issues in their area where they think that there can be win-win situations – we are very happy to hear from them and for anything we can do to facilitate different parts of the community coming together and working through issues that, on the face of it, might be almost insurmountable but actually bring about an outcome that everyone enjoys.

Meng Heang TAK: Thank you. Minister, I refer to your presentation: you mentioned that Victoria has among the lowest water bills in the country, which is absolutely fantastic and good news. It is clear that this government is taking the cost of living seriously. Minister, can you outline what the government and water corporations are doing to keep water bills low?

Gayle TIERNEY: Thank you. We are a government that absolutely supports high-quality, safe and affordable water for all Victorians, and I thank you for the question because it does allow me to highlight the importance of having secure, reliable and affordable water. We continue to have some of the lowest water bills in the country, and households are benefiting from stable water prices. Victorians pay amongst the lowest water bills in each category of water corporations in Australia, from major urban to small regional. According to the latest available data, Melbourne's water bills are lower than any other capital city in Australia. Recent data based on 2023–24 indicates that for customers in metropolitan Melbourne a typical household water bill is \$156 below Sydney. In my presentation I said it is \$124 below Canberra, \$182 below Adelaide, \$1027 below Darwin, \$743 below Perth and \$605 below south-east Queensland. Across Victoria's regions we have some of the lowest water bills in Australia as well, and I would like to take the opportunity to remind the committee about how water prices are set.

The state's independent economic regulator, the Essential Services Commission, the ESC, reviews all water corporations' proposed services and prices to ensure they are fair every five years.

Meng Heang TAK: Thank you, Minister.

The CHAIR: Thank you, Mr Tak. We are going to go to Mr Puglielli.

Aiv PUGLIELLI: Thank you. Good afternoon. I want to ask some questions about drinking or potable water across greater Melbourne. Looking at budget paper 3, page 121, 'Output', you have earmarked \$296 million in this budget for 'Effective Water Management and Supply'. There are some concerns in the community about potable water being used for non-domestic or typical industrial or commercial purposes.

Particularly I would like to ask about the use of potable water by data centres in their day-to-day operations. Can I ask: what is the total annual volume of potable water currently under application by data centres in greater Melbourne?

Gayle TIERNEY: That would be the Minister for Planning.

John BRADLEY: We have some information.

Gayle TIERNEY: Okay. Sure.

John BRADLEY: Thank you. Just in terms of the information we have got currently, we have got 46 data centres in operation in Melbourne at the moment, and existing data centres tend to have water usage that we have estimate at around 50 litres per second. What we know is that with additional data centres coming in the future we will need to plan well and be ahead of that, because they do tend to be more water intensive unless they have a closed loop system or they are looking at zero water operations. At this stage there would be 46 data centres in operation that are typically using around 50 litres per second.

Aiv PUGLIELLI: Okay. Was that for Melbourne or greater Melbourne?

John BRADLEY: That is across Melbourne.

Aiv PUGLIELLI: Okay. In terms of total annual volume, can you come back to me with a figure on that?

John BRADLEY: As the minister alluded to, we would not have that kind of detailed customer information. That would be held individually by the water corporations.

Aiv PUGLIELLI: Okay – good to know. Do you know for those centres if any have applications or licences for the use of recycled water? If so, can you tell me what that total annual volume is – or the figures you can provide?

John BRADLEY: We do not have data at the moment in relation to the use of recycled water by data centres. We do know that the planning application will consider issues like water use as part of that assessment, and there are different demands for water depending on the operating model of the data centre, including some use of closed loop systems.

Gayle TIERNEY: I can add to that. I just want to reiterate that there are significant benefits for Victoria from attracting data centres, both for creating jobs and also for the national strategic importance of data being held in this country. Water corporations work with large water users, like data centres, all the time to assess their requests for significant volumes of water. When water corporations review applications, they assess whether the broader water network has the capacity to support that request, and the government encourages all large water users to prioritise access to manufactured water sources such as recycled water and treated stormwater rather than putting any pressure on drinking water supplies. The use of recycled water and treated stormwater are part of the Victorian government's broad efforts to ensure secure water supplies into the future. As a government, we are actively working with water corporations and data centre providers to understand the current and future requirements for a range of data centre development inputs, including water, energy, land and of course skills.

Aiv PUGLIELLI: Can I query something with you, Minister? I would like your assessment. Are you aware that there is currently no government policy preventing data centres from using drinking water for server cooling or requiring them to connect to recycled water?

Gayle TIERNEY: What I am aware of is that it is the government's view that all large water users need to prioritise access to manufactured water services such as recycled water and treated stormwater. That is absolutely important versus pressure on drinking water.

Aiv PUGLIELLI: Can I ask: has government considered any restrictions on data centres consuming potable water for the purpose of cooling their servers – like a moratorium on new applicants, for example?

Gayle TIERNEY: This I think would feed into a consideration that the Minister for Planning might have, but we have made it clear that we see recycled water and stormwater as the preferred source.

Aiv PUGLIELLI: Okay. Is government continuing to develop policy in this area on data-centre water use?

Gayle TIERNEY: The government continues to develop a range of views and policies on a whole range of new areas that are being developed. Data centres are just one.

Aiv PUGLIELLI: Okay. I am going to move on, but I think it is still on the same budget page, though – still ‘Effective water management and supply’. Recently, after a production of documents motion, government did not release the water grid plan. It was a single document, and I understand the reasoning was due to insufficient time provided. Minister, can I get a confirmation: does the plan exist?

Gayle TIERNEY: The plan is being finalised, and I am hoping to have that submitted fairly shortly.

Aiv PUGLIELLI: Submitted to the Parliament?

Gayle TIERNEY: Well, it will be open for the public to have a look at.

Aiv PUGLIELLI: Okay. Just checking another matter as well, *Water Is Life*: is it true that three years on, none of the commitments on that road map have been achieved?

Gayle TIERNEY: Thank you. I am absolutely committed to traditional owners roles in the decision-making on access to water in Victoria. We announced in the last Victorian budget \$41 million over the next four years, and that was made in response to the needs articulated by traditional owners across Victoria. It demonstrates a commitment to increasing traditional owner participation. I can go through the exact investments.

The CHAIR: I am going to cut you off there, Mr Puglielli. Apologies.

Gayle TIERNEY: I am happy to provide that to you.

Aiv PUGLIELLI: Thank you.

The CHAIR: Thank you, Minister. Mr Hilakari.

Mathew HILAKARI: Thank you, Minister and officials, for your attendance this afternoon. What a point of generosity, Minister, in taking those questions on notice.

Minister, I might take us to hardship supports. I understand that in your previous answers you have talked about Victoria having low bills, but of course there are a number of people for whom those bills are still something that they are going to really struggle with, particularly in this time of cost of living. I am just hoping you can outline what hardship supports the water corporations have put in place to support people who are struggling to pay their bills.

Gayle TIERNEY: Thank you, Mr Hilakari, for your question – a timely question given the impact that cost of living is having on a range of members in the community. Obviously, whilst we have got some of the lowest bills in the country – that is one thing – there are other people in the community that are really, really struggling. What I have found since I have moved into the water portfolio is that the water corporations have got fairly serious and well-developed hardship funds, and I think that is because they have had a track record and history and are close to the community in understanding the difficulties that people are going through. It is I think a real feather in their cap that they actually are proactive in working with community generally but also individuals to work out the best possible way that they can assist financially. The hardship funds I think are looked upon as real industry cutting edge in terms of support and care for the community, and again I would encourage anyone that is facing serious financial difficulties to contact their water corporation as soon as possible so that they can understand what the rules and the requirements are to be eligible for them. Do you want to mention anything else, Kirsten?

Kirsten SHELLY: Just that the water corporations also have flexible payment plans, hardship and water saving assistance programs, and we have seen utility relief grant support of over 44,069 grants at a value of \$11.2 million. We have also seen customers on instalment or flexible plans, and there have been 153,760 customers supported. Hardship grants: we have seen –

Mathew HILAKARI: Sorry, how many customers was that?

Kirsten SHELLY: 153,760.

Mathew HILAKARI: Wow. Yes, that speaks to the challenge, doesn't it?

Kirsten SHELLY: Yes. We have also seen the hardship grants – 17,000-odd customers supported – and concessions for 24 per cent of customers with their water bills, totalling \$177 million across over 600,000 households.

Mathew HILAKARI: So that reaching out early is really important so that they can work with water corporations and find the best solutions for anyone facing hardship.

Kirsten SHELLY: Absolutely.

Mathew HILAKARI: Minister, I might take you to a different area which is related to housing and the infrastructure that is being brought forward to make sure we can meet the needs of housing. Of course if you do not have sewerage and water coming to properties as the housing is built, that is a real challenge. I reference in particular budget paper 4, pages 91 through to 93. I am just hoping you could run me through what the water sector is undertaking to meet the housing statement, which is a whole-of-government priority.

Gayle TIERNEY: Yes. Thank you for the question. Can I start by just saying that what I really like about what we are doing in the housing area is that all of the ministers that touch upon it, whether it be the Minister for Planning, the minister for housing or me, have been meeting various peak bodies to hear from them directly on a fairly frequent basis on any issues that are arising and getting those issues fixed around the table or in a very short timeframe. The water corporations have a key role, you are quite correct, in providing water connections for new properties as our towns and cities grow, and delivering the housing statement is a priority for this government and the water sector more generally.

As I said in my presentation, there is more than \$3.2 billion of water infrastructure capital works, and they are planned for this financial year alone to support our growing communities. Melbourne Water is responsible for assessing flood risks and planning applications in both greenfield and established urban areas, including drainage schemes for new developments. In the past year Melbourne Water has taken significant steps to speed up approvals for new housing development applications. Melbourne Water's goal was to eliminate a backlog of planning applications by 31 December last year and to ensure that at least 90 per cent of contemporary applications were processed by 31 March 2025. I am pleased to say that Melbourne Water exceeded these targets ahead of schedule and cleared 98 per cent of the applications. Earlier this year, as I said, I met with the housing industry peak bodies, and they have been pleased with that result, I can assure you.

Obviously we need to keep our foot on the accelerator pedal. We cannot allow for backlogs. We have just got to keep on pushing ahead. I know that Melbourne Water has had various teams of people looking at the permits and working out the different categories, from 'fairly simple' to 'medium' to 'quite complex', and having particular efforts, skills and responsibilities applied to different categories of issues connected to permits. So they have taken this on in a very serious way, and you can see the results. They have done a fantastic job.

Mathew HILAKARI: I see it in the community I represent.

The CHAIR: Thank you, 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 of agriculture at 3:00 pm.

I declare this hearing adjourned.

Witnesses withdrew.