



COMMONWEALTH OF AUSTRALIA

# Proof Committee Hansard

## SENATE

ENVIRONMENT AND COMMUNICATIONS LEGISLATION  
COMMITTEE

**Estimates**

(Public)

FRIDAY, 28 FEBRUARY 2025

CANBERRA

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**ENVIRONMENT AND COMMUNICATIONS LEGISLATION COMMITTEE**

**Friday, 28 February 2025**

**Members in attendance:** Senators Blyth, Darmanin, Davey, Grogan and McLachlan

**CROSS-PORTFOLIO MURRAY-DARLING BASIN PLAN MATTERS****In Attendance**

Senator McAllister, Minister for Cities, Minister for Emergency Management

**Department of Climate Change, Energy, the Environment and Water****Executive**

Mr David Fredericks PSM, Secretary

Ms Lyn O'Connell PSM, Deputy Secretary

**Finance Division**

Ms Amanda Lee, Division Head

Ms Michelle Crowther, Branch Head, Financial Management Branch

Ms Rachel Harris, Branch Head, Financial Services Branch

**Property, Infrastructure and Physical Security**

Mr Robert Hanlon, Division Head

Ms Jill Mand, Branch Head

**Environmental Water and Aquatic Ecosystems**

Dr Simon Banks, Division Head and Commonwealth Environmental Water Holder

Mr Hilary Johnson, Branch Head, Environmental Water Holdings and Water Science

Dr Marcus Finn, Branch Head, Environmental Water, Northern Basin and Water Science Branch

Ms Rebecca Curtis, Branch Head, Environmental Water Policy, Engagement and Wetlands

**Portfolio Strategy Division**

Ms Michelle Croker, Division Head

Ms Dana Sutton, Branch Head, Ministerial Liaison and Governance Branch

Ms Anita Agett, Branch Head, Communications and Media Branch

**Water Infrastructure and Investment Division**

Ms Ruth Wall, Division Head

Mr Mark Darrough, Branch Head, National Water Grid Branch

Ms Christine MacRae, Acting Branch Head, Water Recovery Branch

Ms Fiona Yule, Branch Head, Murray-Darling Basin Infrastructure Program Delivery Branch

Ms Tanya Koeneman, Branch Head, Upper Murrumbidgee and Murray-Darling Basin Joint Venture Branch

Ms Lou-Ellen Martin, Branch Head, Water Support and Water Efficiency Labelling and Standards Branch

**Water Policy Division**

Mr Matthew Dadswell, Division Head

Ms Emma Solomon, Branch Head, Water Markets and Regulatory Policy

Mr Chris Golding, Acting Branch Head

Ms Cassandra Johnson, Acting Branch Head, National Water Policy, International and Engagement

Ms Sheryl Hedges, Branch Head, First Nations Water Branch

Mr Phil Coates, Branch Head, Murray-Darling Basin, Economics, Evidence and Engagement Branch

**Inspector-General of Water Compliance**

Mr Daniel Blacker, Acting Inspector-General

Mr Tim Gilbert, Acting Deputy Inspector-General

Ms Tara Schalk, Acting Assistant Inspector-General, Regulation

Ms Sheridan de Kruiff, Acting Assistant Inspector-General, Oversight

**Murray-Darling Basin Authority**

Mr Andrew McConville, Chief Executive

Ms Jacqui Hickey, Executive Director

Mr Tim Goodes, Executive Director  
Mr Scott Ashby, Executive Director  
Ms Katrina Tonkin, Chief Operating Officer  
Ms Kelly Casey, General Counsel  
Ms Jack Knowles, General Manager, First Nations  
Ms Megan Winter, General Manager, Basin Plan Implementation  
Dr Matthew Coleman, General Manager, Science Acquisition  
Mr Angus Paton, General Manager, Assets  
Mr Joel Bailey, General Manager, Applied Science  
Dr Joseph Davis, Senior Director, River Modernisation  
Mr Ed O'Daly, Head of Communications and Engagement

**Committee met at 09:01**

**CHAIR (Senator Grogan):** I declare open this hearing of the Environment and Communications Legislation Committee into the 2024-25 additional estimates. I begin by acknowledging the traditional owners of the land on which we meet and pay our respects to elders past, present and emerging. The committee's proceedings today will start with the Inspector-General of Water Compliance as part of the Murray-Darling Basin Plan cross-portfolio matters. The committee has fixed Tuesday 4 March 2025 as the date for the return of answers to questions taken on notice. Under standing order 26 the committee must take all evidence in public. This includes answers to questions on notice.

I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee, and such an action may be treated by the Senate as a contempt. It's also a contempt to give false or misleading evidence. The Senate has endorsed the following test of relevance of questions at estimates hearings. Any questions going to the operations or financial positions of the department and agencies which are seeking funds and estimates are relevant questions for the purposes of Senate estimates. I remind officers that the Senate has resolved there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament.

The Senate has resolved that an officer of a department of the Commonwealth should not be asked to give opinions on matters of policy and should be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution does not preclude questions asking for explanations of policy or factual questions about when and how policies were adopted. Witnesses are reminded of the Senate order specifying the process by which a claim of public interest immunity should be raised. I incorporate the public immunity statement into the *Hansard*.

*The extract read as follows—*

**Public interest immunity claims**

That the Senate—

(a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;

(b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;

(c) orders that the following operate as an order of continuing effect:

(1) If:

(a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and

(b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.

(2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

(3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.

(4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.

(5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.

(6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.

(7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).

(8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

*(13 May 2009 J.1941)*

(Extract, Senate Standing Orders)

**CHAIR:** I remind senators of their obligation under the Behaviour Code for Australian Parliamentarians to treat witnesses with dignity, courtesy, fairness and respect.

#### **Inspector-General of Water Compliance**

[09:03]

**CHAIR:** I'd now like to welcome Senator the Hon. Jenny McAllister, Minister for Cities and Minister for Emergency Management, representing the Minister for the Environment and Water. Minister, would you like to make an opening statement?

**Senator McAllister:** No, thank you.

**CHAIR:** I also welcome Mr Daniel Blacker, the Acting Inspector-General of Water Compliance. Mr Blacker, would you like to make an opening statement?

**Mr Blacker:** Yes. I have an opening statement prepared by the Hon. Troy Grant, in his absence.

**CHAIR:** Has that been tabled?

**Mr Blacker:** Yes.

**CHAIR:** Thank you.

**Mr Blacker:** The statement reads: 'As I indicated to you in my letter, I offer my apologies for not being with you in person today. I am unfortunately abroad and I'm advised that this prohibits me from connecting into today's hearings in person. Consequently, Daniel Blacker is the acting inspector-general, and he's joined by Tim Gilbert as the acting deputy inspector-general, Sheridan de Kruiff as the acting assistant inspector-general of oversight and Dr Tara Schalk as the acting assistant inspector-general of regulation. I have every confidence my executive team will be able to answer all of your questions today. On my return to Australia next week, I am also happy to make myself available to meet with you if there are specific questions that the committee has of me.'

By way of an update from me to you, since I last appeared before you I have observed a strong and growing sentiment of consultation fatigue across our basin communities. This comes on top of a historic level of exhaustion and frustration from the community toward water agencies that has built up over time. The sentiment I'm picking up is coming from a feeling in the community that outcomes are not matching the investment of time or effort that they have made. As the agency charged with engaging with the Australian community in relation to the management of basin water resources, we are acutely aware of this phenomenon and are cognisant in our work not to add to their burden. Our own sentiment survey shows marginal improvements in sentiment towards the Basin Plan and the work we have been undertaking in the inspector-general, but there remains much to do.

When we last met, I had just announced my first inquiry into the Northern Basin Toolkit and the environmental outcomes from that \$180 million. That work is now well underway. We have requested and received information

from agencies so that I have the relevant material I require to examine the issues in the terms of reference. This work will be a key focus of my team over the coming months.

I have recently published our first compliance performance report looking at the activities of state regulators. In the next few months, I will be publishing our annual metering report card, which for the first time will examine in detail the implementation of measurement of flood-plain take in the northern basin. Related to that work, the compliance compact is due to expire in 2025, and I will undertake a review of that this year. I have given a commitment to examine the compact and will be working with jurisdictions' regulatory bodies in that review. I look forward to reporting those results back to this committee and to the public more broadly.

As an independent Commonwealth integrity agency, we are an evidence based organisation. I can assure the committee that the review will follow the mantra that our work always follows: don't tell us; show us. With that, I now hand over to the acting inspector-general and my team.'

**CHAIR:** I will briefly say that the committee would have appreciated a little more notice. We received the letter from Mr Grant on 26 February, and it makes the note that you were unaware of estimates hearings scheduled for this week. Those schedules are put out at the end of each year, and they really should be diarised when they are released.

**Mr Blacker:** Noted. Thank you.

**CHAIR:** I refer to the Northern Basin Toolkit inquiry. Can you unpack that a little bit more for us as to where you've got to and the timeframe you think it's going to take to turn that around?

**Mr Blacker:** Yes, absolutely. I shall give an opportunity to Ms Sheridan de Kruiff, who's leading that work for us as well, to add anything to the answer. We are in the process of gathering information. We have requested information from three jurisdictions—the Commonwealth, New South Wales and Queensland—and we're getting cooperation from all of those jurisdictions and agencies to our requests. We're just at the back end of receiving all of that information. We're moving into a phase of analysing what those documents and that information tell us before we start to distil that into the issues that are becoming evident to us from that information. We're on track to deliver that towards the end of this year. At the moment, we're looking towards September for finalising that inquiry.

**Ms de Kruiff:** I don't have anything further to add.

**Senator DAVEY:** The inspector-general has a role, once water resource plans are accredited, in ensuring compliance against those; is that correct?

**Mr Blacker:** Yes, correct.

**Senator DAVEY:** We've recently seen reports about legal action that has been taken by the Murray Lower Darling River Indigenous Nations, which is a confederation of First Nations, that believe and are taking to court the fact that the Minister for the Environment and Water, Tanya Plibersek, has accredited the New South Wales fractured rock water resource plan, and they don't believe that she had met all the requirements by law in undertaking that accreditation. Are you aware of that case?

**Mr Blacker:** Yes.

**Senator DAVEY:** In that case, in the media reports and in a press release from MLDRIN there is the claim that the minister conceded that she made a mistake in accrediting the plan during the court hearing. Are you aware of that?

**Senator McAllister:** I'll of course let Mr Blacker provide information about his state of knowledge. But I think you'll understand that, while a case of this kind is on foot, officials are very limited in what they can appropriately and responsibly say in a forum of this kind. I'll pass to Mr Blacker, but I simply wanted to place that on the record.

**Senator DAVEY:** Yes. I note your caution and I also appreciate that, if it is inappropriate, the last thing we want to do is jeopardise the judicial process.

**Senator McAllister:** Thank you.

**Senator DAVEY:** In accrediting the plans, what is the requirement under the Water Act for the water minister to accredit plans?

**Mr Blacker:** Accreditation of water resource plans is a decision of the minister under the legislation. The MDBA is responsible for working with basin states to get to a submitted water resource plan, and then they provide advice to the minister in relation to accreditation.

**Senator DAVEY:** Given questions have been raised about the accreditation of one water resource plan, is there a process or a review underway to ensure that there are no other examples?

**Senator McAllister:** Again, your question assumes the outcome of a matter that is presently before the court. I'd ask you to be very careful in the way you're framing your questions, because, in particular where there are preambles that make assumptions about the facts that have unfolded and any findings we simply can't answer them in those terms.

**Senator DAVEY:** I don't think I was presuming an outcome. I was just asking if the agency is undertaking any work to look at the processes that have been followed to satisfy themselves that the water resource plans for which they are responsible for ensuring compliance against are sound.

**Mr Blacker:** We have a number of activities on foot in relation to water resource plan compliance. We are actively commencing two audits of water resource plans at the moment as part of our annual work plan, and that's been published on our website since mid last year. Those two particular audits are looking at two water resource plans that are relatively recently accredited. We'll be looking at implementation and compliance with aspects of those two water resource plans. We have an ongoing water resource plan compliance program. We do that based on risk and evidence. As the committee would be fully aware, a number of those plans, particularly those in New South Wales, are only recently accredited.

**Senator DAVEY:** You said that the two that you're auditing are quite recent plans. Have you audited any of the plans that have been around for longer, or is this a particular approach in terms of the newer plans?

**Mr Blacker:** No, we've definitely done some audits in other jurisdictions. Queensland were the first jurisdiction to have water resource plans in place. I think the Warrego, Paroo and Nebine was the first one in about 2019. That one was audited in 2020 or 2021 as the first across the basin, and we've done a number of those since. I think we've done four or five audits now to date, and, as I said, there are two commencing in relation to water resource plan compliance. The other key component of our role there is sustainable diversion limit compliance, which we do each year, and those two go hand in hand.

**Senator DAVEY:** Notwithstanding what the minister has said—and I appreciate what the minister has said—I just want to understand the process. If it is found that a water resource plan was accredited unlawfully, for want of a better word, what is the process that then is undertaken?

**Mr Blacker:** I can't operate in hypotheticals, in the 'if'. As the minister pointed out, that case is on foot, and we won't be making any comments until that case has concluded.

**Senator DAVEY:** We know New South Wales is the last to get its water resource plans accredited. How many New South Wales water resource plans are we still waiting on?

**Mr Blacker:** There are four plans that are still outstanding from New South Wales out of the 20. So 33 plans cover the entire basin, and 29 of those 33 have been through the accreditation process. With the four outstanding, there are two surface water and two groundwater within New South Wales, and they apply in the Namoi and Gwydir regions.

**Senator DAVEY:** Are the Namoi and Gwydir regions the only two outstanding?

**Mr Blacker:** Correct.

**Senator DAVEY:** The Macquarie and the Lachlan have been accredited; is that the case?

**Mr Blacker:** Correct.

**Senator DAVEY:** We know or we've seen reports that both the Macquarie and the Lachlan have been overrecovered against their baseline water recovery targets. Stakeholders in those valleys have been told the reason that overrecovery hasn't gone off against other targets—say, the 450-gigalitre target or in terms of it being resolved—is that the water resource plans hadn't been finalised. But they've been finalised now?

**Senator McAllister:** Who told stakeholders that?

**Senator DAVEY:** This is what the stakeholders are telling me what they've been told.

**Senator McAllister:** The source of their information is obviously relevant to Mr Blacker, but I would say subsequently to the department.

**Senator DAVEY:** I believe it's the department.

**Senator McAllister:** Which department?

**Senator DAVEY:** The Department of Climate Change, Energy, the Environment and Water.

**Senator McAllister:** The Australian government department?

**Senator DAVEY:** Yes. I'll follow up with the department when they're before us. You're saying those have been signed off? You can now do full compliance reviews against those water resource plans?

**Mr Blacker:** The answer is, yes, in short, but there's a longer answer because there's a timing lag between the accreditation and where we can actively look at sustainable diversion limit compliance, for example. As to the most recent water year—and I have to try and get these correct; the math is hard—our last SDL compliance statement was for the 2022-23 water year. That included 55 of the 109 SDL resource units. A lot of those New South Wales resource units were not included in that assessment, because the water resource plan must be in place for 12 months starting from 1 July before we can actively look at sustainable diversion limit compliance.

**Senator DAVEY:** They can be around for quite a while before—

**Mr Blacker:** There's a lag. We're in the process now of looking at the 2023-24 water year and we'll be publishing our SDL compliance statement, I think, in June this year in response to that. We get the data at the end of the financial year. It's due from the states to the MDBA by November or December each year. Generally speaking, once the MDBA does the register of take, we receive it in January-February-ish each year, and then we do our SDL compliance on the back of that data.

**Senator DAVEY:** In what year did the Macquarie and Lachlan water resource plans get accredited?

**Mr Blacker:** I'd have to double-check. I'll take that on notice. None of the New South Wales SDLs were in the last one. In the last assessment there were 55 that we looked at out of the 109. This year we're able to look at 78 out of the 109. That's bringing in another tranche of New South Wales. They'll come in progressively over a couple of years.

**Senator DAVEY:** But, essentially, anything that was finalised post 1 July 2024 will not count?

**Mr Blacker:** Correct. The math on that is interesting. It's probably in the notes. If it's of relevance, we can dig it out.

**Senator DAVEY:** If you can, that would be very relevant. I'm pleased to hear there are only four left to be accredited. Do we have a line of sight of that, or do I ask the MDBA what the delay is?

**Mr Blacker:** Obviously the MDBA has a critical role in that, but there are three parties in that process. We have an oversight role in relation to performance. I'm happy to talk through that. New South Wales is responsible for drafting and submitting the plans. The MDBA then assesses the plans. In that process the jurisdiction—New South Wales, in this case—works with First Nations through those processes. There's a consultation process involved. That is the outstanding piece on three of the four plans. On the fourth, there's one other issue in flood-plain harvesting, which is being reconciled through the Namoi Surface Resource Water Plan.

The inspector-general has met with all three of those parties. We meet with New South Wales to understand what those issues are. We also meet with the MDBA to hear their version to see if they align. We also meet with the First Nations to understand their issues and concerns in that process. We've met recently with all of those. Troy Grant, as the inspector-general, met with representatives of the First Nations in January this year. We've recently corresponded with the New South Wales minister in relation to those delays on the back of those commitments around December, and we've triangulated all of that. We're getting a very consistent story, which is that there is more time required to get through that First Nations consultation. Once that is complete, it is the view of the three parties that they'll be able to move forward.

**Senator DAVEY:** I note that those water resource plans have been submitted and withdrawn multiple times. They were meant to have been accredited in 2019. The requirement for First Nations consultation has always been part of the process. Where is the stumbling block? Is it New South Wales? Is it that the MDBA in giving their feedback aren't being clear about it? Is there miscommunication?

**Mr Blacker:** I would be reluctant to go into detail in responding to that, because the substance of those matters is relevant to the matter on foot in front of the Federal Court. In relation to those four plans specifically, as the oversight body we've met with all three parties and we can see the pathway forward. There's good intent from all three parties, and there is no simple thing that could be done to make that quicker.

**Senator DAVEY:** In the past, the inspector-general has said that he had raised the step-in powers, which are part of the Water Act, with the minister. He implied he'd raised it almost two years ago. At the time, he described the lack of New South Wales water resource plans as the most critical failure of the plan to date. Has the inspector-general recommended that on these last four plans maybe the step-in powers should be used?

**Mr Blacker:** Not at this point, but I highlight the difference between the issues two-and-a-half years ago and the issues now. Two and a half years ago you had 20 plans that were outstanding, and the key next step there was to get New South Wales officials and government to submit those plans. What we have here is a very different



scenario in relation to what the outstanding issue is. What we see now is very different from what we were seeing 2½ years ago in terms of intention and pathways forward. To be blunt, things were stuck 2½ years ago. The circumstances were very different.

The only other thing I'd point out is that the step-in powers were really designed for a scenario where you had a reluctant state agency or government. They weren't really designed for the scenario that's in front of us now. We see that a lot with things in the Basin Plan. It was designed 15 years ago. There are a lot of issues that weren't foreseen 15 years ago; hence we haven't recommended step-in in this instance, because at this point we can see the pathway forward and can see the intention of all the parties to move forward.

**Senator DAVEY:** There's a light at the end of the tunnel?

**Mr Blacker:** There is. Obviously the delay is frustrating for all parties and obviously these are late, so that compounds the frustration. We would dearly like to have all of that within our regulatory remit so that we can do SDL compliance across the full suite of limits in the basin. At this point in time, we as the oversight body are comfortable that everything that can be done is being done.

**Senator McAllister:** Obviously, Mr Blacker, appropriately, is being measured in his contribution. The previous New South Wales government actively obstructed the progress of implementation for the plan. They were transparent about that. The minister was very clear in public statements about their approach to plan implementation. The change in circumstances that Mr Blacker is discreetly referring to is that there is now a government in New South Wales that actually is actively attempting to finalise this process.

**Senator DAVEY:** I am not sure I ever heard the previous New South Wales minister actively saying that they did not want to pass water resource plans. I never heard that public statement from the minister.

**Senator McAllister:** They were pretty clear about the plan overall.

**Senator DAVEY:** It's one thing to be not supportive of the implementation of the Basin Plan as far as how your government is progressing with it, but it's another thing to imply that a minister of a state was actively working against proceeding with something that is required by law. As far as I'm aware, the New South Wales government had submitted water resource plans prior to the 2019 deadline and they kept getting knocked back. I don't know how you can go through five iterations of the same plan getting submitted to the same agencies and getting it knocked back time and time again without trying to rectify and work out where the communications breakdown is happening. It's not a failure. You can't verbal a minister like that, Minister, with all due respect. I put on the record that water licence holders across New South Wales are more frustrated with the failure of this process than anyone else, because this is undermining their licences.

**Senator McAllister:** On this I think there's a fairly clear story, isn't there? It is important that the plan be implemented because all of the stakeholders in the basin have an interest in having clarity about the resource availability into the future. That's a point I've made repeatedly here. I do think that it's in the interests of water users that these questions be dealt with seriously. I think the results speak for themselves. Under the previous New South Wales administration, these matters weren't dealt with. By the evidence of Mr Grant at the last hearing of this committee and the evidence this morning from Mr Blacker, these are being progressed. These are being dealt with under the current New South Wales government. That's a good thing. It is a good thing for the stakeholders to whom you refer, Senator Davey. I agree with you that it would be better if these plans were in place and people had some certainty about how the implementation arrangements would proceed from here.

**Mr Blacker:** Senator, to follow up on your question earlier around timing of accreditation of water resource plans, the Lachlan water resource plan was accredited in May 2024 and the Macquarie water resource plan in June 2024.

**Senator DAVEY:** They won't be part of the compliance report until 2025-26?

**Mr Blacker:** Another year away—correct.

**Senator DAVEY:** I come back to the Inspector-General's audit into compliance concerns about purchasing. In terms of the audit you commissioned to be conducted into how the department dealt with sensitive information and the tender processes, have you followed up with the department to ensure all of your recommendations have been progressed?

**Mr Blacker:** Yes. I think at the last committee hearing the Hon. Troy Grant was noting his intention to do so. I can give assurance to the committee today that we have completed that work. We are comfortable that the department has responded to those recommendations and implemented its responses. As you would expect with an active regulator, we are always monitoring things that are going on. We'll continue to look at the evidence base and the risks that come before us. At this point, I'm happy to give the assurance to the committee that has indeed

been actioned by the department. We thank them for their very clear intention to move swiftly in relation to those recommendations.

**Senator DAVEY:** You now are confident that staff within the department have undertaken the appropriate probity training and that information barriers have now been established, because the findings of the audit were that there was not sufficient information barriers and that staff hadn't attended training that they were required to attend?

**Mr Blacker:** We can see that they've responded to the recommendations around the policy improvements, training, information barriers and management of conflicts of interest, yes.

**CHAIR:** In the budget estimates in May 2023, Mr Grant made some comments. I'm keen to get an update on where you feel things are up to now. In describing the legislation on illegal water trading, he said it was rubbish and that there were too many get-out-of-jail clauses in the entire structure of the basin plan legislation and through the Water Act, et cetera. He said that 'we feel it doesn't have any enforceability connections'. That was in 2023. A lot has happened since then. Obviously the Restoring Our Rivers Act is now in force and we're seeing water market reforms roll out. How would you describe your current thinking on that?

**Mr Blacker:** I will ask Dr Schalk to respond to these as well. The comments made by the Inspector-General in 2023 were related to the water trading rule and one in particular. I can report that, as a result of that, our investigations into that and our findings that a rule was not fit for purpose, that was addressed in the Restoring Our Rivers Bill. There is a new rule in place. That came into force on 1 July last year. I'll ask Dr Schalk to pick up on our investigations in that area at the moment. It's an area now that we're active. We've heard some comments from the Inspector-General about the enforceability of a rule. The rule has changed. We now have a new rule to enforce, and we're actively looking at that.

**Senator DAVEY:** The changes were in no small part based on his advocacy and the identification of those challenges?

**Mr Blacker:** Absolutely. It was widely reported that the comments related to water theft. Just to set the record straight, they related to one particular rule in the water trading rules. We have lots of thoughts on other rules and things as we go through. As you can imagine, as a three-year-old regulator, we're always finding new things to improve. Continuous improvement is part of any regulatory regime. We're always talking to policy agencies and government about opportunities for improvement, because nothing is ever perfect. The Restoring Our Rivers Bill certainly addressed that rule and a number of other concerns that we brought forward to government at the time. Some of those were around SDL compliance, for example. We have a more robust regime around SDL compliance than we had before that bill. Dr Schalk can talk about our current investigations.

**Senator DAVEY:** One of the important features of the Inspector-General's role and the organisation more broadly is to do exactly that. I am very keen to understand, because as much as it sounds like you've been around for a while it's still quite new when you look at the amount of time it takes to work through changes and adjustments to legislation in a very complex environment. I am keen to understand whether that has delivered. Where is your thinking now in terms of how those changes have actually rolled out?

**Ms Schalk:** We currently have 17 investigations that are open. They're in relation to section 135M of the Water Act. It's actually around the rules that relate to providing false and misleading information in relation to trade. Those rules were enacted on 1 July 2024. As the acting Inspector-General indicated, the Inspector-General enforces those rules. We've been analysing those 17 cases. The initial observations are indicating that there's actually a data entry accuracy issue. For example, the majority of jurisdictions actually manually enter the data related to trade. For any of us who do computer work, sometimes you do accidentally hit an extra 0 or a 9. For example, if we were looking at \$100 per megalitre for water, we're finding some anomalies as we're analysing that—

**Senator DAVEY:** There's a big difference between 10 and 1,000, right?

**Ms Schalk:** Yes. Sometimes we've seen \$10,000 for a megalitre. We're actually finding that, as we're going through that analysis, they're being rectified. We're contacting the jurisdictions. Those issues are actually being rectified as we're going through that process.

**Senator DAVEY:** Are there a lot?

**Mr Blacker:** We have routine monitoring, as you would imagine, and that'll keep improving as we get more and more data through from new systems and new collection through the Bureau of Meteorology. From what we can analyse at the moment, we're picking up the outliers. If you're looking at 17 cases, they're ones where our monitoring team would look at that and say, 'That's a red flag. Something is not quite right here, for a range of different reasons.' Then we go and have a more intense look through investigation. We have new powers that

went through the Restoring Our Rivers Bill to allow us to rectify those. If we don't get voluntary compliance as we identify those, we can actually go and direct that those things be fixed in the registers and in the data sets so that we have an accurate representation of those things.

**Senator DAVEY:** Percentage of error?

**Mr Blacker:** It's quite small. If you think of volumes of trade and then you think of the number of investigations, it is quite small, but you see it. We would just refer to it as fat fingers.

**CHAIR:** With the changes, I know that you have been very open and robust about concerns around the water market and improvements that are needed. Do you feel like we're on track? Is there enough change? Is it moving quickly enough? Are you seeing a sufficient improvement in the system?

**Mr Blacker:** We can only answer that in part. Obviously, the ACCC has a much larger part in the new regulatory regime with all of the conduct and insider trading codes to be developed. In our space, we look at the Basin Plan water trading rules—there's 40-something of those—and we're seeing improvements obviously in the rules that helps us with enforcement. But at the end of the day, those rules are really pro-competition rules. That's why they were designed and put into the basin plan in the first place. It is definitely a step forward for us in terms of better rules and more tools. Data is going to be the big game-changer for us. As we get more data in, that will allow us to monitor at a higher level. Those things are progressing. Definitely as a result of the Restoring Our Rivers Bill, we're in a bit better position than we were. There's still a lot of work to do in the next couple of years, but a lot of people are working very diligently to try to get the benefits out of that opportunity.

**CHAIR:** In terms of the duration of the existence of the Inspector-General of Water Compliance, what were the constraints in the early days and how do you see your ability to undertake your very important role in terms of basin oversight and compliance? What do those changes look like over those years? In part, that's about what do we need to look to in the next few years? How has that developed?

**Mr Blacker:** The first thing I'd observe is it's a very rapid cycle to go from identifying a flaw in a rule to working through the policy in relation to that to getting changes through the parliament and then getting those live. We've done that in a very short period. It's unusual to be in a place three years in, in a new agency, where you can show that this is the opportunity, we've highlighted the issue and we've gone full circle to having more robust rules we can enforce. The second thing I'd observe is, if I went back three years, there wasn't a great understanding of what an Inspector-General of Water Compliance is and does.

One of the challenges is simply the word 'compliance' in the title. It makes everybody think that we are a frontline regulator out doing water theft and checking everybody's meters. They think of that regulatory role, but our oversight role is equally as important as our regulatory role. We're looking at the performance of agencies. We're looking at the delivery of the basin plan and implementation. Tools such as the inquiry and the work we're doing now in the Northern Basin Toolkit inquiry really highlight the opportunity of an Inspector-General and what it can bring from a system and an improvement perspective. It's been a gradual process over three years as people come to understand that there are two roles within this statutory position. They're quite different and they're designed to do different things, but when you bring them together you end up with someone who can look at compliance.

You don't just stop there; you can look at performance. Those two things need to sit side by side. It was something that was reflected on in the review by Peter Harris that was done by government coming in last term. Peter Harris looked at that issue and really highlighted the opportunity around the inquiry power, the oversight, what we can look at in intergovernmental agreements, what that can mean for the basin plan and its implementation and really driving that forward, but also the link between implementation and environmental outcomes. At the end of the day, in relation to the basin plan all roads lead to environmental outcomes. That's its purpose. Those links are really important and we have a role to play there. Over the three years, the main progression has been in understanding who we are and what we do.

We don't find we spend as much time anymore explaining that to people. Even as we were doing our first inquiry we would have to stop and say to people, 'Actually, there's a function in the Water Act. There are powers associated with that function.' There's still an education component going on out there, but we're not seeing as much of that as we were three years ago. I think people are starting to look at those two roles and understand where we fit.

**CHAIR:** Finally, in terms of the review of the Murray-Darling Basin Plan that's looming in the not-too-distant future, what role do you see yourselves playing?

**Mr Blacker:** I think there are a couple of roles that we need to play. Obviously, as a regulator we see a lot of detail and activity. We can provide an evidence base to feed into the MDBA's review. We've been in constant

consultation with the MDBA as it moves through its review process. We can bring that regulatory evidence base, but we can also bring a view on performance. We can bring a view on effectiveness. We can bring a view on implementation. Those are matters that the MDBA consider in its evaluation such as the 2025 evaluation underway now. That's a five-year body of work. Next year they land the 2026 review, which is a 10-year body of work. We're able to give those two different perspectives into that process.

**CHAIR:** Senator Davey.

**Senator DAVEY:** With respect to the water market, as you said, there is still a body of work to be done with a lot of the new regulations only coming into force with the ACCC on 1 July this year; is that correct?

**Mr Blacker:** I think their might commence on 1 July 2026, but that's probably for others.

**Senator DAVEY:** You're right; I'm wrong. That is correct, 1 July 2026. A lot of that involves water trade information and real-time information sharing; is that correct?

**Mr Blacker:** Yes.

**Senator DAVEY:** What role will the Inspector-General have? Will the Inspector-General have any role in making sure those are enforced? Given that a lot of the work you're doing in the water market is actually looking at appropriate price disclosure, my understanding is the new rules will mean you need more real-time price disclosure. Is there an overlap between yourselves and the ACCC?

**Mr Blacker:** There are three agencies operating in a regulatory space, if you like, as a result of those policy reforms. The ACCC is playing a really important role around conduct, say, in developing a market code of conduct, enforcing new insider trading rules that will be developed, and a range of other activities such as market disclosures. They'll be in that conduct space. The Bureau of Meteorology is playing a really important role in data collection. They are also working in a regulatory space in collecting that data. We have a relatively small role as a result of those reforms. We are the data enforcement agency. That means we enforce any new rules in the Water Act that went through the Restoring Our Rivers Bill in relation to those data obligations. There are four off the top of my head and one of them is the one that Dr Schalk referred to before in price reporting in section 135M, where we're already active. The bureau has to develop a set of data standards. They are working out what data is required and then they will set that standard. If there is a breach of that standard, we are the enforcement agency. We're waiting to see the standard to understand the obligations that will reside with us from 1 July 2026. In essence, our role is the enforcement agency of those four rules in the Water Act now and any new obligations that may come out of the bureau's work in setting a data standard. Dr Schalk, is there anything you want to add?

**Ms Schalk:** I don't have anything else to add.

**Senator DAVEY:** I had my day with the bureau on Tuesday. Given that over the years it has had over \$400 million to do water data pages and single source of truth several times, I would still much rather read the Ricardo reports than try to delve into the bureau to make head or tail of what they're reporting. I don't have a lot of faith there, but that's not your problem. If you're going to be the enforcement agency, some of these requirements, particularly the disclosure requirements, will be the definition of when a deal is struck and in terms of water market sensitive information. There is talk from the ACCC that you will have to disclose, which they already do, the price paid. Do you have a view on whether price discovery information should refer to the date the deal is agreed, or the date the deal is undertaken? It is a bit like buying a house. You might agree to buy a house on 1 February, but you don't exchange contracts for eight weeks. Do you have a view on when the information is most valuable and relevant?

**Mr Blacker:** We start with: what problem are we trying to solve? What rule do we have to enforce? What do we actually have to achieve? We're always interested in the why before we get to the what and the how. We obviously are working through that with the department as the lead policy agency, and the bureau setting that is setting the data standards. We start with what rule do we have to enforce and therefore what data do we need? There are a number of data sets that we've recommended be included. Regulators will always want as much data as they can to do the monitoring exercise and analysis to understand what's going on in the market, understand the risks to compliance and work out where to put their effort. But that's got to be balanced out with the impacts on those. We're really focused on what problem do we have to solve. From our perspective, the four rules that we enforce don't drive a lot of those. A lot of that will come from the ACCC. For example, on trade price reporting, we want to see a range of things that give us the full picture of what that transaction is, but only to the extent that it's relevant to enforcing a rule. That's really where our effort is focused.

**Senator DAVEY:** Do you have a view of what constitutes market manipulation when it comes to the water market?

**Mr Blacker:** We have current functions in relation to that in the basin plan. There are two rules that relate to those elements in the current basin plan water trading rules. Both of those are either repealed or transferred across to the ACCC as part of the reform. Market manipulation will cease to be a function of the Inspector-General at some point before 1 July 2026. At that point, it's the responsibility of the ACCC to work out what it needs. We've obviously talked to the ACCC. We work quite closely with them. We've shared with them our experiences of rules, lack of data and challenges. It's really a matter now for the ACCC to determine and specify what they need to discharge a market manipulation function.

**Senator DAVEY:** I know that we have limited time, so I quickly just want to get on to metering. Turning to the implementation of the water market reform roadmap two years on—October 2024—I understand the Australian standard for non-urban water meters, AS4747, has been revised by an expert panel and that the revision picks up new technologies and methods. Is there a time line whereby meters need to meet the revised AS4747, given that we have a whole heap of meters out there that technically have been grandfathered and are not AS4747?

**Mr Blacker:** The Commonwealth department set the policy implementation schedule, but the review is led by the National Measurement Institute. Generally, it's adopted by the states as a policy and implemented as a result of that policy. A lot of the decisions around when and how will reside with the states themselves rather than the Commonwealth. I would point out, as we did in the opening address, that metering is a core part of the compliance compact and that there are deadlines in terms of implementation. We've been putting out a metering report card each year, which gives people a sense of how that's going and where they're up to. This year we'll review that compact in full. That was put in place in 2018 as a result of public reporting of water theft issues within New South Wales in 2017. That compact was designed to address a lot of those concerns. There are improvements in accountability, transparency, metering and environmental water protection. There is a whole host of issues. We'll be checking up on how that's gone across its seven years and whether anything else may need to occur in that space.

**Senator DAVEY:** It's always been an issue of mine that meters ain't meters necessarily. In some states, like South Australia, most of their meters predate AS4747, so they're grandfathered. Whereas in other states there's been a process to install meters. Yes, in New South Wales one such issue was actually the reason for establishing the Inspector-General. New South Wales also established the Natural Resources Access Regulator, which is a compliance and enforcement body in that state. Do the other states have similar highly publicised with lots of public awareness compliance and enforcement regulators as well? Is their compliance and enforcement regime more part of departments?

**Mr Blacker:** It varies from state to state. In New South Wales, for example, you have the independent Natural Resources Access Regulator operating under an independent board. In the Australian Capital Territory, you have the EPA, which is enforcing alongside the department as the policy agency. In some jurisdictions, like South Australia and Queensland, for example, you will find them integrated into one department. We tend to look at the performance of those agencies and how they're going as opposed to how they're structured and the pros and cons of those different structures. Ultimately, they are a matter for state jurisdictions. We have views on what works well and what doesn't at various points in time.

Ultimately, it's not just a model thing that drives performance. We've just put out our compliance performance report for the first time, which highlights all of the activities of the state regulators. It's the first time anyone has been able to get a data set together on activity that's comparing them equally with the same definition. One jurisdiction will call an audit. They'll say, 'I have a spreadsheet and I checked 100 lines on that spreadsheet, so that's 100 audits.' Another jurisdiction might send someone out in the field and spend six months doing work to come back, and that's one audit. They didn't count things the same. They didn't do things the same. For the first time, we have a report that shows how they're going in terms of activities.

That's as a result of the work that we're doing through the Regulatory Leaders Forum. We go to all of the heads of those regulatory agencies. If that's someone within a department, we ask, 'Who's the ultimate person accountable for this?' We get those people together on a periodic basis and we work through those issues. It's really bearing lots of fruit in terms not just of the metering report card that comes out of that group with that data but the compliance performance report we've just put out comes out of that group. Also, they're learning from each other. That's one of the biggest benefits we've seen across the three years. New South Wales just increased its penalties a few months ago. In some cases for water theft and other issues it's gone up between four- and tenfold for an offence in New South Wales. That came about because of a conversation with their Queensland counterparts. You can see in the reports South Australia has mandatory penalties. So, those regulators can get

together and talk about the pros and cons. Is that possible within their jurisdiction? What's best practice? How do we all move to something that's more consistent over time?

**Senator DAVEY:** Is there still a discrepancy among states where some states say, 'You must have water in your account before you can turn your tap on' and other states say, 'You can turn your tap on and then buy the water after the fact'? Is that still happening?

**Mr Blacker:** Yes. That comes down to metering and account balances. What we're seeing as a very clear trend across all of the regulators is a move to real-time. At the moment, in South Australia, for example, it's a quarterly process. It used to be annual. They took a big step from annual to quarterly and are enforcing that through mandatory penalties. That's in our compliance performance report. But you can also see others are getting much more active in relation to negative account balances. That's about withdrawn or overdrawn accounts. People are moving from different baselines, if you like, across the different jurisdictions. Victoria is already there. They've been doing that for quite a long time. They would put themselves forward as best practice. They don't allow negative account balances in any circumstances. Those are matters where you're starting from an inconsistent base. We're watching that group come together and work on those to get to a much more consistent way of approaching this over time. If I were reflecting on the three years of the Inspector-General, it's one of the issues where we've been able to have quite a bit of impact.

**Senator DAVEY:** That's good. That's me done—for the Inspector-General, anyway.

**CHAIR:** And there's me thinking we're all going home! Thank you, Mr Blacker. Thank you to your colleagues. We will now let you go.

#### **Department of Climate Change, Energy, the Environment and Water**

[10:03]

**CHAIR:** Would anybody like to make an opening statement?

**Mr Fredericks:** No, thanks.

**CHAIR:** Senator McLachlan.

**Senator McLACHLAN:** I'm going to ask a couple of questions. I want to take us to the Coorong, Lower Lakes and Murray Mouth and seek an update or some advice on algae blooms and avian flu risk. I'm not sure whether we have any officers here.

**Ms O'Connell:** The Commonwealth Environmental Water Holder will happily talk to those.

**Dr Banks:** I think there were two components to your question. The first one was around algae?

**Senator McLACHLAN:** Yes, I have some members of the community expressing concern around it. I'm interested in whether any work will be undertaken and any response that may or may not be coming. On the avian flu risk, I've been advised that risk seems to be growing, and the region is important to migratory birds. In essence, that's my query.

**Dr Banks:** In relation to the algae risk in the Lower Lakes, we've seen conditions start to dry down there. There's been low rainfall. We are seeing the risk of matters such as algae start to increase. From an environmental water holder perspective, we've been utilising water down there to try to manage lake levels, because the lake levels again are starting to reduce. Again, that's based on regulated conditions. We had some good years in 2022, 2023 and 2024. Since that time, we're seeing the lake levels go down and, similarly with barrage releases currently, fishways are open. When you reduce flow in the system, things like algae certainly do grow as a risk in the system. We're not doing anything in particular directly on algae other than utilising the Commonwealth's water to try to improve flows. Earlier this week, we were having a conversation around increasing our contribution to South Australia to support the Lower Lake levels and ultimately the Coorong to maintain that connection into the Coorong.

**Mr McConville:** My understanding in relation to the Coorong South Lagoon is that it's actually marine algal bloom. It is not what we would normally see in a river situation. That's my understanding. Water quality issues are managed largely by SAWater.

**Senator McLACHLAN:** I'm seeking assurances that you're on top of it, which you are?

**Mr McConville:** Yes.

**Senator McLACHLAN:** What of the avian flu risk?

**Dr Banks:** In terms of avian flu, the Australian government has a HPAI, an avian flu preparedness taskforce, coordinated by the Department of Agriculture, Forestry and Fisheries, along with our department, the Department of Health and Aged Care and the National Emergency Management Agency. As the Commonwealth

environmental water holder, we work through our department to prepare for that. We're looking at developing a decision support tool that supports my decision-making around the use of Commonwealth environmental water. In terms of risk—and this is a bit of touch wood—there is absolutely a risk that this avian flu that has been devastating internationally may reach Australia. At the moment, it hasn't reached the mainland. Given we're pretty well through the migratory bird season, we might be okay this year. Of course, we need to do whatever we can to prepare for the next season. Given the Coorong and Lower Lakes are really important for migratory birds, it is an area that is a particular focus in terms of concern. The government has also provided funding to support increased surveillance. Again, we'll look at that from a Commonwealth environmental water perspective to see how we can increase surveillance in other areas—not only the Coorong and Lower Lakes—where the risk of avian flu has increased because of the presence of migratory birds coming into the system.

**Senator McLACHLAN:** I don't want to bog us down on the surveillance program. Could you take on notice some details of the surveillance program so I can give assurances to members of the community who have raised it?

**Dr Banks:** Yes.

**Senator McLACHLAN:** And the nature of how many and how you've applied the government funds?

**Dr Banks:** I should say that part of our current monitoring program in the Coorong-Lower Lakes is already part of the opportunity that we can utilise with scientists out on the ground where, if they make observations about birds, there's a mechanism to report that back to the relevant biosecurity agencies.

**Senator McLACHLAN:** So, it's being done within the existing frameworks but, if there's any extra being done, please take that on notice. I come from the perspective of having community meetings, so not necessarily from a budget perspective. Are there any consequences in relation to avian flu risk as a result of the floods, because the floods were also very beneficial to bird life? Has there been a consequent growth in bird life and therefore the risk is higher, or am I drawing too long a bow there?

**Mr McConville:** On the back of the floods, waterbirds responded to the floods. We had some significant waterbird breeding across different parts of the basin where it's known the Macquarie, the Narran Lakes, Macquarie Marshes—and some of these are our internationally important wetland sites—where, again, environmental water has been used to try to manage the levels in those systems to ensure completion of those. Post floods, we're trying to ensure there is habitat for the fledglings to get them as healthy as possible with the idea being that if the birds are healthy—and they're probably more the resident ones through our watering actions—we hope that they might respond should the bird flu arrive in the system at a later date. It's more those pathways of the risk that the bird flu might reach Australia and then how we respond through those whole-of-government processes should it arrive.

**Mr Fredericks:** We have some people in our biodiversity division who I suspect might be able to give you a bit more information. I'll take that question on notice for the whole department and get my environmental side come back, because it's an important question.

**Senator McLACHLAN:** It comes from the perspective of members of the community.

**Mr Fredericks:** Exactly.

**Senator McLACHLAN:** They have raised it with me.

**Mr Fredericks:** We'll come back and bring those questions to here.

**Senator McAllister:** We will try to get the information that is relevant to this department. The official referred to the whole-of-government processes. They're led by the Minister for Agriculture, which I offer simply as a point of information since it's likely to be an area where you have a continuing interest.

**Senator McLACHLAN:** There was a CSIRO research paper, 'Murky waters running clearer? Monitoring, reporting and evaluation of the state of the Murray-Darling Basin after more than three decades of policy reform'. It attracted some media. I'm not going to ask a series of questions contesting the science, because I'm wholly unqualified on that. When a paper such as that is published, how does the authority respond? How is that information taken into your considerations. The last question I asked you in the remains of the day last estimates was around how you're preparing for a state of the Murray report in effect. Rather than a commentary on the paper or the merits of the paper, how is that fed into your considerations or any other scientific paper?

**Mr McConville:** The paper to which you refer is a paper by the Wentworth Group of Concerned Scientists. It's an important line of evidence. As we look to the basin plan evaluation, which is a rearward look over the last five years—we're required to do an evaluation every five years which we'll release around the middle of the year—it becomes a line of evidence. We've met several times with the Wentworth Group both in preparation of

its report and also since the publication of that report. It's important that when we're looking to evaluate not only the state of the basin but the contribution of the basin plan to that state we gather as many lines of evidence as we can. That's the approach that we are taking to that report.

**CHAIR:** What was the name of that report?

**Senator McLACHLAN:** I read it into *Hansard*. I have a copy of it if you like. It's a public document. It doesn't necessarily need to be tabled.

**CHAIR:** No, it's just for my interest.

**Dr Coleman:** In relation to this particular report, in general we welcome new science. We're always interested to see new lines of evidence. But for this particular report, something we welcome specifically is the mode in which the authors engaged with the MDBA early on. They shared a first draft with us. They took onboard some of our comments. They shared a late draft with us as well. When a report such as this comes out, for this particular case we asked our advisory committee on science to look at the report. It's conducting a review of it. The review in this case is particularly around the robustness and comprehensiveness of the report. The main question from us is: how can we take a report like this, a study, and incorporate it into our existing work? We're now looking at this report and we're seeing the extent to which we can incorporate it in our sustainable rivers audit and also our basin plan evaluation.

**Senator McLACHLAN:** Will the findings of the review be public information? Will I be able to ask questions on the level that it was incorporated at some point in estimates, or is that in-confidence?

**Mr McConville:** No, not at all. We'll be very transparent in the outcomes of the evaluation, which will be publicly released around the middle of the year. As I say, there are two parts to that, the sustainable rivers audit, and the evaluation, all of which will be public.

**Senator McLACHLAN:** It raised some media discussion from various interest groups or stakeholders about resetting the rules. Part of the review will be whether our targets or our benchmarks are correct having regard to river health?

**Mr McConville:** The basin plan has indicators contained within it designed to determine the health of the system. In terms of implementation, we are required to report against those indicators, for example, relating to salinity, flora and fauna and the like. We are legislatively required to report against those indicators. There are some other indicators in the Wentworth Group report that aren't within the frame of the basin plan, so they're not legislative requirements, but they are, as Dr Coleman said, lines of evidence against which we will also review.

**Dr Coleman:** That's right. In terms of the Wentworth Group report that was published, they access publicly available data. They used that data against a set of indicators that they developed. It will be a slightly different slant to the work we'll release through the sustainable rivers audit and the basin plan evaluation, because we've accessed not only publicly available data but also other data from the ABS and the ATO as part of our study. Our indicators are specifically tied to the objectives of the basin plan, whereas some of the Wentworth Group indicators were basin plan related and some were more general condition related.

**Senator McLACHLAN:** Thank you for that. You give me the comfort that I needed that it's in the bloodstream, which is where my questions were coming from. I refer to the Corong, Lower Lakes and Murray Mouth Research Centre. I'll call it the 'research centre'; it's not the most friendly name for a senator asking questions at estimates.

**Ms O'Connell:** That's fine. Dr Finn will talk to that.

**Senator McLACHLAN:** I'm sure you were expecting some. Last time we were together, we spoke about the mid-term review. Could you give me an update? I think it was going to be close to being undertaken now or soon after?

**Dr Finn:** In terms of the mid-term review, yesterday the Commonwealth steering committee met with the Goyder, where we discussed the review. The review we're about to launch into will begin over the next few weeks. Ideally, we will be in a position where, at the end of May, that committee is sitting down and having a look at the results. Obviously the research centre has been going for a couple of years now. It is doing really good work. Its research plans are approved. I think 24 of 25 research projects are contracted and underway. Now is a timely point at which to sit down with the Goyder Institute and some of the key stakeholders to talk about how the last part of the current program would play out to see whether there are any improvements that we can make.

**Senator McLACHLAN:** Are the outcomes of the review published or is it more an ongoing dialogue about management of the funding and research?



**Dr Finn:** Our intention for the review was that it would largely be conducted internally with my team, and shared with the steering committee, to inform a conversation in the steering committee about, again, whether there could be improvements or adjustments made in the last parts; and, ultimately, whether there would be any action. For example, if there's a desire to adjust milestones or some extra time desired, that would be an action for my team with the grants hub as contract managers. One of the things I would say about the review—and the Goyder Institute is also very keen on this—is that this trying to make it as light a touch as it needs to be. My observation so far is that the institute is doing incredible work. It's really impressive. It has close connections with the community, and we don't want to get in the way of that.

**CHAIR:** It does appear to be doing excellent work, and I think the connection to the community is really impressive. One of the concerns in terms of the line-up of the work it's doing is how it plays into the 10-year review, its contracting periods and how that plays out. In terms of the whole timing of how various projects could and should feed in versus the duration of their funding, et cetera, could you give us some indications how those various issues are currently lining up? You've just uttered the word 'extension'?

**Dr Finn:** Yes, and I should differentiate, too. I know, for example, that Goyder has developed a business case for a phase 2 that it has provided to our department, the government and a whole range of other interested parties. This review isn't looking at the value proposition of a phase 2. That's a separate component. Like I said, it's a business case that Goyder is putting together. The review was really borne out of—and we've had the discussion in these estimates before—some delay to the start of the research institute projects—

**CHAIR:** I think that's what caused some concern. I know they had concerns—I know Senator McLachlan and I have talked about this as well—about how that lines up in terms of the projects that they're contracting now because of the delay in the start time?

**Dr Finn:** Yes, that's it. Really, this review will sort it out. Whilst I'm not pre-empting the conversations, we may find that things are actually running effectively. The program itself is running incredibly effectively. We may decide through these conversations with Goyder and other people that things are going well and the milestones and contract don't need a look. Or we may find that to get the best possible outcome of the work that's being done right now we do need to look at some of those issues. The intention of this review was really to make sure we took a checkpoint, even if a relatively informal one, at this point in the program to make sure we get in early or earlyish. I think Goyder would say, 'It's not that long ago.'

**CHAIR:** Earlier—

**Dr Finn:** But to get in and make any adjustment that we need to make at this point.

**Senator McLACHLAN:** I understand there has been considerable First Nations engagement—quite exceptional. Do you have any oversight of that or is there anyone in the department who can provide me with some data or oversight from that?

**Dr Finn:** With the Goyder research institute itself it is not close oversight. In terms of the engagement that Goyder and the research institute are doing with First Nations, that's the business that they run. What we are seeing is really quite impressive. I know, for example, that they have a memorandum of understanding with the Ngarrindjeri Aboriginal Corporation and that they're developing one with the Burrandies Aboriginal Corporation. There are formal arrangements there. One of the numbers they talked about—they've been trying to add up the sums—is that they might have had something like 3,000 people through their doors in engagements with the public. Obviously that's much broader than First Nations, but I know they invest quite heavily in their relationships with First Nations people and the research they're doing. The fine detail of that would be held by the Goyder Institute.

**Senator McLACHLAN:** Is there anything comparable elsewhere in the plan to that sort of level of research and engagement in terms of First Nations community?

**Mr McConville:** The approach we're taking to incorporate First Nations science through the basin plan review is very much front and centre. It's one of the four priorities of the review. At the moment, it is probably much more in consultation and engagement to determine what science needs to come forward.

**Senator McLACHLAN:** Obviously, being a South Australian, I'm biased, but this is an exceptional research institute. Is there anything I should be comparing it with? I don't believe there would be, but on the off-chance is there another state doing as well?

**Dr Coleman:** A good comparison would be the One Basin CRC. They're also investing quite heavily in a codesign of science with the community and with First Nations as well. At the MDBA end, we've been running our Basin Condition Monitoring Program. That came out of the Sefton review, and that also has a very strong focus on community codesign and First Nations involvement.

**Senator McLACHLAN:** I'll have a look at those on my travels.

**Ms Knowles:** Over the past 18 months the MDBA has been resetting our approach to engaging with First Nations people right across the basin in part to support the preparation for the participation of First Nations people in the conduct of the basin plan review. We've travelled extensively on country to meet with nations and nation representatives on country. From about the middle of last year, we conducted a series of workshops to support the participation of First Nations people and the inclusion of their information, their knowledge, in the basin plan evaluation. In August and September last year we ran five workshops across the basin in Dubbo, Wodonga, Berri and Toowoomba and an online session as well. We had more than 100 First Nations people from 47 nations and clans across the basin participate in those workshops to be able to support the finalisation of the *Looking back to move forward* report, an independent report by Cox Inall Ridgeway which has been published on our website. We were really pleased to host the basin 'moving forward' conversation in December in Canberra as well. We had 123 First Nations people from 48 nations, 73 tribes and clans come together to support that policy work that we are preparing for in the basin plan review. Just this week I've been in Bendigo on Dja Wurrung country to have further conversations with First Nations people, in particular from the southern basin. Next week I'm looking forward to meeting with northern nations in Tamworth. We really are supporting that active involvement in the work in preparation for the basin plan review.

**Senator DAVEY:** The MDBA had in the past ceased funding in the Northern Basin Aboriginal Nations, NBAN. Have you identified a replacement organisation or how are you now working with Aboriginal nations in the northern basin given that NBAN no longer gets that funding?

**Ms Knowles:** In re-establishing those connections with northern basin nations, Rene Woods, the First Nations member of the authority, the board and I spent a lot of time on country meeting with individual northern basin nations to understand their preferences for going forward. The MDBA has supported those northern nations to come together because, first and foremost, we hold some key principles that the mechanisms for engagement need to work for community. Understanding their preferences and providing time for them to come together to come to a view about what that looks like for them is really important. They're conversations that have started and they're continuing. With the workshops that I ran through before the basin conversations we've provided that direct opportunity for northern basin nations and clans to directly participate in our processes and conversations.

**Senator DAVEY:** It's a work in progress as to a formal structure, but the conversations with nations are ongoing, north and south of the basin, irrespective?

**Ms Knowles:** That's correct. That future approach really needs to be something that is designed by community for community.

**Senator McLACHLAN:** Can you take on notice the work you've done in South Australia since the last estimates? I don't wish to hold up the proceedings. I'm genuinely interested in your progress.

**Ms Knowles:** Yes, certainly.

**Senator DARMANIN:** I had some questions about the ANAO audit for whichever officers are relevant for that line of questioning. I understand that there was a performance audit of the department's 2023 Strategic Water Purchasing program towards the Bridging the Gap under the Murray-Darling Basin Plan. When exactly was that audit undertaken?

**Ms O'Connell:** I'll ask Ms Wall to address that. The audit report looked at the Bridging the Gap purchasing that the department undertook during 2023. The audit report was released on 12 February, relatively recently. I'm happy to briefly outline what the audit report found in terms of a snapshot of the audit report, which is public, and what it did find—

**Senator DARMANIN:** Before we go to the findings, can you just talk about the scope?

**Ms O'Connell:** Absolutely.

**Ms Wall:** The audit objective was to assess the effectiveness of the department's strategic procurement of the water entitlements to meet the Bridging the Gap target under the Basin Plan. When looking at this, the ANAO looked at whether the department established appropriate arrangements to support strategic water procurement? Did the department conduct an effective procurement process to achieve value for money?

**Senator DARMANIN:** Is that the same part of the department that manages the water purchase towards the 450-gigalitre target?

**Ms Wall:** Yes, it is.

**Senator DARMANIN:** Including recent tenders?

**Ms Wall:** Yes, it is.

**Senator DARMANIN:** Ms O'Connell, I am keen to understand the findings now.

**Ms O'Connell:** Yes, certainly. There were three main findings of the ANAO report. Firstly, that the department's strategic purchasing procurement of water entitlements to meet the Bridging the Gap under the Murray-Darling Basin Plan was largely effective. Secondly, that the arrangements to support the strategic purchase of water entitlements were largely appropriate. Thirdly, that the department conducted an effective procurement process and demonstrated how it assessed and achieved value for money. The audit did also make a couple of recommendations for ongoing improvement. The department has accepted those and will implement them.

**Senator DARMANIN:** What were the recommendations and how are you progressing them? It's fairly new.

**Ms Wall:** I'll let you know what the two recommendations were and then my colleague will tell you how we're going with progressing them. The first recommendation was about reviewing and revising evaluation framework, and the second one was updating procurement related policies and procedures to provide clarity on probity requirements.

**Senator DARMANIN:** How is the progress? By when do you expect to have those ticked off?

**Ms MacRae:** With regard to the first recommendation about reviewing our monitoring and evaluation framework to ensure it's relevant, we kicked off that process in November. We established a working group to have a look at that. The key things we're looking at there are to make sure that we are monitoring the right things and we are looking at the metrics that we can control. With water recovery we can control how we run the purchase process, how we establish value for money and whether we can do it in a timely fashion. We, of course, don't deliver the environmental water. We can't assess whether our purchase directly leads to outcomes. There are other entities in the Murray-Darling Basin space that do that. Our reference group is having a look at what we need to do to make sure that we're really measuring what we control and are able to learn from those measurements as we take them. On the second point, which is more effective training and making sure all of our staff are aware of our obligations around conflict of interest and probity, we've updated all of our training requirements and we're regularly reviewing those. Staff are participating in those. We have documentation that occurs and we continue to work with our probity advisers to make sure our processes are appropriate and above board.

**Senator DARMANIN:** When will they be closed out by?

**Ms MacRae:** They're ongoing actions in many respects. The monitoring and evaluation plan is an ongoing, living document. We'll continue to review that to make sure that we do what we need to do and understand any lessons we can apply to future purchasing programs as well so we can continue to improve as we move along.

**Senator DARMANIN:** The finding about the department's ability to assess value for money is very encouraging and a good one that we always want to see positive feedback on. What specifically came out of that would you say that confirms the approach you're taking and any learnings from how you'll continue to make sure that value-for-money assessments are as they should be?

**Ms O'Connell:** I'd go to referencing again what the ANAO has said in relation to that as a broad start. They did state:

This audit provides assurance to the parliament over the arrangements in place to support the strategic procurement of water entitlements in 2023...

It is a matter of public and parliamentary interest. They also go on to state:

...and the conduct of the procurement process to achieve value for money.

**Mr Fredericks:** Can I help in one respect? I should just say a couple of things about this report. It is a very good report and the ANAO is a hard marker.

**Senator DARMANIN:** Yes, not all reports look like this.

**Mr Fredericks:** These sorts of positive reports don't always get a lot of attention. We're very pleased for the report. To be fair, it is in part a consequence of Senate estimates. Again, there's a lot of criticism around Senate estimates, but it does make sure that a department like ours looks for opportunities to continue to improve and that's a good thing. You heard about the work that the IGWC does; that's a good thing. The ANAO itself works very constructively with us. There's a range of forces which, when used constructively, can really help a department like ours to be better. That's been demonstrated in this case and I think quite comprehensively. As to the lesson in terms of value for money is—as the Auditor-General found, we have a very good framework. So, ahead of purchasing, we establish a very constructive framework that has criteria which are commonsense criteria that help us make the best possible judgements against value for money. We document it well. Transparency in

these things on value for money is very important. At the end of the day in issues like this there are at times negotiations to drive the best possible value-for-money outcome. The Auditor-General recognised those four factors, and in the generality there, there are positives that the Auditor-General, the IGWC and senators—all of you—are looking for. It is very gratifying, but you'll notice the language from my officials. None of us is resting on our laurels. There's continuous improvement and we understand we need to keep not only doing the best job possible but getting better where we can.

**Senator DARMANIN:** In terms of resource allocation to do the work, does that change as a result of the outcomes of the recommendations in particular or how you're approaching your continuous improvement?

**Ms Wall:** No. In respect of the first part of that question, our resourcing has stayed the same and we think that's appropriate for what we're undertaking. In respect of your second question—and it goes to that continuous improvement—throughout delivering our procurements, we are constantly looking at how we can become more efficient and what we can learn, as the Secretary mentioned, from not just this ANAO report or just our reports but also other ANAO reports.

**Senator DARMANIN:** I presume these findings are applicable to the current audit tender processes. Has it changed or informed how you'll continue to roll these out?

**Ms Wall:** Yes, it definitely has.

**Ms O'Connell:** It's the same team with largely the same processes put in place.

**Ms Wall:** Yes.

**Senator DARMANIN:** Is there anything else you want to add that I haven't covered in my questions?

**Mr Fredericks:** No, I think we've covered the field. Thank you. I appreciate the opportunity.

**CHAIR:** I'd like to say it's an interesting audit. Senator Darmanin is right; not all of the reports from the ANAO come out looking like this, so well done.

**Senator DAVEY:** One of the recommendations was on clarity and probity, which is kind of a follow-on from the audit that the Inspector-General did into the processes and the issues that were identified through that report. Given you already had that report, you were already looking at those areas as well. The ANAO kind of backed up those findings, but you were already, hopefully, working through those improvements.

**Ms O'Connell:** Absolutely we were. As the acting Inspector-General gave evidence today, he is accepting that we've made the improvements following his earlier audit on processes and procedures in place to manage water market sensitive information.

**Mr Fredericks:** I should add this for your benefit to give you an appreciation of how seriously we treat these matters, as you do. In terms of the IGWC report that the acting Inspector-General referred to today when you asked him some questions, we actually undertook an independent review of our own actions in response to that report. We treated that so seriously that not only did we as a department engage with the IGWC to improve ourselves and to make sure we were faithfully following up on the recommendations, we actually got ourselves an independent review of ourselves in order to give ourselves that surety. Also, that helped the IGWC reach the conclusion you heard from the acting Inspector-General today to say 'tick'.

**Senator DAVEY:** That's very good. While we're on this report, the other issue that was raised—and the report states:

The evaluation framework does not enable an accurate measurement of the program's impact on intended policy objectives...

Does that mean that the line of sight between water purchases that are undertaken and the end environmental impact is not always clear? Is that how that line should be interpreted?

**Ms MacRae:** The Bridging the Gap report in particular is part of a much larger reform process and the purchasing we were doing in 2023 was a small component of a much larger activity that's been going on for a decade. The monitoring and evaluation framework that we developed at the beginning of the process really was trying to work out how you could measure the impacts of the small volume that we were purchasing towards a much larger volume. That's quite a difficult thing to do in isolation, particularly when the MDBA, CEWH and other agencies within the Murray-Darling space are monitoring the effectiveness of environmental water. There was a challenge in us trying to do that on a single purchase perspective. That's something we'll need to review in our framework, but that probably doesn't need to necessarily occur at a small scale because it is occurring more broadly as the water that we purchase makes its way on to the Commonwealth Environmental Water Holder's register and then the benefits of that use and management over time are monitored through other processes.

**Dr Banks:** I will add as the Commonwealth Environmental Water Holder, we do provide advice to our colleagues. It's one of a number of criteria used to determine priorities around water recovery. We certainly draw on our 15 years of experience to try to support obtaining the best entitlements that do contribute to the outcomes that we've got underway. As my colleague mentioned, we've got a science and monitoring program that's been going for over 10 years now. That certainly is reporting on the sorts of environmental outcomes we've been able to achieve from the environmental water that we manage. Any water recovery that comes in, as you'd be well aware, gives us a greater share of water that we can then utilise for environmental outcomes.

**Senator DAVEY:** When that audit report said that 'requires revision to ensure that outcomes are appropriately defined, including in the context of other evaluation activities', that is the work you said earlier, Ms MacRae, that is ongoing to make sure the monitoring and evaluation is relevant?

**Ms MacRae:** That's correct.

**Senator DAVEY:** I've got a whole lot of other questions about future purchases.

**CHAIR:** Senator Blyth.

**Senator BLYTH:** We can pivot from there. I am also a proud South Australian sitting here.

**CHAIR:** The South Australians always try to stack out this committee! It's part of who we are.

**Senator BLYTH:** They are centric to the state that I am from. I have a few different questions regarding a few different programs. I'll start with the Resilient Rivers Water Infrastructure Program. Is that okay?

**Ms O'Connell:** Yes.

**Senator BLYTH:** Essentially, I am looking for a bit of an update on how this project is going to start off with.

**Ms Wall:** The project is a program but we can talk to you about the program as a whole.

**Senator BLYTH:** Just an overview of where it's up to.

**Ms MacRae:** Not a problem. I can take that question. When the Resilient Rivers Water Infrastructure Program was announced it had \$495 million allocated to it. It's designed to fund state-led projects that will deliver infrastructure in irrigation areas in order to create water savings that can then be credited to the 450. We had four streams within that program. There were three streams related to full project delivery—so that's shovel-ready projects that can be funded and delivered—and then one stream related to feasibility projects. The feasibility projects was a critical element that the Commonwealth funded in order to help states come up with new projects, new ideas and investigate possibilities because we really do want to see what options are out there that are worth working up. Applications for stream D closed in December after an extension. The basin states did request an extension, given the tight timeframes, and that was agreed to. It was August; it went to December last year. We've received the feasibility projects and we've been assessing those. Several have received policy approval and are progressing to a federation funding agreement so the states can start delivering. We do have three projects that are funded under the other streams, even though applications for streams A, B and C don't close until June this year. As projects come in, we are able to assess them and fund them. We have one in New South Wales in the Murrumbidgee irrigation district. It's called the Urban Channel project. That's a project to line and address 46 kilometres of channels or thereabouts in that irrigation district to create efficiencies and additional public health benefits. It is about \$63 million. Then we have two South Australian projects that have been approved. One is an actual delivery project. So, that's for \$20 million for about a gigalitre of water. We also have a program that we have approved for funding. That's to \$20 million and that's for the South Australian government to work with their communities to find small-scale efficiency projects that they can then fund through the funding we provide them and work to deliver them.

**Senator BLYTH:** Excellent. Do you have an idea so far of how many projects have been lodged in total, bearing in mind that they haven't closed yet?

**Ms MacRae:** Exactly right, yes. We have assessed about 10 projects and we're expecting around 19. What I will say on those is there is a combination of feasibility and full projects. Feasibility funding will result in business cases in June this year. Some of those may be feasible and will be assessed and could proceed. Some—and this is the nature of feasibility funding—may not be feasible in the time frame.

**Senator BLYTH:** Yes, of course. So far, how much are you predicting in terms of the volume that might potentially be saved?

**Ms MacRae:** It's very difficult, particularly with a lot of the projects in feasibility. At the moment, we have about three gigalitres of funded savings. I wouldn't like to take too much of an estimated guess on feasibility projects as I'd like to allow the states to do the work they need to do in order to confirm what projects they can do.

However, we do have several delivery projects we are looking at at the moment; we are working with states on assessing those and we expect some of those may be eligible for funding and would contribute to further savings.

**Senator BLYTH:** Looking at that three gigalitres so far and we're aiming for 450—there's a big gap there—is there anything you think the Australian government could be doing to increase the intake so that we can try to capture more projects?

**Ms O'Connell:** Yes, firstly, the resilient rivers is about providing more options and more opportunities. It's infrastructure. The three gigalitres that were referred to are basically ones that have been contracted and are in construction. There's a further eight at feasibility. As my colleague said, there are still programs open in terms of seeking further proposals. We absolutely welcome particularly state-led proposals, et cetera, that address this and use these greater options that are available. There's still quite some time. It's difficult to predict because the feasibilities are to assess how feasible the delivery is and the water recovery, et cetera. Plus there are projects yet to come to us. We're aware through discussions that there are quite a number coming, as my colleague has forecast. We'd welcome many more. We're keen to certainly use this as infrastructure alternatives to deliver water recovery. Evidence to date is that it is, I think, 3.2 gigalitres for the two that are contracted into construction, and we hope that many more of the feasibility will end up in further contracted construction and that there are more proposals brought forward.

**Senator BLYTH:** Excellent. That sounds very good.

**Senator DAVEY:** On the back part of those other options were also land and water partnerships; is that correct?

**Ms O'Connell:** I'll ask my colleague to speak to that.

**Mr Dadswell:** Yes, that's correct. One of the options that was being considered to contribute to the 450 was land and water partnerships.

**Senator DAVEY:** Have you had any proposals for land and water packages?

**Mr Dadswell:** In implementing that program, we'll be seeking that it be delivered through the basin states. We've been working with them on guidelines for the program. We've developed those guidelines and the government made a commitment in the last MYEFO to provide \$3 million towards business cases for land and water partnerships. That \$3 million is to fund business cases that states will bring forward, and they have until the end of June to bring those forward for us to assess.

**Senator DAVEY:** We fund a lot of business cases—I'm just saying. The guidelines, however—

**Senator McAllister:** A lot of decisions were made under the previous government in this portfolio.

**Senator DAVEY:** We have funded business cases for the same projects over and over again.

**CHAIR:** Is that true?

**Senator DAVEY:** Constraints management, for one. I know we've been funding business cases for constraints management since 2015.

**CHAIR:** The same project over and over again; is that what you're trying to say?

**Senator DAVEY:** Constraints management. Anyway—

**CHAIR:** We will leave your assertions there.

**Senator DAVEY:** The guidelines have been written; is that correct?

**Mr Dadswell:** With the states, yes.

**Senator DAVEY:** State governments now have those guidelines so they can go back to potential proponents to work up business cases; is that where that line of potential outcomes is at?

**Mr Dadswell:** Yes.

**Senator DAVEY:** I've been told the opposite. I've been told that states are still waiting for the guidelines.

**Mr Dadswell:** No, we have engaged particularly with New South Wales on the guidelines.

**Senator DAVEY:** So, New South Wales has the guidelines. Does it have to apply for business case funding or can it go away with a proponent and actually work up the business case?

**Mr Dadswell:** I'll have to take that on notice.

**Senator DAVEY:** On those potential projects, are you only talking to the states or have you also talked to potential proponents about the pathway forward?

**Mr Dadswell:** That's to be delivered through the states.

**Senator DAVEY:** It's all got to be delivered through the states? Okay. Thank you for that. You've answered those questions.

**CHAIR:** Do you want to go Senator Blyth?

**Senator BLYTH:** If that's okay. This is going back to the infrastructure program. Are you satisfied with the volume of applications or projects that you're receiving to assess at this stage? It does seem like the uptake is quite low.

**Ms Wall:** Yes, I am quite comfortable with the volume we're receiving, especially if the feasibility projects do turn into projects to implement. I think that this program follows on from a previous government project, an efficiency program, which was quite successful as well. I do think this is a good number in the timeframes that we've had.

**Ms O'Connell:** We would also say we would welcome more if it remains open. Absolutely, we would welcome more.

**Senator BLYTH:** That was it on that part. Urban Channel project.

**CHAIR:** We'll break now.

#### **Proceedings suspended from 10:55 to 11:11**

**CHAIR:** Welcome back everybody. We will resume with the Murray Darling Basin Plan cross-portfolio matters. We will go to Senator Davey.

**Senator DAVEY:** Ms O'Connell, I see that this week the government has commenced purchasing a further 100 gegalitres in the southern connected basin through the expressions-of-interest process. The expressions of interest came in at the end of last year, and you have now commenced actually moving on to a purchase. Is that correct?

**Ms O'Connell:** If I can just step out where that limited tender fits in the process. Obviously, the legislation passed in November 2023. We issued a draft framework for delivering the Basin Plan in full in January 2024. We had consultations about that in terms of how that delivers the 450 gegalitres of additional environmental water. We had extensive consultations on that framework document. The framework was finalised in July 2024, and it identified in it this process of the expressions of interest and set a timing expectation of when it would happen. We are consistent with that timing expectation. It set out an overall approach about a steady and staged delivery. At the end of last year, there were two expressions-of-interest processes called expression of interest 1 and expression of interest 2. With that, I will hand to my colleagues, Ruth Wall and Christine MacRae, to talk through what is now happening in terms of a limited tender—a very limited tender—

**Senator DAVEY:** Of 100 gegalitres.

**Ms O'Connell:** of up to 100 gegalitres—as a result of the EOI, a very limited specific tender. It refers specifically to the number of people invited as part of that limited tender.

**Senator DAVEY:** Potential.

**Ms O'Connell:** Yes. It's not an open tender.

**CHAIR:** Just larger organisations, isn't it, or larger portfolios?

**Ms O'Connell:** Very large portfolios and very limited. Based on the people who expressed interest as a result of that earlier expression of interest, it's a very limited number, yes.

**Ms MacRae:** So EOI 1 and EOI 2 had very different focuses. EOI 1, if you like, was the inverse of the 70-gegalitre scope. So the 70-gegalitre program, which closed in September, had a very select scope of very specific water-right types. It was also trying to avoid, as best we could, impacts on areas with a high concentration of irrigation infrastructure operator customers, noting the different arrangements in different jurisdictions. So with respect to EOI 1, if you were out of scope for the 70-gegalitre tender you were in scope for EOI 1; that had a minimum participation volume of 10 megalitres, so we were hoping to engage with individual water entitlement holders. EOI 2 was quite different. It covered the entire southern connected basin, both within and without irrigation infrastructure operation areas, and it was really focused on the large portfolio holders that we know exist in the basin. There are not many of them, but there are several, and some had, through different means, expressed an interest in participating in water purchase programs. The department looked at the findings from the 2020 ANAO report around some of the shortcomings of past limited tender processes that had been run. What we thought would be the most transparent and effective way to engage with these larger portfolio holders would be to run an open tender process. So that would be an open call for all tenderers who meet these criteria of around 20

gigalitres, which is a substantial portion of water, and ask them to submit their prices in a non-binding fashion for stage 1 of EOI 2.

**Senator DAVEY:** You have said 'non-binding'.

**Ms MacRae:** Stage 1 was non-binding; that's correct. That's the case for EOI 1 and EOI 2. That's standard practice for a multistage procurement.

**Senator DAVEY:** My reading of the paperwork was that, if you made a submission through the expressions of interest process, you couldn't change your mind on the price.

**Ms MacRae:** You could change your mind on the price. The wording of the ATM was such that we said, 'Why were these non-binding?' If there is a significant shift between your stage 1 offer and the potential stage 2 offer, we may seek to ask clarifying questions as to why that price has significantly shifted. But we appreciate that, with the time that these things can take, there can be shifts in the market and, by having the multistage process, people are allowed to modify to suit.

**Senator DAVEY:** My understanding is that the 70-gigalitre open tender was not open to everyone. It was—

**Ms MacRae:** That's correct.

**Senator DAVEY:** Have you finalised that?

**Ms MacRae:** We're still in the process of evaluating tender responses to the 70 gigalitres, I think. We have started accepting offers—we started in December—and we're moving through the tender responses as we go, establishing value for money in the offers.

**Senator DAVEY:** So you've got the 70-gigalitre tender process underway—

**Ms MacRae:** Yes.

**Senator DAVEY:** you've got EOI 1 underway, and you've not yet progressed to making offers; you've got EOI 2 underway, where you've progressed to making offers; and you've also got the Aboriginal water entitlements program purchases underway. So you are in the water market under four different processes all at once. Is there any room for other water market players at the moment, or is it just the government that is purchasing water?

**Ms MacRae:** I couldn't speak to other water market players, no.

**Ms O'Connell:** We just have a couple of corrections in relation to EOI 1.

**Ms Wall:** I just want to make a correction regarding EOI 2, but perhaps I'll come back to it.

**Ms MacRae:** With EOI 1, we have finished stage 1, and the update to the trading strategy on Monday indicates that we are progressing towards stage 2, with a notion of being able to recover, potentially, up to 100 gigalitres. So that's program approval. Individual procurements and the next steps underneath that program will occur over the coming months, as the trading strategy sets out.

**Senator DAVEY:** At the moment, you've got 70 gigalitres; 100 gigalitres; and, I think, 10 gigalitres under the AWEF. How many gigalitres are there under EOI 1?

**Ms MacRae:** EOI 1 did not have a nominated maximum volume.

**Ms O'Connell:** EOI 1 has moved further than that; it's an expression of interest. I'd also point to the fact, as I outlined in the beginning, that this is all part of the framework, which is public, that sets out how we're going to deliver the Basin Plan in full, particularly for the 450 gigalitres. That was published as a final version in July. It sets out not only exactly this timing and exactly this process with the 70-gigalitre tender but also the two different expressions-of-interest processes and when the timing would take place. So that's our approach that's been put out publicly, and we're remaining consistent with that.

**Senator DAVEY:** So steady and staged—

**Ms O'Connell:** That's right.

**Senator DAVEY:** doesn't mean that you will finalise one process before moving on to the next. When people read that and when the EOI would occur, they didn't think that there would be an overlap. At the moment, you are in the market under three different processes—you've corrected me on that one—for 180 gigalitres of water, which is a substantial volume of water to be seeking at once. However, I accept that the EOI process is limited and by invitation only, and that does bring me to the fact that it's only open to large portfolio holders and offers of 20 gigalitres or more—

**Ms O'Connell:** Correct.

**Senator DAVEY:** but it is open to people who are within a shared network. So, when you're looking at the expressions of interest, are you looking at maybe corporate portfolios where they have 20 gigalitres but across



different zones, or are you looking at an expression of interest from a large corporate that is in one area—and that is 20 gigalitres from one holding—which in a shared network will create a massive gap?

**Ms MacRae:** The EOI 2 responses, as we've said, are from large portfolio holders, and they're primarily a combination of investors, as you say, with broad portfolios and then agribusinesses, which can also have broad portfolios, yes.

**Senator DAVEY:** Yes.

**CHAIR:** In terms of the assessment, though, when you get these expressions of interest, just talk us through the kinds of things that you would look at and the modelling or the data that you would use to determine whatever water is to be purchased—the kinds of impacts that Senator Davey is concerned about—and the processes that you have in place to guard against that.

**Ms MacRae:** Definitely. I can speak to how we establish value for money within a process. It's not that we have established value for money for EOI 2, but, regarding that, I think my colleague Phil might be better placed to answer.

**Ms O'Connell:** Just before we do that, I'd outline the framework for the 450 gigalitres, as set out in the new legislation. First of all, it has to be the right water for the environment, in terms of water in the right places and water that is needed for the Commonwealth Environmental Water Holder, and so, as part of it, it has to be water that actually results in an environmental benefit. That's, firstly, one criterion. Value for money, as my colleague touched on, is clearly another criterion. Then another criterion is socioeconomic impact, which is assessed. That was assessed with the regulatory impact statement at the time and with the passage of the legislation in November 2023. Also, as part of that legislation, there is a requirement to do an assessment before the individual tenders are open, and that is made public, and we can talk to that as well.

**CHAIR:** There are people who have a sort of guttural reaction to the concept of water purchase and head down the pathway of 'We'll all be ruined, and the area from which the water is purchased will wither on the vine and no-one will ever work again.' We hear a lot of that sort of stuff. So I think it's really important that we take the time to step through exactly what those protections are for people who are deeply concerned, like Senator Davey, about the impact on particular regions.

**Senator DAVEY:** Yes. The strategy actually says, 'Under this trading strategy, there is no fixed volume to be recovered from each state catchment or water right type.' You've just said that consideration is given to making sure that you're buying the right water type, but the strategy says that no consideration will be given to that.

**CHAIR:** As in it's not a priority. The priority is making sure that you've got the right water in the right place. We're not saying that every state or area will have the same amount of water purchased, because that's not necessarily where you need it, so those statements are not actually contradictory.

**Ms O'Connell:** We can talk to what we're doing in terms of assessing that category of the socioeconomic impacts. We can also talk to that question of how we determine where we go for purchase in terms of environmental impact as well as for value for money, because they're the three considerations.

**Mr Fredericks:** Senator, you've had discussions with us before and it might help you if we just go through the socioeconomic approach, because I know that's something that you have a keen interest in.

**Senator DAVEY:** It is the socioeconomic that I'm interested in.

**Mr Fredericks:** We can go to our officials on that.

**Mr Coates:** I have carriage of socioeconomic assessments, so I'm happy to run you through the process that we've gone through to assess socioeconomic impacts. As Deputy Secretary O'Connell has said, the starting point for that was an update to the regulation impact statement for the Basin Plan, which was conducted and published last year. That was a backward-looking piece, seeing how the assumptions around socioeconomic impacts and the predictions that were made at the commencement of the Basin Plan have carried out over the time since. Obviously, there has been a lot of water purchased and other types of water recovery; 2,100-odd gigalitres were recovered at that time. So that piece of work looked at that and at scenarios for how additional water recovery towards the 450 gigalitres could roll out. That drew on a range of different sources, including academic studies. It lent heavily on the independent report into social and economic conditions in the basin, which is colloquially known as the Sefton report; that had a large body of research as well, looking at impacts to date.

In terms of the protections and commitments within the framework towards the assessment of socioeconomic impacts of particular purchase programs, we do that at the program level, and we look at cumulative impacts towards the 450. I think you started with a question looking at what the impact would be for a single purchase of X gigalitres. The approach that we've taken is to say, 'What is likely to be the more meaningful and significant

impact will be the cumulative effect of all the purchasing that happens.' So, rather than assess each individual transaction, of which there will be many hundreds, I expect, through the various tender rounds, we do an assessment before a purchase program is commenced that looks at the cumulative impact of purchase approved at that point in time. We think that will provide a more meaningful assessment of what the impacts are likely to be. Also, we've published those assessments, and they provide a regional breakdown from ABARES of what the modelled impacts are on irrigated agriculture, which is the focus of the assessment, being the starting point of that kind of impact pathway.

We've also had an ABARES model of which communities in which areas are most likely to be exposed to impacts, and that's based on the diversity of their economies, the reliance on irrigated agriculture and the underlying social and economic conditions. They are a couple of the lines of evidence that we have used to inform that. However, we also recognise—this was one of the key findings out of the work in the Sefton review and previous reviews of the Basin Plan—that there absolutely can be a divergence between economic modelling and what it predicts outcomes will be and experiences on the ground and what are reported. So we have done an extensive consultation process and, as part of the framework and the continued assessment of impacts, there are monitoring frameworks in place.

There's a significant investment going into the Basin Condition Monitoring Program, which Dr Coleman referenced earlier. That, again, will look at the cumulative impact of everything that has happened in the Basin Plan. It goes back even before the Basin Plan, actually—water recovery pre the Basin Plan. We also have the Sustainable Communities Program, which is being delivered through the states. As part of that, states are being funded, on top of the money that's been provided, for community adjustment assistance, with additional funding for community engagement and on-the-ground work. That is so that the types of local impacts, which we acknowledge can't always be predicted through modelling and publicly available data, can be picked up and assessed through that process—

**Senator DAVEY:** I'll come to the Sustainable Communities Program.

**CHAIR:** Can we just let the witness finish?

**Senator DAVEY:** Well—

**CHAIR:** Senator Davey, we are going to let him finish. Please.

**Senator DAVEY:** Keep going for another half hour.

**Mr Coates:** The only other aspect I'd refer to is industry engagement. Part of the modelling from ABARES of different water recovery scenarios, including the 170 gigalitres purchased to date, has looked at the distribution of the impacts in the southern connected basin on different types of crops, food and fibre, and that has informed the prioritisation of our work with industry. Again, we recognise that industry players will have their own data that they hold and their own insights about what they think this means for their particular industries. Based on the research and analysis we've got to date, we've prioritised rice and dairy as particular areas of interest. Dairy Australia are doing some further research that we've been engaging on regarding what they see as potential impacts from the different water purchase scenarios that we're entertaining.

**CHAIR:** It has taken a long time to get to the nub of what you are doing.

**Senator DAVEY:** I was in the middle of a line of questioning, Chair.

**CHAIR:** Senator Davey, I did ask whether it was okay to follow up on a point. I'm just trying to get to the nub of that point. I am working very significantly on your concerns, which are my concerns as well. People are anxious about the water purchase and about the impacts. I'm trying to extract some pithy answers—

**Senator DAVEY:** They're not very pithy. They waffle forever.

**CHAIR:** Senator Davey, if you would stop talking over me that would allow Mr Coates to tell us if he does have an elevator pitch on this particular issue, to address the concerns of people out there in the community. We know that it has been highly emotional and tense for them over many years. There are those of us who believe that this is absolutely the right thing to do and have confidence in the modelling and the socioeconomic impact analysis, and there are those who don't. I wonder: what is the piece—in a less than five-minute response—whereby people can say, 'That makes sense,' or, 'That makes me feel better,' or, 'That is going to boost my confidence that these guys know what they're doing and they're not going to ruin my community'?

**Mr Coates:** Absolutely. What I've provided there is a description of the analytical work that underpins this.

**CHAIR:** That is very useful; don't get me wrong.

**Mr Coates:** You're more interested in the steps that are being taken to meet the government's commitment to minimise impacts on communities?

**CHAIR:** Also that, yes.

**Mr Coates:** My elevator pitch on that would be that there has already been some discussion around the efficiency part of the program. That was the first program that was opened and started last year, looking at water efficiency measures, where the neutral or positive socioeconomic impact applies. There's the staging of how we're going out and recovering the water between now and the end of 2027. As the deputy secretary said, the advice from the Productivity Commission—and what we're doing—is a steady and staged approach. We're looking at the sequencing of that so that alternative options and mitigations can be looked at. In particular, around irrigation network areas, people have said in consultations that they're concerned about what's called the Swiss cheese effect. That's being factored into the rollout of water recovery.

We're also looking at alternative options in the north. A key thread of the program is the Sustainable Communities Program. That's the new initiative that sits with this 450 program that hasn't occurred in the past, which is a \$300 million investment in community adjustment assistance.

For those areas that were identified through the analytical work that was described earlier, assistance is available to support economic diversification and jobs and to provide support for individuals and communities where those impacts are most likely to be felt. That's what this research has been geared towards: informing the rollout of that program. We're doing that alongside the water recovery at the moment, whereas previous iterations of programs of that nature occurred long after the fact.

**Mr Fredericks:** Perhaps I could help out. It is a really good thing that we have an official talking at great length about this issue, and good on him.

**CHAIR:** Absolutely. It works for me.

**Mr Fredericks:** The reason I'm saying that's a really good thing is to get to your elevator pitch. The elevator pitch from me and from this department is that this is a testament to how seriously we consider socioeconomic issues, how important it is for us to understand community concerns and how, as Public Service officials, we are finding every lever we can to ensure that we engage, empathise and, at the end of the day, give the best possible evidence based advice. That's what public servants do.

**Mr McConville:** Chair, perhaps I might go to your question. The evaluation of the Basin Plan, which is a five-yearly evaluation, will contain a socioeconomic piece, and that's the first time this will happen. Previously, it was just environmental outcomes. If it is helpful to the committee, I might ask Dr Coleman to talk about how we are approaching the socioeconomic analysis under the Basin Plan evaluation.

**CHAIR:** It would be helpful for me. I'm feeling a level of agitation from my colleague.

**Mr McConville:** I should have directed the question to Senator Davey; I apologise.

**Senator DAVEY:** Why don't we senators just leave the room and allow you guys to wax lyrical for the rest of the day? The whole purpose is for us to ask the questions.

**CHAIR:** Senator Davey—

**Senator DAVEY:** I appreciate what you've said, Mr Fredericks, and I appreciate that your department does take this very seriously. But I do have a range of questions because, as I've said, at the moment we have three separate water purchasing programs underway. You keep saying that you are undertaking best endeavours to minimise socioeconomic impacts, but while you're out there doing the large portfolio holders' 20 gegalitres and upwards expressions of interest, you have not yet finalised the 70-gegalitre tender process, so you don't even know where that water is coming from before you're undertaking to buy more water. How can you understand the impacts that the water purchasing is having? You don't even know how much water is coming out, for example, from the Murray Irrigation districts, so you can't understand the impact on that business, that region, that area and the industries that it underpins. How can you, hand on heart, say, 'We have evaluated the impact that these processes will have on that region,' when you don't even know if the water is coming from that region?

**Mr Coates:** I can speak to that. We've published the advice that we provided for consideration of that, and that sets out the assumptions that were made around the modelling of what was the cumulative 170. Obviously, the 70 gegalitres program is mid trade.

**Senator DAVEY:** It's 180 with AWEP.

**Mr Coates:** This assessment is of the purchase towards the 450. Given that 70 is in train and we don't know the final outcomes, we need to make some assumptions about where that, in the end, will lie. It's the same with the 100 gegalitres. As you've discussed, they are non-binding offers and there are still processes to go through to reflect that. At this point in time, we've done an assumption of the distribution of water purchase, based on the current CEWH holdings. The ABARES' modelling uses a water trade model, so it picks up the impacts of

subsequent trading and distribution of water across the southern connected basin as a result of water trade. That will change and move the impacts over time, and that's a key feature of that model.

We acknowledge in the advice that those assumptions won't necessarily match the actual outcomes of the 170. Once those aspects are known, we'll be able to go back and review any divergence from the assumptions that were made in the modelling and, of course, provide that information to state governments so that they can understand any implications for the rollout of the community adjustment assistance that we've got.

**Senator DAVEY:** Some would say that's closing the gate after the horse has bolted. My concern goes particularly to closed networks, such as the Central Irrigation Trust in South Australia, Murray Irrigation and the Goulburn Murray Water district. If too much water has left the district and makes the system less viable or creates perverse impacts on the remaining irrigators in the system, it will be too late, after the fact, to go, 'Oh, we've been monitoring.' When the wine crush is closed and 30 people have lost their jobs, it's a little bit late. Does your modelling show where—

**CHAIR:** But are they not looking at any of that?

**Senator DAVEY:** Does your modelling show the tipping point for those sorts of regions?

**CHAIR:** From what I've heard you say a couple of times now since the break, the primary question is: do you do an assessment before you purchase that water or do you just look afterwards, which is what Senator Davey is hearing from the conversation here?

**Senator DAVEY:** They don't know where the water is coming from yet.

**CHAIR:** But that's why they're looking at it. I do not understand your point.

**Senator DAVEY:** They're purchasing 70 gigalitres of water, on the one hand. They don't know yet because they haven't finalised the process. Then they're talking to people about, potentially, another 100 gigs but in 20-gig parcels, when they haven't finished this—

**CHAIR:** I think the question is: are you looking at these things? Senator Davey is not hearing what I'm hearing, so I think it's important that we answer the question and make sure that she's comfortable that you are. I'm hearing—obviously, Senator Davey isn't—that you're actually very clear on where the water will be coming from before you make that decision.

**Ms O'Connell:** In addition, my colleague was explaining that we're looking in advance at the cumulative impact of—

**Senator DAVEY:** So you know where the water purchases are coming from.

**Mr Coates:** It's a voluntary water purchase program.

**Senator DAVEY:** So you don't know where the purchases are coming from.

**Mr Coates:** One of the key features is that it's important that they're willing participants.

**CHAIR:** That's really not her point. Ms O'Connell, can you help us out here?

**Ms O'Connell:** Absolutely. First of all, I'd go back to the regulatory impact statement that looked at implementing the whole of the Basin Plan. In terms of meeting our regulatory requirements to look at impacts prior to releasing tender arrangements, the cumulative impact of 170 gigalitres was looked at, which is exactly what my colleague is saying. I think the other thing to bear really strongly in mind—we're happy to talk about this—is that not all impacts in the basin are as a result of water purchase. There are many more factors that impact socioeconomic outcomes in the basin than just water impacts. Plenty of ABARES' modelling et cetera goes to that. It is certainly a component, but it is not the component, in terms of reflecting impacts in the basin. You've got prices for commodities and all sorts of other things. There are trends in individual industries that may have nothing to do with water purchasing. It certainly is a component but only a component.

**Senator BLYTH:** Perhaps I can interrupt for one second and take us backwards slightly because it might help clear this up. You've touched on the fact that the expression of interest process is voluntary. Are you then using that data, those responses that you're getting? I don't know whether you can provide that to us today or whether it needs to be taken on notice. Can you provide us with the number of responses that you've had to those EOIs? I assume that gives you a picture of where it could potentially come from, because you know whether people are saying yes or no. Then you will have a general feel for which communities water is more likely than not to come out of. Is that what you're using in the predictions and projections that you're making?

**Mr Coates:** We did have a discussion about the distribution. The advice we provided says that the EOIs received reflect a spread across the southern basin. For confidentiality reasons, I don't think we can disclose exactly where and what they are.

**Ms MacRae:** Tender responses through the usual procurement processes are held as confidential before, during and after. It's only the outcomes that are made public, which is the contracts.

**Senator BLYTH:** Could we get the number of responses you've had, not where—

**Ms Wall:** We'll have to check with our probity officer and come back. We can take that on notice.

**Ms O'Connell:** We have said that it's a very small number of responses.

**Senator BLYTH:** I guess that goes to what Senator Davey is getting at. If it is a small number, it is hard to predict. I think this is the point that you're trying to make: if you've got everyone in one particular spot and that is where the 100 gigalitres is going to come from, that's going to be problematic for that particular region. What safeguards are being put in place so that doesn't occur?

**Ms MacRae:** I could try to explain a couple of things that we have done in the program design element of the purchasing programs to help keep up with not only that staged and steady approach but also to be alive to the feedback that we got through the framework. I will go back to the 70 and try to be brief. The 70-gigalitre program, which we call the 'selected catchment open tender', was a very specific tender that highlighted a number of what we call water right types that were targeted for that tender. We specifically chose water right types and excluded areas with a high concentration of IIO customers, where we could—in some instances, we couldn't—but we chose those particular areas because the water right types were valuable to the Commonwealth Environmental Water Holder and were already held in large volumes by the Commonwealth Environmental Water Holder. Also, that pattern of recovery that you could achieve through 70 gigalitres is aligned, to some extent, with the modelling with ABARES. My colleague mentioned that the ABARES' modelling assumes that the proportions within the CEWH holdings will continue to grow in future purchasing processes in the way that they did in the past. That's a valid assumption.

**Senator DAVEY:** Is that modelling publicly available?

**Mr Coates:** Yes.

**Ms MacRae:** That's a valid approach to take in many respects because, if you look at annual trading volumes for different water right types, the ones where the trading volumes are quite large—so there's a lot of private trade happening every year—tend to align with where the Commonwealth Environmental Water Holder historically has recovered more water, because that makes sense. The 70 gigalitres only had 13 water right types in scope—it wasn't open slather, if that makes sense—so the water recovery that we can do through that tender is quite specific to those areas. In the ATM, the approach to market, that went out with the 70-gigalitre tender, we also committed that, where possible, we would maintain a balance between basin states and between catchments as best we could—given that it is a pool of willing sellers, so we're limited to people who are willing to sell—and balance that impact as best we could. Equally, this is an ongoing process and, every time we move through the purchasing process, that will inform the design of the next purchasing program. Referring to EOI-1, which is currently under evaluation, as the outcomes emerge from the 70 gigalitres and anything potential out of EOI-2, that will inform the design of EOI-1.

**Senator DAVEY:** I think that's where the concern from the community is. The 70 gigalitres has not been finalised but already we've moved on to progressing EOI-2, and you've got EOI-1 sitting there almost ready to progress and people are thinking, 'Finish one block of work first and tell us about the results of that, and then you can progress to the next block of work and tell us about the results of that.' People can then have confidence that you actually have looked at where you've got the water from and, potentially, what impacts that may have. At the moment, you can't tell us where you've got the water from because you don't know. You're still working through the process of the 70 gigs, but you're going ahead with progressing large purchases from what predominantly sound like corporate interests, which could be agricultural or what they call water investors. It could be a portfolio or from a single holding; we don't know. How can you tell us that you've done the work on the impact of the 70 gigs prior to progressing the next one? Ms O'Connell, I understand that you've published your strategy, your 'steady and staged', but I think everyone who read that strategy thought it would be block by block. I don't think anyone expected there to be an overlap.

**Senator McAllister:** The officials can add to this, but I think the meaningful tests are: are the socioeconomic impacts being considered, and is there a response to support communities through any transition that might be necessary? All of the evidence that's been put before you is that both of those tests are being met. The government is doing the analysis, and officials have talked to you in some detail about the way that they approach that. It's available online for your review. I'm sure that you have already read it, Senator Davey, and you might have some specific questions about the analysis. It's also the case that the work to support communities is underway through the program arrangements with the relevant basin states to ensure that, to the extent that there is an impact, we are

in a position to address it and to work with communities. Ms O'Connell made the additional relevant analytic point that we know this is not the only thing that's affecting regional Australia. Lots of pressures bear down on regional Australia and, as a government, we're acutely aware of those more generally. This isn't the portfolio that is addressing those. But if you went, of course, to the infrastructure hearing, the community affairs hearing or the agriculture hearing, you would also be able to talk with my colleagues and officials about the very wide range of work that's going on in agricultural communities to support them through what is quite a wide range of pressures, well beyond anything that's happening at a program level here. Indeed, the analysis bears much of that out.

**Senator DAVEY:** I think I very much understand what is impacting regional communities. I do understand that it is not purely water, but I also understand that, if you go to any irrigation community within the Murray-Darling Basin, water is the first thing that they will raise. They are very concerned and want to be reassured.

**CHAIR:** We will rotate the call. Senator Darmanin?

**Senator DARMANIN:** I want to ask about the Milingimbi water supply upgrade. How much money has been committed to the Milingimbi Water Security Strategy? It's a combination of territory and Commonwealth governments, I think.

**Mr Darrough:** The Milingimbi Water Security Strategy construction project is an \$11.4 million project with an Australian government contribution of \$6.4 million. The package will undertake design and construction across three locations on Milingimbi Island to increase water supply. It will equip two existing bores, construct an associated pipeline, and drill and equip four new production bores and up to six monitoring bores. It's expected to be completed early this year.

**Senator DARMANIN:** When was the funding committed?

**Mr Darrough:** As for when the funding was committed, just bear with me.

**Ms Wall:** While Mark is getting that information, I will add to his response. This investment will enable the development of 32 new homes and the extension of 32 other existing homes.

**Senator DARMANIN:** That is 32 new and 32 existing?

**Ms Wall:** Yes, 32 new homes and the extension of 32 existing homes.

**Senator DARMANIN:** Can you explain that a bit more? How does it contribute to the—

**Ms Wall:** One of the critical needs for homes is quality and security of water, so more homes can be built, and more community can live in the township. Providing more reliable water will help with housing; it's connected with housing.

**Ms O'Connell:** It is part of a program that is about First Nations water infrastructure to provide, basically, water infrastructure to First Nations remote communities. It's one of quite a number of projects that seek to deliver that program. I think my colleague has the answer to the question.

**Mr Darrough:** Yes. The project was announced on 27 July 2023. It was contracted with the Northern Territory on 24 August 2023, and construction commenced in August 2024.

**Senator DARMANIN:** About how many members of the community will it benefit in terms of housing and more broadly in that particular region?

**Mr Darrough:** I may need to take that level of detail on notice.

**Senator DARMANIN:** Apart from access to housing, what sorts of problems does this project seek to address?

**Ms Wall:** The program—First Nations or this project?

**Senator DARMANIN:** This one in particular but more broadly as well. Can you talk about other programs of a similar nature in terms of access to water for First Nations communities?

**Mr Darrough:** A lot of communities don't have access to clean drinking water at all. For example, we've just completed the Iga Warta project in South Australia. That project has equipped some new bores. Before that, it was all contaminated water. The project is providing not only safe and reliable drinking water for the people who live there but also an economic opportunity in that community and area, as there are tourism experiences and the like, too. The \$150 million funding stream within the National Water Grid Fund for First Nations water infrastructure was announced two years ago and it's almost entirely committed. As for that level of funding, while \$150 million was committed, the projects that we're talking about are those that can be funded within the general National Water Grid Fund as well.

**Ms O'Connell:** All up, it's about providing what most people would think is something that every community has; that is, access to water. The total number of projects go to delivering and ensuring water for 95 communities

around Australia, and those projects will benefit about 25,000 people who live in those communities through giving them access to safe and reliable drinking water.

**Ms Wall:** With respect to one of the other benefits of the program, we have two projects that will allow First Nations people to stay on country whilst they're undergoing dialysis treatment. One of those projects is in the Northern Territory, and there's another project in Western Australia that will allow that as well.

**Senator DARMANIN:** So this project is quite fundamental, really, for 95 communities?

**Ms Wall:** Yes, about 25,000 people.

**Senator DARMANIN:** It's quite life changing, really, as it relates to economics, health and housing.

**Ms Wall:** Yes.

**Ms O'Connell:** Almost all indicators rely on, first of all, having safe and reliable water.

**Senator DARMANIN:** Do you have any feedback to share from either my questions about this particular project or more generally in terms of these upgrades?

**Mr Darrough:** It's early days in terms of the projects being completed, but the funding has been welcomed. Stakeholders have identified that there's still a big deficit in terms of the money that needs to be spent. Certainly, what we've seen with the jurisdictions working with us on this—it is a state responsibility to provide the safe water—is that they have lifted their games in terms of auditing the water quality and the communities, and identifying projects that we could invest in.

**Senator DARMANIN:** Would you say that the Commonwealth commitment has perhaps uplifted the states to be a bit more proactive in what they're doing, in terms of looking at opportunities and where it's up to there?

**Mr Darrough:** Absolutely. I would say that, for First Nations water infrastructure and across the board for the National Water Grid Fund, the funding being made available by the Commonwealth has encouraged the states to plan their water infrastructure investments better, work with us closely on developing the evidence base and identify projects that have economic and social outcomes.

**Senator DARMANIN:** In terms of the eligibility for funding under the National Water Grid, has that always been the case?

**Mr Darrough:** The National Water Grid Fund objectives remit was broadened in October 2022.

**Ms O'Connell:** To specifically amend them to incorporate First Nations water infrastructure.

**Senator McAllister:** That was a priority for the government because we were aware of the need in these communities. We are also conscious, as the official has said, that principally these are the responsibility of states and territories, but we think that by making these contributions we can engage constructively in an area of very high community need.

**Senator DARMANIN:** Fundamentally that has changed since the change of government; there has been more access for First Nations people to quality water.

**Senator McAllister:** That is correct.

**Senator DARMANIN:** In terms of water security projects, you said this one is finishing soon, but it sounds like a lot more in the pipeline are due to be completed. What is the timeframe?

**Mr Darrough:** We have allocated \$130 million to 26 projects, to be delivered over the next two to three years. These projects are not simple; they require a lot of consultation with community members. I may have mentioned this previously at this committee, but some projects that were done in the 1970s and 1980s in these communities have infrastructure running straight across sacred ground. Our approach is to ensure that communities, through the jurisdictions, are involved in selecting the outcome they want, and are involved in the solution as well.

**CHAIR:** Mr McConville, we were talking about the five-year review and the fact that this is the first time the socioeconomic element will be brought in. You suggested that Dr Coleman walk through that with us; I would like to hear that.

**Dr Coleman:** One of the key questions we have to answer through the Basin Plan evaluation is the impacts of the Basin Plan on the social and economic outcomes across the basin. In support of that work, we have initiated some studies through our sustainable rivers audit and our Basin Condition Monitoring Program. These studies look back over the last few decades, from the 1990s through to 2022, at what the social and economic trends across the basin have been at the local government area scale. In addition, we have looked at how since 2008 the Basin Plan has influenced those social and economic outcomes, with a particular eye towards the outcomes that

were anticipated to occur under the Regulatory Impact Statement in 2012. That has been our guiding piece of work on what the outcomes or impacts of the Basin Plan were anticipated to be when it was brought into being.

We have been looking at the social and economic fabric of the basin through a bunch of social and economic indicators. Those are related to themes such as the general economy and the agricultural economy of the basin, and the health and wellbeing of communities. We have a range of indicators under these different themes. We have been looking at how the condition of these indicators has trended over recent decades, at what the Basin Plan has contributed to those indicators, and at where we think they will be trending into the future, where water is one driver amongst many of all the different pressures and drivers influencing the social and economic fabric. We have been trying to disentangle what the driver of water is, as one driver amongst many. That work will be published mid this year, through the sustainable rivers audit and the Basin Plan Evaluation.

**CHAIR:** How come this is the first time socioeconomic is going into the review?

**Dr Coleman:** Previous Basin Plan evaluations have looked at social economics, but they haven't looked at it to this extent and with this depth. So we have invested a lot of money and effort into our social economic studies this time. We have been able to do that because we've had commitments of funding from different governments through the Basin Condition Monitoring Program and the sustainable rivers audit. We have taken that funding and invested it with an eye towards the needs of the Basin Plan evaluation.

**Mr McConville:** We have had more time. The Basin Plan has been running for 10 years. A body of evidence is being built that allows us to understand that. One part is looking at the state and health of the basin. The second question is important as well: what is the contribution of the Basin Plan to the state of the basin? In some instances we might see a particular status of a community, but whether that is a direct result of the Basin Plan or whether a set of broader factors is at play, it is important that we understand both. That's why we have both the sustainable rivers audit, which is looking at the state of the basin, and then the evaluation, which is the contribution of the Basin Plan to that state.

**CHAIR:** The Murray Darling Basin and the plan, and water in general, for an excruciatingly lengthy period, have been a contentious issue in this country—to understate it significantly.

**Senator DAVEY:** Not just in Australia, either.

**CHAIR:** But our concern is Australia. Is it an indicator of a greater level of maturity, working through the plan? I have anxieties about what is going to happen in the next iteration, depending on a whole range of factors, not least of all results of elections and such like, state and federal and everything. So I am looking at whether this is an indicator that we are seeing a greater level of maturity in understanding the full odds. I have my Pollyanna head on and I am saying, 'Together we are all going to come up with an excellent plan for the next iteration.' Are you seeing the development? You have said it is because we have been at it for a long time, but are we seeing a maturing in people's perspectives on the Murray?

**Mr McConville:** I spend about 50 per cent of my time out in the basin with communities. Not a single community I come across, or a single person I speak to, says that we don't need a basin plan. We can debate the content of the plan, but no-one is saying, 'Do away with the Basin Plan.' There is a strong commitment to achieving a sustainable environment for the basin; that is universal. The difference then becomes how you get to that point. We know a lot more now than we did 12 years ago, when the Basin Plan was put in place. That is why we have the statutory review process. The opportunity for the Basin Plan Review—I am sure that will be a topic of much discussion between now and the end of 2026—is to take that knowledge and say: how do we then nuance the Basin Plan in a way that brings a broad range of knowledge and tools to the table? When the Basin Plan was implemented back in 2012, we had come out the back-end of the millennium drought, and things were pretty grim. So we had to do radical surgery. We now are able to bring more tools to the table. Whether it be integrated catchment management techniques, the incorporation of much more First Nations science and knowledge, or looking to simplify the Basin Plan—these are all themes we have laid out which we need to undertake.

We are not developing a new basin plan. The Basin Plan continues and rolls on. It's about how we change and nuance in order to do that. We are much better placed. It would help if it doesn't get dry between now and the end of 2026 because that makes it more challenging. There is a shared sense of intent and purpose amongst Commonwealth agencies, states, and the community to bring all of that knowledge to bear in how we look at the Basin Plan going forward. That's why we have the review.

**Dr Coleman:** For us, a major driving piece of work for our social economic work is the Sefton review from 2020. We have taken two main pieces of advice from that. The first is the need to have a multiple-lines-of-evidence approach; so the need to combine economic modelling, econometric work, with the lived experience of people on ground; to bring these lines together. They both have value and they both complement each other. The



other main learning we have taken out of the Sefton review is the need to not just look at economic indicators, such as gross value of irrigated ag and so on. We need to look at a broad range of social and economic indicators—so the direct economic outcomes of the Basin Plan, such as its impacts on tourism and on mental health, and at population dynamics to broaden our expanse beyond pure economic indicators tied to water.

**Senator DAVEY:** This isn't the first time the MDBA has done social and economic work.

**Dr Coleman:** That's correct.

**Senator DAVEY:** What happened to the extensive work that was done around 2014 by the MDBA? Phil Townsend led the piece. It resulted in some very good interactive maps on the website that identified certain impacts and indicators. It would have set the groundwork for good, consistent reporting, but it seems to have been 'disappeared' along the way. Are we starting from scratch, or are we going back to that sound work to feed into a modern estimation of where we are at?

**Dr Coleman:** We aren't starting from scratch. After the Sefton review came out we had a look at that work, which was led by Phil Townsend from 2014 through to 2017, I think. The great value of that work is that it connected with communities, so it involved a lot of on-ground stakeholder engagement. Many of the people Phil talked to were happy to share their data, which was then used in the analysis. That meant that we were able to build a story of the social economic fabric of the basin with a lot of colour and texture to it. It spoke to local community. We have taken that work. We are now building on that by increasing the analytical depth. We've drawn on a lot of datasets that we were not able to draw on at the time—through the ABS and the ATO—which allows us to get a much fuller picture of the broad economy of the basin, not just the irrigated economy. We are building on that work by looking across the broad social and economic fabric.

**Mr McConville:** And then trying to overlay that with the lived experience, so in the consultation processes we are mapping out for the Basin Plan Review providing plenty of opportunity for feedback in terms of our early thinking—the early insights in the discussion paper and the like—and in the consultation of when we move into the review proper next year.

**Senator BLYTH:** Moving on to the Sustainable Communities Program, not to offend my new New South Wales colleague, \$175 million has been allocated to New South Wales, whereas it looks like at the moment for the other jurisdictions no programs and no funding have been announced: \$125 million of that \$300 million remains. Where are we up to with other jurisdictions and the allocation of the remaining \$125 million?

**Mr Coates:** I can speak to that. One point of clarification, the agreement with New South Wales was for \$160 out of the \$300 million that was announced. The additional funding on top of that gets you to the \$176, that's additional state delivery costs. That hasn't come out of the \$300 million that was announced for—

**Senator DAVEY:** Where does that come from? The \$16 million, where does that come from? Is that departmental resourcing?

**Mr Coates:** It also comes out of the WESA account.

**Senator DAVEY:** Just not that 300.

**Mr Coates:** The 300 is quarantined for direct investment into community. So the \$300 million, as you rightly point out, a funding agreement was announced with New South Wales in December of last year. We have been in negotiations and discussions with other states about signing up funding agreements in those jurisdictions. The way the program was set up was to provide some flexibility between jurisdictions and also to reflect the different rollout of the other programs under the 450 framework. We're working through with other jurisdictions, and those will be announced in due course.

**Senator BLYTH:** How far off, particularly, South Australia? Do you have an inclination?

**Mr Coates:** I wouldn't want to speculate on the timing of that.

**Senator BLYTH:** Do we know how much will be allocated to the other jurisdictions, given that more than half has been allocated to one state?

**Mr Coates:** What I can say about the distribution of the 300, to open that program and to provide some funding certainty we do have to make some assumptions about the distribution between the states. In the negotiations, we've broken that up based on essentially where water is available to be recovered. We had a discussion earlier that the trading strategy doesn't set fixed targets in different catchments or jurisdictions. We've had to make some assumptions. Within the funding agreement, you can see the New South Wales one for instance is published. We'd be putting similar clauses in those for other jurisdictions. There's a midpoint review there to track the progress of the Commonwealth's water recovery programs and reflect that back in any implications that has for the rollout of the Sustainable Communities Program against those assumptions we've made at the outset.

**Senator BLYTH:** I'll move to the sustainable diversion limit adjustment mechanism projects. Are you able to give an update as to the progress of these projects?

**Mr Dadswell:** The last update was around the independent assessment that was taken in the middle of last year. That indicated that 13 projects have been completed. Of the remaining 22 projects, 10 are likely to be in full, four in part and eight need to be continually looked at and considered; may not be delivered. Since then the basin ministers considered that report and agreed to continue to progress those projects, as well as the Basin Officials Committee has considered new proposals from basin states on those projects. In terms of general progress, I could ask Ms Winter to comment. We'd need to talk about particular projects rather than more broadly based.

**Senator BLYTH:** Looking at that and looking at the deadline of 31 December 2027, which is when everything is supposed to be operational under the legislation, are you expecting to see a shortfall?

**Ms O'Connell:** I might refer that to the Murray Darling Basin Authority, which does a regular assessment as to the shortfall. I also mention that the independent assessment that my colleague Mr Dadswell spoke about is publicly available and outlines the 36 projects et cetera—those that are complete, likely, in full or in part, or unlikely. I'll hand now to Mr McConville.

**Mr McConville:** It is the task of the MDBA. We will be required to do a reconciliation at the end of 2026. Our most recent estimate, which was prior to the government's report of last year, indicated that there would be a shortfall of somewhere between 190 and 315 gigalitres. Whilst there is more time, we would expect that there will be a shortfall, and a reconciliation will be required.

**Senator BLYTH:** Forgive me, because I am not an expert in water. That's where the government's going to have to go into the marketplace to make up for that shortfall?

**Mr McConville:** I will get Ms Winter to explain the process in terms of what happens when the MDBA does its reconciliation.

**Ms Winter:** The deadline is 31 December 2026. At that point in time the MDBA will provide a determination to the Commonwealth minister, that will adjust the SDLs and increase the water recovery target. It will then be up to the Commonwealth government how they pursue that target.

**Senator BLYTH:** It's reasonable to assume that the government of the day will need to purchase that water?

**Mr McConville:** I don't think we could assume otherwise. That would be for the government of the day.

**Ms O'Connell:** It is recognised as a shortfall. I'd also say that the new legislation, as well as giving more time for these projects to complete, it has also allowed for new projects to be brought forward by jurisdictions and easier steps for amending existing projects. There are some deadlines for those too. There is still work actively being done on looking at other opportunities as well.

**Senator BLYTH:** If there was an extension, and looking at the cost of all of these projects in terms of what we're looking to get into the system, is there an indicative cost? The deadline is not quite two years away—it is just under that. Has the department made any provisions to go to government and say, 'Look, this is the shortfall. This is what we think it will cost. This is the time extension we will need'?

**Ms O'Connell:** The deadline of 'end of 2026' is the new deadline after the legislative change to give two more years. There has been two more years given. It's important that the projects progress.

**Senator BLYTH:** But we're still projecting a shortfall, even after that two-year extension? Am I understanding that correctly?

**Mr McConville:** We do believe that a reconciliation will be required because there will be a shortfall.

**Senator BLYTH:** Is there an indicative cost to that shortfall? If we are going to need another extension—if it is not just buying it out of the system? Is that not something the department's looked at?

**Ms O'Connell:** The focus at the moment is to minimise that shortfall.

**Senator BLYTH:** Of course.

**Ms O'Connell:** The legislation allows for new projects to be notified and brought forward. I know my jurisdictional basin official colleagues are looking at new and potential projects, with a view to minimising that shortfall. It's fair to reflect that most people would suggest that there is going to be some form of shortfall. The opportunity is here now in terms of the more time to deliver on those projects to reduce it and opportunities for new projects to be notified that, again, would seek to reduce it. All efforts at the moment are focused on reducing that shortfall.

**Senator DAVEY:** Just on that, have any new projects been submitted to date? You did say a lot of work is going into it.

**Ms Winter:** It's the Basin Officials Committee. So the basin states, together, decide on whether a new project can be added into the SDLAM scheme. At the moment they're all undergoing technical feasibility assessments. That's still underway.

**Senator DAVEY:** There's definitely work underway.

**Ms O'Connell:** Absolutely. I chair the Basin Officials Committee. There is work underway. Clearly, we want to road-test the projects to make sure they do deliver a water recover and that they stack up. That process is actively underway. In fact, in our last meeting we were looking at one potential project. We have not yet notified any new projects officially yet. They need to go through this process, for everyone to agree that it will count.

**Senator DAVEY:** How often does the Basin Officials Committee meet?

**Ms O'Connell:** We have made a decision in our last meeting, which was just over a week ago, 20 February, that we will convene out of session as required while we have this deadline for notification of new projects, and that we will be available to make decisions and meet whenever required. That was unanimously agreed by all of us at our last meeting. We are not going to set dates and say 'unless you come to that date at that time, it's all over.' We have a regular schedule of meetings. We have signalled we will convene to discuss projects as and when they are ready to be put to us for consideration.

**Senator DAVEY:** How often are your regular scheduled meetings?

**Ms O'Connell:** At the moment we meet with a schedule of five times a year, that we have set out. Look, when I reflect that we held a meeting on 20 February, that wasn't one of our scheduled meetings. That was an out-of-session. We do convene as and when required.

**Senator DAVEY:** How often does the ministerial council meet?

**Ms O'Connell:** The ministerial council met the middle of last calendar year, so the middle of 2024.

**Senator DAVEY:** That was the two-hour meeting, was it; the one hour on basin ministers and one hour on national water agreement?

**Ms O'Connell:** There was a national water ministers meeting. It was the first of the national water ministers meeting for quite some time. There hadn't been a national water ministers meeting until middle of last year. There was also a Murray-Darling Basin Ministerial Council meeting, so one followed the other on the same day.

**Senator DAVEY:** Since May 2022, since this government, how many Murray-Darling Basin Ministerial Council meetings have been held?

**Ms O'Connell:** My recollection is three. I think there was one in late 2022. I will take that on notice and get you the exact dates.

**Senator DAVEY:** On average, once a year?

**Senator McAllister:** Significantly more frequently than under the previous government.

**Senator DAVEY:** I am not sure about that. I will let you take that on notice. Going back to all of the water purchasing programs that are underway at the moment. Can I just ask the timelines? With the 70 gigalitre purchasing, when are we expecting to have that finalised?

**Ms O'Connell:** We might start with the timeline, when it opened and when it closed. That was September last year. We have already given evidence that we've already had a number of rounds of offers made. I'll hand to my colleague.

**Ms MacRae:** In the trading strategy for the 70 gigalitre, we have started accepting offers. We will start publishing on AusTender within the 42-day time frame, from the first contract was exchanged. So every time a contract is exchanged there is a 42-day timeline when we will publish on AusTender. We will do that periodically from time to time.

**Senator DAVEY:** When are you expecting to have all the contracts signed?

**Ms MacRae:** Because it does rely on third parties, we can't speak for their time commitments. The trading strategy does speak to our intent to try to have it done by July 2025.

**Senator DAVEY:** With the 100 gigalitres, if it's packages of 20 gigalitres you'll have a maximum of five contracts, but it could be fewer if people are doing more. When do you expect to have those offers and contracts finalised?

**Ms MacRae:** Because that is an ongoing procurement process, it's difficult for us to make comments there without jeopardising the confidentiality of the procurement process we are working through. In the trading strategy we say that we will start the program in February—we are in February—and that there may be several

rounds throughout 2025 as we progress with those large portfolio holders. There may be different approaches, depending on different circumstances.

**Senator DAVEY:** AWEP is being purchased through a completely separate program. That's not via tender or expressions of interest; that is via water market intermediaries on the open market.

**Ms O'Connell:** We are happy to talk to you about that separately.

**Senator DAVEY:** Given that we are staring down the barrel of an election, with the 70 and 100 gigalitres, can work on contracts continue once we enter caretaker period?

**Ms O'Connell:** We have got very specific advice on what we will and won't do once caretaker takes place. We're happy to step you through that, in the broad, as to where things are up to. That's advice from the Australian Government Solicitor too, because it all goes to contracting.

**CHAIR:** Essentially, when caretaker kicks in, you'll follow exactly the same process as you've followed in every other election.

**Ms O'Connell:** Yes. We will step you through.

**Senator McAllister:** We don't know when caretaker will begin.

**Senator DAVEY:** No, we don't. I am interested in the factual advice.

**Ms Wall:** During caretaker period, based on advice from the Australian Government Solicitor, and also giving consideration to the caretaker guidance, we will pause all activities, other than settling contracts that were exchanged before we entered into caretaker.

**Ms O'Connell:** Where there is an exchange, which means there is a contract in place, we will proceed to settlement, as you ordinarily would, but we will not enter into new offers.

**Ms Wall:** We will not make any new offers. We will not continue to exchange. We will not make funding decisions about water purchases.

**Senator DAVEY:** That follows very much how I thought it would proceed. I want to come to the constraints road map, Mr McConville.

**Mr McConville:** A topic close to my heart.

**Senator DAVEY:** Today, I have found an announcement. There is work going on in my area, in the mid-Murray, around Koondrook-Perricoota, on an SDLAM project. It has commenced. The mid-Murray anabranches and Koondrook-Perricoota forest projects are underway. There is also a project to improve planned water releases in the Tuppall and Bullatale creeks, which I believe is part of the constraints. That's good news.

**Ms O'Connell:** Yes, it is. I am happy to talk further about that, if you'd like.

**Senator DAVEY:** We'll get to that. With the constraints road map, there is one thing I do want to ask about. The road map states, on page 35:

The flow rates that were proposed for these river reaches in the 2013 Constraints Management Strategy were conceptual and lacked community support.

Can you talk us through that observation?

**Ms Hickey:** It's been some time since constraints relaxation was identified as a key activity to reconnect our rivers to the flood plains and get some of those important flood-plain outcomes. At the time of the Constraints Management Strategy, back in 2013, it was still early days in our conceptual understanding of how we might achieve this. As you know, the River Murray and its connected tributaries are very long, very large and very complex. Since then, there has been investment in a range of business cases to better understand how to get water onto the flood plain, where it might go, and what is the private estate that would be impacted for the benefit of watering the public estate. As a result of that, we now have better inundation maps, better models and a better understanding of the extent of the community and landowners that would need to be engaged around the project.

At the end of the day, the decision to invest in any type of project from any government does come down to a comprehensive assessment of value for money. You need to weigh up what the benefits are with respect to those costs. Some of the costs that would come into a constraints relaxation project include, for example, infrastructure improvements, raising bridges and crossings. It might also be easements or agreements with landowners and permissions to inundate.

As a result of all the understanding of the work that has happened since 2013, and the extensive consultation that we did with the states running those projects, and the communities, and through the state networks that impacted stakeholders, that's where we landed with our conclusion.

**Senator DAVEY:** You mentioned easements. I just want to clarify that. I've heard a lot of feedback about what easements mean when it comes to constraints management. I appreciate that easement agreements have to be between state governments and the landholders. In the view of the MDBA, are we talking about an easement agreement which is very much akin to buying a house in the suburb of Hughes in Canberra: there's potentially an easement for a sewer pipe under that house? It doesn't restrict what you can grow in your garden. That is your house and land, but there is an ability for contractors to come onto your land to conduct maintenance on the sewer. It's an easement for access. What we're talking about, when it comes to constraints management, is an easement whereby there's a negotiation for permission to utilise that land, with agreement at certain times.

**Ms Hickey:** As you have identified, easements are one of many tools that are available to enable governments to have permission to deliberately regulate water onto larger parts of the flood plain. Easements are not uncommon. They are used for a whole range of purposes. I imagine they have a whole range of different nuances. These are the things that will need to be worked through if constraints relaxation is pursued. It is being pursued, for example, in the Murrumbidgee. We've still got some work to do, as set out in the road map, for the Murray and the Goulburn.

**Senator DAVEY:** Back to the road map—it does say that the MDBA will no longer be pursuing the 80,000 meg a day as an operational target for the Murray at the South Australian border. Have the models been adjusted to reflect a new operational target? Given that the relaxed constraints model establishes that the whole reason for the 450 gegalitres was based on reaching those targets, have we wound it back to what is a realistic operational target to see whether the 450 is still the 450? Or is the 450 potential, because we are not now aiming to flood large stretches of river—notwithstanding that Mother Nature will do whatever Mother Nature wants to do—we're talking about operational water releases?

**Ms Hickey:** What I can say is that what's in the road map is what the MDBA was requested to do, which is to put forward a pathway to complete constraints relaxation across the system. The next steps for that are still being contemplated by the collective governments. That is my understanding. Until we get clarity on how to move forward on some of the findings in the road map, we are still operating under the original assumptions. I do know that, as part of the lead-up to the Basin Plan Review, one of the tasks is to make sure that our models are updated to reflect what's currently happening.

I would like to take this opportunity to comment on the target of 80,000 megalitres per day at the SA border. As you know, delivery of water on the flood plain under relaxed constraints is about achieving a whole range of flows. It's not about achieving a target of 80,000 at the SA border. However, it is a pretty complex system, a complex project, and a lot of people hook themselves onto that 80,000 target. More importantly, it is about connecting flows out of the Goulburn, out of the Murrumbidgee and out of the Murray at a whole range of different levels, which gets us onto the flood plain. The benefits are particularly important for the lower parts of the flood plain. They are below the 80,000 as well.

**Mr McConville:** The flow rates that we've recommended for further investigations are those at which we think environmental outcomes on the flood plain start to materially increase, whilst not increasing the risk to community. That was the lens that we took to it. It is a separate decision entirely for governments as to how they want to respond to that, but that was the task that we were given.

**Senator DAVEY:** There's no doubt that the 80,000 meg a day at South Australia does require coordination of multiple river systems. It's very rare that the stars align so that you can turn on all those multiple river systems to have that perfect flow.

**Mr McConville:** A point there also is that significant outcomes can be achieved with constraints, absent those planets aligning, to use your term there. We have tried to look at not just flow rates but what else needs to happen in the context of addressing constraints to ensure that you get that connectivity in the flood plain.

**Senator DAVEY:** How does that work? How does the realisation that the original targets are not necessarily a realistic fit into the reconciliation that we were discussing earlier? Does it fit into the reconciliation at all? Or is it that we've done this body of work but the reconciliation is still going to be based on the original targets?

**Mr McConville:** The reconciliation will be conducted at the end of 2026, in terms of the work that has been completed by then. When we look at the road map for constraints implementation, there won't be significant outcomes for constraints as they're currently structured under SDLAM by the point of reconciliation.

**Senator DAVEY:** So we're still looking at a model that has flow targets that are potentially above what we now accept can be achieved?

**Mr McConville:** I am not sure I understand your question, Senator.

**Senator DAVEY:** For the Basin Plan model, a series of flow targets were plugged into the model. We want to make sure that those flow targets reflect what are realistic operating conditions or current operating rules, and not what we would like the operating conditions and operating rules to be.

**Mr McConville:** I might get Ms Winter to comment on SDLAM.

**Ms Winter:** For the purposes of SDLAM reconciliation, it is a comparative model; we compare to the 2012 modelling. We only add in at 2026 the projects that are fully complete. If the constraints projects are not fully complete, they will not be built into the model for SDLAM reconciliation.

**Senator DAVEY:** The concern is that some of that 2012 modelling had flow targets that were to deliver at flow rates over and above operational conditions. The answer at the time was, 'Because we're going to manage constraints, and we'll get there.' We've now had a body of work that says, 'We're not going to get there.' Are those 2012 flow targets right or should they be adjusted back? It was meant to be an adaptive plan. That's what Craig Knowles told us—hello, Craig, if you're watching; it's been a long time. If we can't adapt the baseline to reflect what we know now are realistic operational conditions, it does bring into question whether we are still evaluating to achieve a utopia that we know we can't achieve.

**Ms Winter:** There are two separate modelling processes that are going on at the same time. The SDLAM reconciliation looks at what projects have been completed and compares back to 2012. At the same time we're also working on the Basin Plan Review. At the moment there's work underway to consider what are the relevant flow rates that we should be using in the Basin Plan in the future. That work is underway right now in the MDBA.

**Ms Hickey:** There are a range of improvements being made to the Basin Plan Review model that better reflects our understanding of how the system operates and how environmental water is used.

**Senator DAVEY:** I am very pleased that the review will incorporate all of that and incorporate new work. That's refreshing. I am concerned that the SDLAM reconciliation, which will determine what the shortfall might be, will be based on work done in 2012, when we have this whole body of work that shows us that we can't achieve those operating conditions.

**Ms Winter:** The 2017 SDLAM determination looked at the 36 projects and what flow rates they could achieve compared to what the case would be if the projects didn't exist. In the 2012 model, those projects aren't there and those high flow rates that you're talking about aren't there, either. The 2012 model has lower flow rates. What we are doing now is building a new model with the projects that are fully complete and we will do a comparison back to 2012.

**Senator DAVEY:** I am not convinced, but I'll take your word for it.

**CHAIR:** Senator Blyth, do you have anything else?

**Senator BLYTH:** I have only one thing, which is South Australia specific, which we can cover before lunch. This is looking at Lake Hawdon North, which is part of the Coorong area. The works on that were expected to commence in quarter 4 of 2024. We assume that the works have started on that project. It looks like it's coming from the Healthy Coorong, Healthy Basin initiative. Mr Pasin, the member for Barker, wrote to Minister Plibersek, looking at why this particular project was part of the Healthy Basin initiative—because it's not actually part of the region. Are you able to provide some clarity on that?

**Dr Banks:** This is something that we covered at the last estimates—a similar question around the investment of this funding outside the basin. Obviously, it is about not only Healthy Coorong but also the broader region. Lake Hawdon North, because of its really strong ecological connections to the basin, and particularly for water birds, was identified as a really good project that was worthy of funding because it does support the outcomes we are trying to achieve within the basin. The project has commenced. Mr Johnson can provide further detail about what stage the project is at.

**Mr Johnson:** Yes, the Lake Hawdon project is underway. There is construction happening at the moment. It's due for completion by June this year; that is what we are on schedule for. The works include some vegetation removal work, as well as a fishway and a regulator being installed.

**Senator BLYTH:** In terms of that vegetation removal, what was the approval process to have that vegetation removed?

**Mr Johnson:** I don't have that level of detail with me. It would have been the normal processes that the South Australian government would have to go through in any environmental approval to undertake works. We could take that on notice and provide any additional detail.

**Senator BLYTH:** Thank you very much for that. That's underway, and due to be completed in June 2025. Are there any other projects you're aware of that are being funded out of this particular budget that are also outside the parameters of the specific region of the basin?

**Mr Johnson:** At this stage the other two on-ground works being undertaken in the project are Teringie and Tolderol. The Teringie one, which is at Raukkan, down on Lake Alexandrina, has been completed. The Tolderol wetland one, which is also around the shores of the lakes, is underway and also due for completion in June this year. Phase 2 has also been undertaken now. That's looking at building up the business case for a long-term infrastructure solution, along with some potential remedial or additional local work to be undertaken. The work plan for the local activities hasn't yet been established.

**Senator BLYTH:** Is that the business plan that's been undertaken over the last three years?

**Mr Johnson:** Through Healthy Coorong, Healthy Basin phase 1 of the program, they looked at a long list of infrastructure solutions to remediate the health of the south lagoon of the Coorong. That's been whittled down essentially to three key options, with a potential fourth option to complement those. Through phase 2, we want to get to, of those three major infrastructure options, the best one to go forward with, and build the business case for that.

**Senator BLYTH:** I will go to the Coorong lagoon. We had a phenomenon in June 2024, when a big fish kill happened. Has the department done anything to address the issues that caused that fish kill? That's assuming that you know. If you don't know what caused it, have investigations been undertaken to see what did cause that?

**Mr Johnson:** The information we have is that the species affected were mullet, mulloway and black bream, largely. It's believed the cause of the fish deaths was a localised hypoxic condition—a low dissolved oxygen condition—which is likely to be a combination of monosulfidic black ooze—that's the sediment within the lagoon itself—along with salinity and water-level changes. This is probably—

**Senator BLYTH:** That's the high flows that we had?

**Mr Johnson:** The fundamental part of this is that the south lagoon still remains in very poor condition. It's reflective of conditions over a long time. When you have any disturbances in a system that is of that poor condition, that's when you can see things like dissolved oxygen levels plummet or other factors that can have this impact on native fish.

**Senator BLYTH:** Would we expect to see that after such high flows? I can understand that if we're not getting the water that we need; South Australians are always complaining that there is not enough coming through. But does that explain it, given that we had almost record, once-in-100-year flows coming through?

**Mr Johnson:** That's possibly the point. You have a large disturbance event. When you have a system in poor health, even if it is something that could be largely positive, and it was largely positive for large parts of the lakes and for the north lagoon of the Coorong, we saw fish deaths in other parts of the basin on the back of the floods as well. It wasn't unique to the Coorong in that regard.

**Senator BLYTH:** Are we seeing fish stock levels returning to what we would call more of a healthy system? We are obviously in a very dry period.

**Dr Banks:** We've had a science program going on for the last 10 years. This is not just for the Coorong lower lakes area but more broadly. We know through the use of Commonwealth environmental water that we can get the spawning of golden perch, or callop, in the bottom end of the system. That's been monitored based on the presence of larval fish and eggs, which have been shown to increase as a result of Commonwealth environmental water delivery. We've also been able to improve the growth rate of the adult Murray cod population, and golden perch. We have evidence to show that's increased, again as a result of the deliveries. This is in combination with other water that's in the system. We play an important role, through our management of flow and what we contribute to through the use of the Commonwealth water, in improving the condition of native fish like Murray cod. This has come through our science program. It shows that, with what we are doing in terms of contributing to flows, how we're reducing the number of low-flow days or increasing the average daily inflows in some parts of the system, we can have a real impact.

**Senator BLYTH:** This is not related to anything other than looking at the high flows that we had, which can be a very good thing for the system. Is there anything that the department's doing? I know you are speaking to residents along the river, particularly in South Australia. Building infrastructure on flood plains during a high-water event puts a whole lot of debris and objects into the flow. Is something broader being looked at from a federal level to advise councils on what they are allowing to be built? With residents who build their own levee banks and so forth, is there anything being done to help guide what should or shouldn't happen along our flood areas or flood plains?

**Dr Banks:** Not that I am aware of. Those kinds of activities ultimately become a responsibility of the state or a local government as to how they manage infrastructure, new developments and things like that on a flood plain.

**Senator McAllister:** This is not specific to the Murray-Darling Basin or the flood plain within the basin.

**Senator BLYTH:** No, of course—absolutely.

**Senator McAllister:** It happens. My day job is Minister for Emergency Management. The premiers, through National Cabinet, have tasked officials to work on approaches to minimising exposure to flood risk through developments in the flood plain. That work is being led by the New South Wales government, but it's in the context of the work underway within National Cabinet.

**Senator BLYTH:** Thank you.

**CHAIR:** We will break for lunch.

**Proceedings suspended from 12:59 to 14:01**

**CHAIR:** Welcome back everybody.

**Senator DAVEY:** I want to ask about pumped hydro, to throw a curveball into the mix. Mr McConville, my understanding is that any works within the Murray Darling Basin that impact water still have to be compliant with the sustainable diversion limits—correct?

**Mr McConville:** That is correct. If you are talking about the construction of infrastructure—dams and the like—yes.

**Senator DAVEY:** So any infrastructure construction, if it impacts on water, has to be compliant with the sustainable diversion limits?

**Mr McConville:** The states are still required to comply with the sustainable diversion limits.

**Senator DAVEY:** There has been some discussion around the potential for new pumped hydro plants—we are not opposed to them. How would water diversions for pumped hydro be treated? Specifically, there has been recent media about the Phoenix Pumped Hydro Project for energy storage at Yarrabin, which is Lake Burrendong—definitely within the Basin. It is a New South Wales state government project, so I am not going to ask about approvals and all of that, because that's not your bag. If pumped hydro projects use water, or if a water loss is attributed to the project, that would have to be licensed, would it, and come within the sustainable diversion limits?

**Mr McConville:** I believe so. It is up to the states to determine how they meet their SDL. The SDL is an overall diversion amount for a particular catchment. Then diversions would be monitored by the states and reported to the MDBA.

**Senator DAVEY:** Is there any prioritisation of such projects, or would they have to purchase water within the existing frameworks—just as, when the Commonwealth Environmental Water Holder purchases water, the characteristics are retained and there is no preferential treatment?

**Mr McConville:** I might ask Mr Goodes to comment.

**Senator McAllister:** The nature of the answer will be general advice, rather than specific advice in relation to the project you named—

**Senator DAVEY:** I totally appreciate that.

**Senator McAllister:** because I don't think the officials will be commenting on decisions that may or may not be taken by the New South Wales government on that project.

**Mr Goodes:** Exactly along those lines, how a state demonstrates that it has met its SDL is up to the methods that the state articulates. If they are going to change the method, if it is material to amend their water resource plan, then in all likelihood that will follow on from the water sharing plan for New South Wales, which will show how they are managing water and whether a particular project is regarded as take or whether it is regarded as water management; it would depend on the state to bring that forward.

**Senator DAVEY:** What would the difference be if it's water management as opposed to water take?

**Mr Goodes:** It is how water is moved around. If it is judged or justified that water is not removed from the system—for example, taken from the system and pumped to a dam off-stream—so if it is just managed within the system, that may not be regarded as take.

**Senator DAVEY:** If it is a closed system and it doesn't reduce the amount of overall water in the system, that would not be take. But if it were a system whereby there were evaporative losses, would those evaporative losses have to come from somewhere?



**Mr Goodes:** Evaporative losses are factored into the management generally. It would be at a fairly fine scale to be determining that there are additional evaporative losses over existing system losses.

**Senator DAVEY:** I know that you can't talk about specifics, but this project talks about first filling and also ongoing evaporative losses.

**Mr McConville:** By way of analogy, we can talk about how we manage hydro fill here in Dartmouth. Would that be helpful in that context?

**Senator DAVEY:** Yes.

**Mr McConville:** I will ask Ms Hickey to explain how we manage the hydro situation there.

**Ms Hickey:** We have pumped hydro, as you are aware, in the Murray system. We have a major turbine station at Hume Dam, and there is also some hydro—not pumped hydro—at Dartmouth. In terms of losses, because they sit in those head work storages under the recipe of the water sharing arrangements, they are already included. There are no additional losses. With those hydro plants it is an opportunistic use of the water as it has been released to generate electricity. If you were to look at pumped hydro in the Murray system and at something theoretically downstream of Hume—not that there are many places to do it—you would find that anything that increases system losses, like evaporative losses, would affect the total water available in the system. That then flows through to how much is available for the water entitlement holders. Whether that triggers something under the sustainable diversion limits, and therefore the water resource plans, comes down to: does it trigger a form of take under the Basin Plan? There are seven forms of take. In that regard, the system losses, if it were built in-stream, would probably be considered just increased conveyance; but that is hypothetical.

**Senator DAVEY:** I note that it is hypothetical. You have essentially answered my question. It would need to be modelled, measured, and then assessed as to the impact of the take. Whether it is a closed system loss or a run-of-the-mill system loss, or whether it is exceeding expectations, it would then have to be managed within SDLs. Then it would be up to New South Wales as to how they deal with it.

**Mr McConville:** Correct; and looking at those forms of take.

**Senator DAVEY:** Or South Australia or wherever.

**Ms Hickey:** You will find—like we do on the Murray and the various state water agencies do in their various tributaries—that there is an approval role regarding any significant development on those major river systems. These are the things they will look at. For example, on the Murray any development has the potential to significantly impact state water shares, and that triggers a whole review process. These things can't happen without a comprehensive process to understand the impacts.

**Mr McConville:** Forms of take are set out in the Basin Plan.

**Senator DAVEY:** That's right. The other power generating interest—we have discussed it in previous estimates hearings—is hydrogen. South Australia is no longer pursuing its hydrogen project at Whyalla, which was talked about in the first instance until it got other infrastructure up and running using Murray water. In answer to QON 001020, you kindly identified other hydrogen projects identified in the basin—one in Canberra, a Murray Valley project and one at Goondiwindi—that are currently in the final investment decision. You said only one is operating. Which one is operating?

**Mr McConville:** I don't know off the top of my head; I will have to come back to you on notice.

**Senator DAVEY:** You identified that there were several others within the basin. To produce hydrogen, do they need licences? If they are taking water from the basin to fry and split and turn into hydrogen, does that water have to be licensed?

**Ms Hickey:** One of the benefits of water management in the basin is that all states have a robust water entitlement framework and, particularly in regulated conditions, any take is required to be licensed, whether that is through some sort of licence to take water from the river or entitlement with a delivery share. Any extraction from the river for any purpose—hydrogen for example, which is an industrial form of use—would require to be reflected under those state entitlement frameworks.

**Senator DAVEY:** Have any of these applied for or acquired licences?

**Ms Hickey:** Our role is not at that retail entitlement level, so we don't ask or hold that information.

**Senator DAVEY:** It would mean for these projects that they would have to acquire a licence within the state framework. Your role is then to make sure that within the state frameworks water is not being used in excess of the sustainable diversion limits.

**Mr McConville:** We would look at the register of takes, yes.

**Senator DAVEY:** As far as anyone in the basin is concerned, these projects will be competing with other water users to fit under the sustainable diversion limits.

**Mr McConville:** Yes.

**Senator DAVEY:** This is for the department: we have had a bit of a drafting process to get to where we are with the National Water Agreement. We had a 2004 National Water Initiative. Ms O'Connell, can you step us through where we are at with the National Water Agreement?

**Ms O'Connell:** Certainly. It has been a lengthy process. The 2004 National Water Initiative was quite a landmark initiative and well recognised internationally as a great way of setting out Australia's water management principles. It always gets a good reception in terms of recognition of how Australia manages water. Clearly, as it's from 2004, it's in need of some refresh. There's been plenty of years of collaboration in (a) implementing that initiative and (b) learning from it.

During that time, there have been three Productivity Commission reviews. My colleague can give the years, but those Productivity Commission reviews were done on a sort of three-yearly basis. There were plenty of submissions put in as part of those Productivity Commission reviews. Plenty of information was provided. The views of the PC were expressed. I think the most recent review, really, or the culmination of those three reviews has been to particularly point to two areas that a refreshed agreement should take on board, and those two areas are looking at climate change and Aboriginal and Torres Strait Islander interests in water, as two main features that a refreshed initiative would need to address.

So officials have been formed and looking at refreshing the initiative and doing a lot of the preliminary work for quite a number of years. There was a first draft of the outcomes and objectives published in March of 2024, which captured a lot of that work just at that highest level of outcomes and objectives. Following that, national water ministers had a look at that in the middle of 2024—so June 2024. They had a look at that, and we subsequently went out for a round of consultation on the next level of detail—so it was the outcomes and objectives again but also the principles that underpin that agreement.

We got a lot of feedback following that process, and I acknowledge that. There was a lot of feedback on that process about how it could be improved and how it could be shorter, with fewer principles et cetera. So there was a lot of work that followed that to then have a revised draft agreement published in December 2024 that really showed a lot of progress from that middle-of-the-year version. So that's, if you like, the sort of final draft agreement that had been published in December 2024. Since then, there have been continuing discussions amongst senior officials to get it to a final stage, and a lot of this goes down to very minute detail in terms of the clauses. Largely, the outcomes and objectives have been set a while ago. It was then down into the principles side of things.

It's also the case that for a refreshed National Water Agreement—we've changed the name to 'agreement' rather than 'initiative' because it's now sort of the second, and you don't have a second initiative; you have a National Water Agreement—setting this framework is the start of the implementation. There is then a period of a couple of years where states would develop their work plans to underpin and implement the agreement, and then, following on, that implementation.

It's also fair to reflect that some of the consultation and the feedback that we got was less about the principles and the outcomes and objectives and more about the next stages of what would be in a work plan—you know, whether there would be ongoing consultation during the development of the work plans, and all those sorts of things. So that's positioned well in terms of then continuing on to develop the work plans and have continuing consultations around the agreement.

**Senator DAVEY:** I'm just interested because it was noted in the most recent Productivity Commission review that not all states have delivered against the original NWI. So what happens to them? If they haven't delivered on the original, if they sign up to the National Water Agreement, does that mean they sort of jump that step and go straight to delivering against the agreement? There's a bit of a gap.

**Ms O'Connell:** The National Water Agreement has had to, in a way, bridge some of that gap and get to the right place between continuing what was set in the National Water Initiative and needs to be carried forward and introducing some new areas. So the expectation is that, in signing on to the National Water Agreement, you'd be held to account to implement the National Water Agreement. That doesn't mean that everything from the past initiative disappears. It doesn't, because many of the things carry through into the new National Water Agreement.

**Senator DAVEY:** Yes, that was going to be my next question. So you've got the National Water Initiative. The National Water Agreement builds from that. So will the initiative, because it is sort of embedded within the

National Water Agreement, disappear? Is it superseded by the National Water Agreement, or are we going to have both going forward?

**Ms O'Connell:** I would frame it more as being superseded, because the things that are underpinning and that need to be carried forward from the National Water Initiative—the 2004 version, if you like—have been incorporated into the new agreement.

**Senator DAVEY:** Do all jurisdictions have to sign up to the National Water Agreement for it to be implemented, or can states do it individually? One state might feel comfortable at the moment, so they'll sign up. Another state might be recalcitrant.

**Mr Dadswell:** Each state can decide when it wishes to sign up. Those states that don't sign up will still be bound by the National Water Initiative. Those states that do sign up will be bound by the National Water Agreement. We would, of course, be encouraging all states to sign up to the National Water Agreement, because what we want is consistency in action and sustainable water management practices across Australia, so it is most desirable to have all states sign up.

**Senator DAVEY:** The National Water Initiative, however, cannot disappear until all states have signed up to the National Water Agreement, so there could be a period of time where we have the two operating concurrently, because we might not have resolved all.

**Mr Dadswell:** That's correct. As Deputy Secretary O'Connell said, the National Water Agreement builds on the National Water Initiative. It doesn't go backwards. Either it's the same or it sees improvements in some areas. So we would expect that there will still be that strong accountability on sustainable water management.

**Senator DAVEY:** Have any states signed up to date?

**Mr Dadswell:** No.

**Senator DAVEY:** The revised draft, which was published in December, was quite significantly revised from the March draft, and you could see that a lot of work had gone into it. I understand there's no intention to release a further draft publicly, but, because you're still working through things with the states, does that mean the final National Water Agreement might still look quite different to that revised draft?

**Mr Dadswell:** You're right. In relation to the end of last year, there was a significant amount of work done to make the agreement from the early consultation in September shorter, more responsive, simpler and clearer. That agreement was put out as representing the collective work of all the, I think, almost 950 submissions to date since the first Productivity Commission inquiry in 2017 and all the consultations that we undertook last year. In November last year, the minister wrote to her colleagues and said, 'I am providing this culmination of work with the draft agreement for any further input from you,' prior to again writing in 2025, inviting them to sign on to the agreement. As Deputy Secretary O'Connell outlined earlier, the changes or further considerations have really been in response to that feedback that we've received from basin states on the basis of that letter from Minister Plibersek in November last year, and they have been at the margin, so they've been on a few remaining issues. We are also making sure, for all the consultations that we've undertaken and all the views that have been made, that the National Water Committee and Commonwealth, state and territory officials have thought through and considered each of those consultations and assured ourselves that we've been thorough in that process.

**Senator DAVEY:** You talk about consistency. If, because you're having those ongoing conversations, any amendments are made—so if one state requests certain amendment and you work through it—is that then presented to all states? Do they all have to sign exactly the same document so that we can't have one state signing one and then another state saying, 'I want to move the full stop,' and having a different document?

**Ms O'Connell:** That is what the National Water Committee, the officials committee that I chair, is doing in terms of debating these final remaining small elements to have a position that goes into the National Water Agreement, because it needs to be a single version.

**Senator DAVEY:** So could there be a situation where, if one state signs up early, they cement it for everyone, and from there, once it's signed by one state, there can be no more movement? Is that right? Is that fair to say?

**Ms O'Connell:** It doesn't work like that, in the sense that the officials committee looks at the changes. You end up with the single version.

**Senator DAVEY:** Unless the state doesn't sign up, and then they're not obliged to that version; they're obliged to the old one.

**CHAIR:** I think the point is that the negotiations are done at that officials group.

**Ms O'Connell:** That's right.

**CHAIR:** And the officials go back to their state, negotiate and come back, so there's one agreement, and it's not until that agreement is settled that it goes out for anyone to sign up.

**Ms O'Connell:** And that's a process in a lot of Commonwealth-state agreements.

**Senator DAVEY:** Yes. Is there a timeline, or are you working with the states at their speed? Sorry—not their speed. I'm not trying to say that they're sort of dictating. But have you got a fixed deadline or are you just focused on getting it right?

**Mr Dadswell:** What we're particularly interested in is ensuring that we can get on to that next phase, which is developing the action plans, and the current agreement foreshadows that the states will have two years from the point of signing to develop those action plans. Again, this agreement will work best if all states have signed on a broadly similar timeframe, and we can then move ahead and do that. The other thing that is coming up is the Water Act review, and it'd be ideal to have a new National Water Agreement be available for consideration in that act review, given that the National Water Initiative previously was quite instrumental in the original establishment of the Water Act.

**Senator DAVEY:** One of the key factors in having the states sign up to the previous National Water Initiative was that there was money on offer—competition policy money. Is there any funding tied to the National Water Agreement?

**Ms O'Connell:** The competition policy framework was at a point in time, so it wasn't specific to the National Water Initiative; it was in relation to a group of competition policy things to be resolved. So that was a kind of point in time.

**Senator DAVEY:** So no funding with the National Water Initiative?

**Ms O'Connell:** The Commonwealth is spending a lot of money in relation to water.

**Senator DAVEY:** Oh, I know.

**Ms O'Connell:** There is Water Group funding. There's a lot of funding that the Commonwealth is spending in relation to water, and that's quite a difference between 2004 and now.

**Senator McAllister:** I think that's right, and I'll be picking up from where Ms O'Connell leaves off. Senator, you will know personally from your own pre-parliamentary experience that the world looked very different when we were first negotiating the National Water Initiative. There is now a role for the Commonwealth that is well defined, particularly in the context of the work that's been done through the basin but actually more broadly, and we've talked about some of those national-scale initiatives today.

**Senator DAVEY:** Yes, I appreciate that, and I also do appreciate how much funding there is through both the Basin Plan and the National Water Grid Authority and in several other areas. I understand there will be a preamble to the National Water Agreement.

**Ms O'Connell:** Consistent with the framework for Commonwealth-state agreements, yes. It follows the same broad architecture.

**Senator DAVEY:** What is the legal standing of the preamble?

**Mr Dadswell:** The agreement itself, including the preamble, is not legally binding on the states and territories or the Commonwealth.

**Ms O'Connell:** And that's the same for all of those agreements. So it has the same standing as all others.

**Senator DAVEY:** Are we potentially looking at a situation again where everyone's signed up, full of good intentions, but 10 years down the track we're still going to have states who haven't even delivered on the first round of agreement principles, let alone the latest? I guess there's nothing we can do about that, though. That's up to the state governments.

**Ms O'Connell:** In the end, it is up to state governments to deliver on it, but you would expect, having signed a national agreement and with that kind of national framework leadership that there would be an expressed intent to go ahead and implement it. Clearly states and territories might differ their emphasis in where they put their effort into implementing it, because there are differences in water across all jurisdictions, so they may well place different emphasis in different areas, but it's hard to imagine a state would sign up to it with no intention to implement it. I think there's questions about how fast, how hard and in what areas they put their emphasis, but I wouldn't see that they would necessarily sign up with the intention of not implementing it.

**Senator DAVEY:** The first draft had 173 principles. The next one had significantly fewer, which was quite refreshing. Are we still tightening them up, and how many principles are we looking at now?

**Ms O'Connell:** Certainly one of the key differences between the middle of last year's draft and the end of last year's draft, in December, was to make it a lot simpler, but there are other ways in which we have changed it as well.

**Mr Dadswell:** We had the opportunity to make it shorter. We reduced the number of outcomes and also the number of principles. Again, the document that was released in December is largely indicative of what the number of principles are. Most of that change happened where we could talk about it and identify that a couple of principles, if they were brought up to a slightly higher level, could then be brought together. So we didn't lose anything from that process, but what we were able to do is make it a more accessible document in its shortness and aligning better the objectives, outcomes and principles underneath them and removing any duplication that was existing across a number of areas.

**Ms O'Connell:** It's clearer and simpler, yes.

**Senator DAVEY:** Like a strategy session with a whiteboard, you start by throwing every idea on the whiteboard, and then you take a step back and look and go, 'Well, those two actually mean the same thing,' and a bit of streamlining that way. Is that streamlining still going, though? So is the final version going to be a lot simpler for people to understand?

**Mr Dadswell:** No. As we've indicated, any revisions that have been made since that December version have been at the margin, so it would look largely very similar.

**CHAIR:** I'll just say that we have a letter from Senator Lidia Thorpe with a series of questions. I just wanted to formally make those as questions on notice for the department to deal with and come back to us within the timeframe.

**Mr Fredericks:** I appreciate that. We'll take them on notice.

**CHAIR:** Back to you, Senator Davey.

**Senator DAVEY:** I have some questions about the AWEP, Aboriginal Water Entitlements Program.

**Ms O'Connell:** Certainly.

**Senator DAVEY:** You've got the right people at the table?

**Ms O'Connell:** Yes, just one staff member.

**Senator DAVEY:** I understand a lot of work has gone in and there is now a purchasing strategy developed that breaks down catchments and estimated gigalitres of water in those catchments and also, interestingly, the license types, which is good to see. It's actually clear and focused. Ms Hedges, can you just give us a very high-level answer on how those volumes were determined and what considerations were taken into account.

**Ms Hedges:** I'd also like to say, 'Walawaani njindiwan,' for you as a Walbunja Aboriginal woman. That trading strategy was actually released last year on 22 June. We had done quite a considerable amount of consultation and engagement with First Nations people to determine what and how we might be able to introduce the interim governance arrangement. There was a clear indication that we wanted to do something while we were still going through and doing the consultation on the enduring model. We did some survey work and through that investigation it was determined that they wanted a portfolio of water for that interim arrangement that had connectivity perspectives and was underpinned by wealth creation. With that in mind, we contracted Aither, who's part of the Ricardo group now, to look forward to produce a portfolio that would meet those two priorities. Part of that was determining the types and nature of the water and the licences that we would be looking for and where that could be approached across the whole basin. You will see in that strategy that there is high security, general security, low reliability, different volumes and different locations. It's all based on having that breadth of opportunity to be able to create that connectivity and the wealth creation aspect of that trading strategy or the purchase strategy.

**Senator DAVEY:** There is purchasing underway. Have you finalised any purchases?

**Ms Hedges:** We're going through the process. We do have active water brokers out there. We are considering purchases. I can't go into too much more in terms of what's been offered, where it's been offered, the volume or quantity or the value of those, but we have progressed along that pathway. There are certain things that we need to do to get our ducks in a row in terms of valuations and any valuation framework, but we're considerably down that pathway and there should be some coming up soon, pending caretaker.

**Senator DAVEY:** Will it be publicly reported? Will there be once you're finalised, as with the CEHW, an annual report to say what water holdings are there after the purchase arrangements, like with the department when they run a tender and then they report on the outcomes of the tender? I totally appreciate that you can't talk about things until they're finalised, but, once it's finalised, will that be publicly reported?

**Ms Hedges:** Absolutely they will be made public. That's one of our biggest undertakings not just for the general public but for all basin First Nations. It's to let them know where we've purchased water for them on their behalf until we can hand it over to the enduring model.

**Senator DAVEY:** As you can appreciate, the water market, as big and busy as it is, is a small community with lots of whispers and talking. There has been commentary that the trades are taking quite a while to process. Have you had that feedback?

**Ms Hedges:** No, because we're not in the position to do temporary trading at the moment. We won't be able to do that until we—

**Senator DAVEY:** Not temporary trading but the purchases of entitlements.

**Ms Hedges:** Conveyance takes time. I think the average time to do a conveyance, once you've done all the checks you need to do, can take up to three months.

**Senator DAVEY:** How many staff within the department have you got working on AWEP conveyancing?

**Ms Hedges:** I've got about 35 in my branch, but on AWEP I've got seven to nine people at any time working on it. I think you can appreciate there are different aspects and different people working on them. We're very conscious of the review of the IG and the ANAO report and making sure that we've got all our probity in place. Some people are working on some aspects of the program and others are working on that so that we can keep that separation of the bits and pieces.

**Senator DAVEY:** Sound information barriers. That's good to hear.

**Ms Hedges:** Yes, and it's between us and the other programs as well.

**Senator DAVEY:** Yes, obviously, because it is a separate program and it is a totally different purchasing format than the other water-purchasing formats.

**Ms Hedges:** Yes, it absolutely is, because the water that we're purchasing through this program is remaining in the consumptive pool, so it's there for that use for future, the temporary trading and everything like that. So it's not being removed at all. I think that, because we're getting the different types from across the basin as well, the impact on the communities generally is not there. You have a think about the \$100 million in terms of the \$30 billion market that's in the basin, it only represents 0.25 or 0.33 per cent of the volume. So the impact on the whole basin is probably quite small, but the impact for First Nations people from that socioeconomic opportunity is quite big. Even though it's a small step, it's a great first step.

**Ms O'Connell:** That is an important point—that it remains in the consumptive pool.

**Senator DAVEY:** Yes. I do note that that message has been consistent in all of the messaging about the AWEP water—that it remains in the consumptive pool. Tranche 1 purchases it says will not exceed \$10 million. That's what I've read here. You're in the process of doing a first tranche of purchases.

**Ms Hedges:** Yes, through the water broker situation. We're just finalising all our detail on market-led purchases, because we know that there are people out there who want to come straight to us and not go through brokers. We've actually had some offers which we can't progress because we need to get, again, all our ducks in a row.

**Senator DAVEY:** Probity.

**Ms Hedges:** Yes. So we are just finalising that market-led approach, and it will be out soon.

**Mr Dadswell:** The framework that was published last year did identify a range of purchasing options and approaches, so not just market intermediaries.

**Senator DAVEY:** Because you're in tranche 1, has there been prioritisation of any of these regions that you've published, or is it more opportunistic, within the published guidelines and the published structure?

**Ms Hedges:** Part of the process is, because it's water market intermediary led, we are led by what the market comes to us with. When we are considering any offers that come forward, we are considering that in light of that strategic framework.

**Senator DAVEY:** You've got \$100 million. I've got down here that tranche 1 could be up to \$10 million, but correct me if I'm wrong. Have you got a breakdown of a timeline for the expenditure of that \$100 million? Are you expecting maybe \$10 million this financial year and \$20 million next financial year? Is there a breakdown or—

**Ms Hedges:** Yes. Across the \$100 million and the \$10 million that's in addition to that to support delivery charges and all those type of bits—

**Senator DAVEY:** That might be where I'm getting confused. So the 10 million is actually set-up costs. So it's administrative.

**Ms Hedges:** Yes. The \$10 million is for set-up costs, holding fees, probity advice, commercial advice and all those bits and pieces.

**Senator DAVEY:** And the \$100 million is for the entitlements?

**Ms Hedges:** Just simply for the entitlements. So, just in terms of profiling, we've got probably roughly \$73 million for this financial year and then we've got the extra \$34-plus million for the financial year after that. Depending on how we're tracking when we get closer to the end of the financial year, because we don't know what the market is going to tell us, we'll just go through the usual arrangements if we need to.

**Senator DAVEY:** So, potentially, if you don't spend all that \$73 million, that will roll forward.

**Ms Hedges:** That would be the aim, pending the normal budgetary processes.

**Senator DAVEY:** But you're not going to rush out to spend this \$73 million before the end of the financial year just because—

**Ms Hedges:** No, I can assure you that our evaluation framework is established on cultural requirements and value for money. We have had some offers that are considerably higher than what you would expect, and we're not interested in that.

**Mr Dadswell:** The Aboriginal Water Entitlements Program isn't part of the Basin Plan. So there's no legislative end date or timeframe there.

**Senator DAVEY:** Thanks for clarifying that. That's actually a really important point. You did mention the current arrangements are interim.

**Ms Hedges:** Yes.

**Senator DAVEY:** You have an advisory group.

**Ms Hedges:** Yes.

**Senator DAVEY:** Are those advisory group members paid?

**Ms Hedges:** Yes.

**Senator DAVEY:** Are those payments, at what rate they're paid, published?

**Ms Hedges:** They should be, but I can tell you what they are if you like.

**Senator DAVEY:** Sure.

**Ms Hedges:** It's similar to the Remuneration Tribunal. We do actually contract individually with each of the members of the advisory group up to a certain amount. I'll take on notice exactly how much it is, but it's in the vicinity of around \$500 or \$600 for the day.

**Senator DAVEY:** It's a per-day rate, so when you meet or when they're called in—

**Ms Hedges:** There's an hourly rate, and then, after a certain period of time, it kicks over into a daily rate.

**Senator DAVEY:** Do they meet regularly, or is it on an as-needs basis?

**Ms Hedges:** It's on a needs basis, but at the moment it is on a regular basis because there are so many policies that are being developed to be able to support the types of work that need to be undertaken. For example, the advisory group has met at least 10 times so far since it was established, and the directorate has met about seven times. Because we're now getting offers, the directorate are meeting more often to be able to consider some of those things. The next advisory group's in Mildura in a couple of weeks' time.

**Senator DAVEY:** And when you start to have your portfolio, because it is an interim arrangement, how are decisions then going to be made about how you utilise the water that's in that portfolio, and how do you distribute the benefits? And those benefits could be the environmental or the cultural benefit. The Murray is a big reach with a lot of nations and a lot of cultural priorities, so how do you determine that this water year we're going to, say, water the Werai as opposed to Pollack Swamp as opposed to the Barmah Forest?

**Ms Hedges:** The focus of the interim governance at present has been about the purchasing of water in accordance with our strategic framework. The next phase that is currently in process is for the advisory group to develop the trading policy. That trading and leasing policy, once it is in place, will determine what we can do during the interim arrangements. So we're not there yet, but it is soon to come into its final drafting process. I expect that will probably be in place in the next couple of months or so. It takes time. We need to remember that the interim governance arrangement is: we don't want to commit the future enduring model to any decisions that

we make now, but we want to set up a good foundation for when it is handed over so that there are some good things happening in that place.

Once we do that temporary trade and leasing policy, then the next phase after that could be, depending on how long it takes for the enduring model to come into place, around what we can do with the water and how we can allocate that out to different nations for use, depending on what the volume of the portfolio is at that time? Some of the things we're very conscious of are that, if we start doing some temporary trades, we want to be able to manage the costs associated with the funds that are coming in for that as part of that process. We don't want to lose it. We are very conscious about ensuring that the benefit still remains fifty-fifty for the northern and southern basins.

**Senator DAVEY:** I just find it interesting that you're talking about the temporary trade and leasing, and I appreciate that is entirely within the rights of the AWEF and allows for First Nations self-determination, but you didn't mention cultural flows. You didn't mention that the water might be used for cultural flows. I'm interested in how those priorities are weighed up as well.

**Ms Hedges:** That's part of the conversation that has to happen for that next bit, because the temporary trading and leasing is about that wealth creation opportunity, which is one of those things that is the point of the priorities for the program. That second part, about cultural flows, whether it's for environmental or pure cultural outcomes—if we park the economic side of things—is the next phase of consideration that will have to happen. Hopefully, it will happen once we've handed over, because we don't want to hold it for too long, but if there is a policy that needs to come into place, that will be the next phase, when we're doing the interim governance. And there will be some other policies coming into place as well, but we just want to do that. We've got advice from the advisory group that we just want to go slow and steady, consolidate what we've got and make sure we've got some good processes in place so that, when it is handed over to the enduring model, it is handed over as a really good, sustainable process with methodology to support it. We don't want it to fail at the first hurdle.

**Senator DAVEY:** You did identify, and I appreciate that you did, that there are costs to temporary trades. I have an analogy. At the moment, the New South Wales environmental water holder is allowed to trade, but it's all got to be self-funded, and some of their trading actually helped pay for their water delivery fees somewhere else. The goal is to be a self-funding portfolio. The goal is wealth generation, obviously, so you cover the costs, but also you cover the costs and generate wealth for First Nations people.

**Ms Hedges:** Yes, and that whole idea of having that sustainable enduring model for future generations came across very strongly in our consultation. So it might be relevant now to let you know that we are about to go out shortly to start engaging on the enduring model. Over the next three to four months, roughly, we'll be looking to catch up with every nation, if they want us to do it, on a nation-by-nation process or collectively. Whatever nations ask us to do, we're there to support them in that space. But the idea is to go out and talk. We're not saying that it has to be a trust, a holding arrangement or a water holder or statutory. We haven't decided what a model would be. We want to hear from nations: 'What are the governance things that are really important to you for the enduring model? How do you want nations to have input? How do you want decisions to be made? How do you want the cultural and the governance things to fit together?'

Once we have that over the next three or four months, that will help us then determine with nations what the best model is that would suit those cogs and wheels that you need to have for that model. Then it's about determining how that is developed and how long that will take. For example, if it's statutory, it's going to take a bit longer; we all know that. That would then support what other things we can do in the interim governance arrangement until we can hand it over at that time as well.

**Senator DAVEY:** There is something like 50 nations across the basin?

**Ms Hedges:** There are probably 50-plus nations across the basin, but within each of the nations there are different family groups. Some talk with each other; some don't. But we're here to listen to all. If anybody wants to come and have a yarn, we'll have a yarn about what that might look like for that particular nation.

**Senator DAVEY:** Importantly, you're going out to them. It's not about written submissions and the formal consultation that we're used to; you're actually willing to go out to them if they reach out.

**Ms Hedges:** We did a little bit of analysis over a six- or eight-week period. If we do a bit of a hub-and-spoke and a north and a south happening at the same time, it's about 10,000 kilometres of road travel that needs to happen to go out and talk to each of the nations, if they want to do that. Of course, we're not saying that we won't meet you collectively somewhere, but it's a big effort going out. And we're happy to do that. Supporting that is part of self-determination.



**Senator DAVEY:** I'm just interested because, as with anything and any policy area, there are always differences of opinions. How do we reconcile those differences, particularly in the Murray, where you've got multiple different groups—family groups and nations—that might not all agree? How are we going to get to a landing place where we know that we've done the best we can and that we are delivering the best we can when there might be some voices from the sidelines?

**Ms Hedges:** That's absolutely a challenging and testy space to be in. We're not determining who the right people are to talk with. It's up to the nations to be able to say, 'We want to have a yarn with you about different things.' It's the same within the Cultural Flows Planning for Cultural Economies Program, which is a grant program that's currently open from a soft launch perspective. We might have applicants in that process who come from the same nation but different family groups who want to do the same type of work. We're not going to determine who is the right person to do that work; we'll put it back out to those nations to come together and let us know. They've got to determine it for themselves, because who's got the right cultural authority should be determined by the nations, not by government.

**Senator DAVEY:** Yes. I think we're making strides. We're going to have a portfolio of water, and I'd like to see it achieve something.

**Ms Hedges:** We all would, Senator. We all would.

**Senator DAVEY:** As you say, it'll be up to the nations in regard to that wealth. If they want to then go out and create Indigenous rangers programs through that wealth, that will be entirely up to them.

**Ms Hedges:** Entirely up to them. Any person who owns a portfolio of anything, whether it's stocks or water, would determine what their objectives will be. I think that, once the enduring model is set up, whatever the governance arrangement will be, they will have their own strategic plans developed and they will manage that water in terms of that, and that could be things like those you suggested. It could be about purchasing infrastructure to be able to access the water to do bits and pieces. That's where that cultural flows grant program is really supportive of AWEP, because it is going to support nations in the basin to produce their planning to say: 'Here are the kinds of economic outcomes we want. Here are the cultural outcomes that we might like. Here are the things that we need to do.' That could then support any of the process from that strategic plan that might come out in AWEP to say: 'Here, we've done this. We might need one meg of water or two megs,' or, 'We might need a pump to be able to get the water out,' for whatever the economic outcome is.

**Senator DAVEY:** You've got the estimated gigalitres between the north and south, but my understanding is that the funds, the \$100 million, are meant to be split equally between the north and south. That's why these just estimated figures, because the market will decide.

**Ms Hedges:** Yes. It's just as long as that financial benefit is split between the north and the south.

**Senator DAVEY:** Finally, on this topic, you did go out to identify water market intermediaries who could perform the tasks. You've awarded some brokers. I liken it to you being a preferred supplier. You haven't actually given brokers a fixed volume. You've got these brokers that are on a list. Is that list of brokers publicly available?

**Ms Hedges:** Yes. It's on the web.

**Senator DAVEY:** It's on the website.

**Ms Hedges:** Yes.

**Senator DAVEY:** Right. I thought it was, but then I just couldn't find it the other day.

**Ms Hedges:** I can tell you who they are if you want me to. I know I've definitely got that here, because I highlighted it this morning.

**Senator DAVEY:** If you could table it for us, that would be great.

**Ms Hedges:** Yes. I always forget the third one, and that's really wrong of me, because there are only three. It's Ruralco Water trust; it is the third one. They are Ruralco, Wilks Water and Waterfind.

**Senator DAVEY:** Ruralco, Wilks and Waterfind.

**Ms Hedges:** Yes. They're the three.

**Senator DAVEY:** Right. We've talked a lot about nations and family groups. Are land councils also part of the process, or are they a different structure?

**Ms Hedges:** No, they're not part of the structure, because they are almost a peak organisation representing a whole range of different things within the land area. For us it's really about the nations themselves.

**Senator DAVEY:** Thank you very much, Ms Hedges.

**Ms Hedges:** You're welcome.

**Senator DAVEY:** I think that's all I've got on AWEP. Does anyone else have questions on AWEP?

**Mr McConville:** Chair, if I may, more in response to Senator Thorpe's letter that you asked us to take on notice, I'm happy to table our response to Senator Thorpe's letter, Senator.

**CHAIR:** Thank you.

**Senator DAVEY:** That was quick.

**Mr McConville:** Something I prepared earlier, Senator!

#### **National Water Grid Authority**

[14:59]

**Senator DAVEY:** The National Water Grid.

**Ms O'Connell:** National Water Grid officials are here.

**Senator DAVEY:** Thank you very much. Yet again, in the MYEFO, we saw funds that had been allocated to the National Water Grid diverted elsewhere. But since 31 October last year, we've seen the minister announce several National Water Grid funding projects. I'm just trying to get my head around how much funding remains in the National Water Grid?

**Mr Darrough:** At the end of January there was \$174.8 million of funding left in the National Water Grid, including \$20 million which is committed through the First Nations stream.

**Senator DAVEY:** As we discussed earlier, that is specifically for First Nations communities, to help water security and reliability.

**Mr Darrough:** Yes.

**Senator DAVEY:** I think it's a really good program, but I'm also very cognisant of the fact that town water, community water, water treatment plants et cetera have traditionally been the responsibility of state governments. For that \$20 million, is there a requirement for state government matched funding for those projects?

**Mr Darrough:** It's not matched funding, but there is a requirement for co-contributions for construction projects right across the water grid. So, for First Nations projects, it's generally that the Commonwealth will provide up to 80 per cent.

**Senator DAVEY:** I'd just like to see the state governments do a bit more, but that's my thing. How much of that \$174.8 million is committed to projects—all of it?

**Mr Darrough:** That's the amount of funding that as at the end of January was not committed.

**Senator DAVEY:** That's the uncommitted?

**Mr Darrough:** Yes.

**Senator DAVEY:** So there's still \$20 million in the First Nations that's uncommitted.

**Mr Darrough:** There's \$154.8 million plus the \$20 million.

**Ms O'Connell:** That gets you to the \$174.8 million.

**Mr Darrough:** That gets you to the—

**Senator DAVEY:** That's uncommitted.

**Mr Darrough:** Yes.

**Senator DAVEY:** So there's still \$20 million for Indigenous that's uncommitted.

**Mr Darrough:** Yes.

**Senator DAVEY:** Thank you. That's clear. There were a lot of projects that were cut or deferred over the last three years. With the deferred funding, is that still sitting out beyond the forward estimates?

**Mr Darrough:** Yes. As I stated last time, in the last hearings, that money is still sitting beyond the forward estimates for the balance of the Paradise Dam funding. So there's \$50 million that's available in the forward estimates for Paradise Dam, of which we've already paid \$20 million. There's the balance of the \$170 million for the Hughenden program, and there is the balance of funding for Big Rocks Weir.

**Senator DAVEY:** So, with Paradise, in the forwards is \$50 million.

**Mr Darrough:** Yes.

**Senator DAVEY:** And then the balance—

**Mr Darrough:** The \$550 million is sitting beyond the forward estimates. So we had the \$600 million, but there was some early work that Queensland wanted to do that related to the project preconstruction work, improving access around the site and things like that.

**Senator DAVEY:** How much is sitting beyond the forwards for Big Rocks?

**Mr Darrough:** It is \$34.75 million, I think. I will—

**Ms Wall:** The Australian government's commitment is \$38 million—

**Mr Darrough:** Yes.

**Ms Wall:** and \$3.25 million has been contracted.

**Mr Darrough:** Correct.

**Senator DAVEY:** Through the National Water Grid, we've funded a lot of business cases and then we've also funded final business cases. How many business cases have we funded where we have not then progressed to or have not received an application to progress to a final project? Have there been any where the business case has come back and we've just gone, 'Thanks for your business case'?

**Mr Darrough:** Yes, there have been several of those, and I noted your comments earlier today more generally about feasibility studies and business cases. The point I would make on those is that they are point-in-time assessments as well. So, while you may have seen a business case done five years ago, if you were to relook at that project again, you would need to update the business case. So it's not unusual for projects—particularly, say, a project like Rookwood Weir, which had a 20-year genesis—to go through several phases of feasibility and business case development. So we hopefully have been able to better find our business cases and feasibility studies both through the list we provided in response to your question on notice and on the website.

**Senator DAVEY:** Except you keep updating your website and things move.

**Mr Darrough:** We're responding to—

**CHAIR:** It's a bit like a supermarket!

**Senator DAVEY:** Don't get me started on the supermarkets!

**Mr Darrough:** Senator, we're responding to feedback from stakeholders like you to make it easier. But, yes, there are 93 business case regional assessments, preconstruction projects and feasibility studies that have been or are being funded through the National Water Grid. So there was 42 feasibility studies through the old NWIDF, National Water Infrastructure Development Fund, which are all listed on the website, and we moved those into one spot. Through the more recent feasibility component from 2019 to 2025, there were a further 11 projects, and then there have been 40 business case projects, regional assessments and preconstruction projects since we've had the federation funding agreement for infrastructure for the National Water Grid Fund, and that's around \$157.8 million. Effectively, since those projects were announced, since the National Water Grid was stood up, each have had their own webpage.

**Senator DAVEY:** Yes, I have seen that. Don't worry, MDBA; you don't get off scot-free with your changing website either. It gets very frustrating. I note on 24 January Minister Plibersek announced an extra \$87.5 million for Cairns water sustainability, which was a National Water Grid project. But, in the reporting on it in the *Cairns Post*, Ms Plibersek's office confirmed the additional money was immediate funding to be included in the next budget. Does that mean it's not in the existing National Water Grid funding and it's got to be added in the next budget?

**Mr Darrough:** No. I've given you the figure of the uncommitted funding, which has already been taken account of in that. So the \$87.5 million is there.

**Senator DAVEY:** But it's in the uncommitted—

**Ms Wall:** No, don't reduce the uncommitted.

**Mr Darrough:** No, don't reduce the uncommitted. So I gave you a figure as at the end of January.

**Senator DAVEY:** So it doesn't need to be included in the next budget.

**Mr Darrough:** Well, it still does need to be included as a project, and then the funding for that then goes into Budget Paper No. 3 against Queensland. So that's how it's included in the budget. Where we have unallocated funding, it effectively gets allocated through the budget process and each project gets listed in the measure description.

**Mr Fredericks:** It will be a measure—

**Senator DAVEY:** Yes. So, in the budget, it will be a measure, but you've already done the maths for me for that \$174 million.

**Ms O'Connell:** It's been funded in the grid.

**Senator DAVEY:** I appreciate that. Is the National Water Grid involved in the lovely Wilcannia Weir?

**Mr Darrough:** Not directly. I think—

**Ms Wall:** It's currently funded through the Northern Basin Toolkit. We had said before at estimates that we were in discussion with the state with regard to seeking additional funding through the water grid, but at this stage it is not a water grid project.

**Senator DAVEY:** That's alright. What about the Cobar pipeline? Is that a water grid project?

**Mr Darrough:** Yes. So, with Nyngan to Cobar, are you referring to stage 2 or stage 1? The New South Wales government announced that, with a revised estimated cost of over \$300 million, it deferred making an investment decision on replacing the 100 kilometres of pipeline associated with stage 2. The business case project for that was jointly funded by the Australian government and the New South Wales government. They committed \$1.8 million to that; we committed \$1 million. The Australian government is also contributing \$26.25 million through the Water Grid Fund to stage 1 of the project, which is expected to commence mid this year, and that is prioritising the pump stations at Nyngan and Hermidale.

**Senator DAVEY:** So stage 1 is progressing.

**Mr Darrough:** Stage 1 is progressing.

**Senator DAVEY:** And we funded it—Commonwealth. I'm getting ahead of myself; I'm saying 'we'—the royal 'we'. Commonwealth has put \$26.25 million towards it, but stage 2 is on hold.

**Mr Darrough:** For stage 2, we funded the business case, but the New South Wales government would need to make an investment decision and then put forward a proposal for National Water Grid funding that would be considered through the usual budget processes.

**Senator DAVEY:** So they have not yet put in for stage 2.

**Mr Darrough:** No, because they've deferred their own investment decision.

**Senator DAVEY:** So, yes, we're waiting on New South Wales to make up their mind on what they want to do and how they want to fund it.

**Mr Darrough:** Yes, and, as I said earlier, we would expect that, if the delay in an investment decision were some years, we would seek an updated business case to take account of the new costs and benefits. It wouldn't necessarily be a full redo of the business case, but we would certainly want to know what the costs were and how robust they were.

**Senator DAVEY:** So we've funded a business case and we've got the business case. New South Wales is now deciding how they want to proceed, but, if they come back to us and say they want to proceed with stage 2, we're going to need a new business case.

**Mr Darrough:** Not necessarily a new business case. We would certainly just want—

**Senator DAVEY:** An updated—

**Mr Darrough:** the construction costs updated.

**Senator McAllister:** Senator, I don't think you'd disagree with this, but it is important to make decisions based on the best possible cost information. I think you would understand that.

**Senator DAVEY:** Yes. If it's an updated business case, I'm okay. It's when we go right back to the drawing board that I get frustrated, Minister, and I'm sure a lot of people share my frustrations. My concern with the Cobar pipeline, though, is that it is currently beyond its life, but am I right to say that, if it bursts, that's New South Wales's baby to mop up? The water grid is there for them to apply if they so choose, but—

**Mr Darrough:** Yes, that's right. The responsibility is with the state government for the assets.

**Senator DAVEY:** And we've just received a response to that.

#### **Murray-Darling Basin Authority**

[15:14]

**Senator DAVEY:** To the MDBA Basin Plan and progress on Basin Plan mark II, Mr McConville, can you give us an update as to where we're at. I know that we have invested and we've funded the CSIRO to look at the

Sustainable Yields study. We're now doing the sustainable rivers audit as well. We are uplifting all of the models that underpin the original Basin Plan. So can you just give an overview of where we're at.

**Mr McConville:** There are a number of projects there that you've mentioned. To set it out in sequential order, the sustainable rivers audit, as Dr Coleman mentioned earlier today, is a rearward look at the state of the basin. Then the Basin Plan evaluation will take that sustainable rivers audit and consider that in terms of the contribution of the Basin Plan to that state. At this stage we are looking to release that around the end of July. Then the sustainable yields study will feed into what we call the outlook, towards probably the end of the third quarter or early October. All of the work and lines of evidence for the evaluation have been completed, and the evaluation is being drafted at the moment. We're also well advanced on the sustainable yields work feeding into the outlook.

At the same time, we are in the early stages of working towards the discussion paper. We are required under legislation to issue a discussion paper and then have a consultation period of 12 weeks in early 2026, and we are well progressed in terms of that work with the authority as well.

The third piece you mentioned is the Integrated River Modelling Uplift project. It's the only project that, as you say, brings together the 24 river models across the basin onto a common platform. That program is progressing well, and we are looking to complete the next phase of that by the end of June this year. I would say overall we're very much on track with where we thought we would be at this point.

**Senator DAVEY:** With the modelling uplift, I have had concerns raised with me. Some valleys that were on old models, IQQSM—

**Mr McConville:** IQQM, yes.

**Senator DAVEY:** They're concerned that the new models are not as accurate. Have you worked with all those valleys and stakeholders to ensure that the new model is fit for purpose across the valleys?

**Mr McConville:** I might ask Mr Ashby to come forward—he has charge of the IRMU project—and work through that process in terms of how we brought the different platforms together.

**Mr Ashby:** We have been working with all of the jurisdictions in the uplift of the modelling. The IQQM models are fit for purpose in the state where they've been utilised, but, at the same time, states have agreed to move across to the platform, so we're developing a model for them, making sure that it reflects the concerns and the assumptions that were in the IQQM model. It's very much a collaborative process, and we continuously confer with the modelling advisory group to ensure that the assumptions in the model do reflect, as best we can, the model assumptions in IQQM.

**Senator DAVEY:** You've worked with the jurisdictions. Have you worked with stakeholders?

**Mr Ashby:** At this point, we leave that to the individual jurisdictions for their models to reflect what their stakeholders would expect to see in those models. We work with the jurisdictions to say, 'If that's your model, let's see how we can replicate that as best we can in the new model.' And my understanding is that those jurisdictions will transfer over to the new model at some point.

**Senator DAVEY:** Mr McConville said you're hoping to complete the next phase by the end of June. When are you hoping to have all of this modelling work done so that all jurisdictions, zones and valleys are operating off a consistent model?

**Mr Ashby:** We're actually aiming for completion by 30 June this year, 2025, and pleasingly I'm able to say it's within budget and will also meet the scope of the business case. There will be two streams of work that will continue post 30 June, which is what we're calling our sustainment phase, and that will be looking at ongoing and continuous improvement of all of the models so they can all better reflect reality as best we can—and also building the skills and collaboration across the modellers in all of the jurisdictions. The other phase is a progressive release of model access and modelling data through a publicly available portal. That sustainment program runs for a further six years. We have \$33.6 million over six years, which is approximately \$5.6 million per annum, to ensure sustainment.

**Senator DAVEY:** So the modelling data is going to be publicly available.

**Mr Ashby:** There will be different levels of availability or access because obviously some data that is used by jurisdictions is confidential, or commercial in confidence. So there will be different layers of accessibility, but definitely people will be able to see the outputs of modelling runs.

**Senator DAVEY:** That's interesting. That hasn't happened before, has it?

**Mr Ashby:** No. This is probably the strength of this program. There are really two strengths. One is collective modelling. Every jurisdiction can see what everybody else is modelling, and then that information is made available to other stakeholders. The second aspect is what I'd call a collaborative uplift in skill sets. There's a skill

strategy and development program as part of this, and a recruitment of additional modellers as well. Previously, when a jurisdiction needed a modeller, often we hired someone from another jurisdiction and let the whole—

**Senator DAVEY:** There were a lot of secondments going on.

**Mr Ashby:** Correct. It was recognised that across the basin we needed more modellers, so there's been an uplift in that space as well.

**Senator DAVEY:** So the Integrated River Modelling Uplift was a \$66 million program. You just mentioned you had \$33.6 million over six years for further work.

**Mr Ashby:** That was additional.

**Senator DAVEY:** Does that mean you've spent \$33 million to date or—

**Mr Ashby:** No, to date, of the \$65.5 million over four years, we've spent approximately \$40.2 million, and there's an additional \$33.6 million for sustainment, which begins 1 July 2025.

**Senator DAVEY:** That's over and above the original \$66 million.

**Mr Ashby:** Correct.

**Senator DAVEY:** Okay. So it's a \$100 million program. Mr McConville, I'm just wanting to drill down into the funding for the major works that are going on towards Basin Plan mark 2. The Murray-Darling Water and Environment Research Program was a \$20 million investment over four years. How long has that got to go?

**Mr McConville:** I'll get Dr Coleman to comment.

**Dr Coleman:** Senator, that program is due to wind up. The research will be completed 30 June this year, and then we'll have another four months or so of a closure process. So the program itself will wind up around October or November this year.

**Senator DAVEY:** All the \$20 million will have been expended?

**Dr Coleman:** We're forecast to have spent just a little bit under the \$20 million, so there might be about \$100,000 left.

**Senator DAVEY:** All the results of that research will be publicly available?

**Dr Coleman:** That's right, yes. Of about 150 products we'll get out of that research, a bit over 100 of them are available online now, and we're releasing the rest through the rest of this year.

**Senator DAVEY:** That's a lot of papers.

**Dr Coleman:** It is. I've read them.

**Senator DAVEY:** Has the Basin Condition Monitoring Program, with \$7.5 million of government funding through the Communities Investment Package, delivered by the MDBA, been expended? What have we got for that?

**Dr Coleman:** I'm happy to talk to that one. That program is forecast to finish at the end of this calendar year, and the reports from that are published as they become available. We tend to publish them in tranches. That program focused on looking at monitoring across four different themes: the economic, social, First Nations and environmental themes. Then there was also some additional money dedicated to hydrology as well.

**Senator DAVEY:** And will those reports—as you say, they look at the economic and social—feed into this bit of the report that we're doing for the review which will incorporate economic and social considerations?

**Dr Coleman:** That's right, yes.

**Senator DAVEY:** So this is preliminary work for that.

**Dr Coleman:** That's right. For most of the social and economic work, we've aligned it with the needs of the Basin Plan evaluation—and then knocking on to the Basin Plan Review. We have released some of those BCMP reports already, but there are a tranche of them due to come out middle of this year alongside the Basin Plan evaluation and the sustainable rivers audits, so they'll be released as a package.

**Senator DAVEY:** So progress is being made, and the discussion paper will be out in 2026.

**Mr McConville:** Early 2026.

**Senator DAVEY:** And when is the review to be finalised?

**Mr McConville:** We're required to finalise the review by the end of 2026.

**Senator DAVEY:** With a view to having the next Basin Plan in—

**Mr McConville:** The Basin Plan continues, and, in a separate step, we would make recommendations for how the government may want to respond to that at the completion of the review at the end of 2026.

**Senator DAVEY:** Thank you very much. There's one last thing I'm really interested to know about, Mr McConville, and we've talked about it before. You've had a significant boost in the number of staff for the work that's gone into the Basin Plan Review. They were all contracted. Is that correct?

**Mr McConville:** Not all. We have had an increase in ongoing and non-ongoing staff, but we do expect, as we've discussed before, that that number will tail off and we'll be back to where we were before the review started, by the end of 2027.

**Senator DAVEY:** What does that look like?

**Mr McConville:** The numbers there would return to about 280 ASL or thereabouts, I believe, by the end of 2027.

**Senator DAVEY:** You're not going to believe this, Chair, but I'm done.

**CHAIR:** That is a delightful thing to hear, Senator Davey. I appreciate your deep and abiding passion for water, and I share it. I would like to swiftly—before she changes her mind—thank everyone for coming along today. We appreciate all that you do. We will adjourn.

**Committee adjourned at 15:28**