

An overview of Australia's first water market

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The establishment of the South East Queensland Water Market, the first of its kind in Australia, is an important step in securing a safe ongoing supply of drinking water for South East Queensland.

The Water Market, which integrates the regulatory provisions for recycled water and drinking water, commenced operation on 1 July 2008. It is a part of the reform of water usage and management in South East Queensland (SEQ) and provides for the usage of the Water Grid, which includes dams, bores, water treatment plants, pipeline infrastructure, a desalination plant and the Western Corridor Recycled Water Scheme, to move water around the SEQ region.

How the Water Market works

A statutory authority, the Water Grid Manager, manages the Water Market. Three new statutory authorities responsible respectively for the supply, transportation, production of manufactured water (purified recycled water and desalinated water) supply their services to the Water Grid Manager. The Water Grid Manager sells water to each of the 10 local governments and three power stations in the SEQ region. Manufactured water may in the future be released into Wivenhoe Dam (the major source of water for Brisbane and surrounding areas) to augment drinking water supplies.

Regulatory framework

The Water Market was established under Part 5A of Chapter 2A of the Water Act 2000 (Qld) (Water Act). The Water Act also provides a process for declaration of 'services' which then form part of the Water Grid, Ministerial power to make Market Rules governing the operation of the Water Market and, for a defined period, Grid Contracts between the Water Grid Manager and grid participants.

The *Water Supply (Safety and Reliability) Act 2008* (Qld) (WSSR Act) also underpins the Water Market. The WSSR Act incorporates the existing regulatory framework for water service providers and dam safety in Queensland (replacing the provisions formerly in Chapter 3 of the Water Act) and introduces new regulatory frameworks for recycled water and drinking water which are designed to protect public health. These new regulatory frameworks are supported by amendments to the *Public Health Act 2005* (Qld) (Public Health Act) and the *Plumbing and Drainage Act 2002* (Qld).

The Department of Environment and Resource Management administers the WSSR Act through the Office of the Water Supply Regulator.

Water quality

The new drinking water provisions regulate Queensland's town water supplies to ensure they are safe. Queensland Health has set water quality standards for drinking water and certain uses of recycled water which are set out in the *Public Health Regulation 2005* (Qld).

Drinking water service providers and recycled water providers must comply with the quality requirements set under the WSSR Act and the Public Health Act. The supply of unsafe drinking water or recycled water that is not fit for use is an offence under the Public Health Act for which significant penalties apply including up to two years imprisonment.

The drinking water quality management requirements under the WSSR Act are being phased in. In stage 1, until a drinking water service provider's drinking water quality management plan is approved, each service provider must comply with quality monitoring and reporting requirements notified by the former Department of Natural Resources and Water. These quality monitoring and reporting requirements commenced on 2 January 2009 and provide for information gathering which will form the basis for drafting (and assessing) drinking water quality management plans.

Stage 2 provides for drinking water quality management plans to be prepared by large service providers (with over 25,000 connections) by 1 July 2011, by medium service providers (5,000 - 20,000 connections) by 1 July

2012 and by small service providers (less than 5,000 connections) by 1 July 2013.

Similarly, recycled water providers must prepare a recycled water management plan which identifies hazards and strategies for managing those hazards. A recycled water provider must also prepare a validation program which sets out how the recycled water provider's infrastructure will be tested to show the quality of the recycled water will consistently meet the water quality criteria and proves how effective the control measures are in reducing the population risk. A range of deadlines apply for preparation of recycled water management plans depending on the use of the recycled water and date of commencement of operation of the relevant plant.

More reform to come

Further planned reforms include establishing by 1 July 2010:

- a single Distribution Entity owned by SEQ local governments which will own the water and sewerage reticulation pipes, reservoirs, pumps and sewage treatment plants and supply water and sewerage disposal services to SEQ households and businesses
- Retail Entities owned by SEQ local governments which will sell water to SEQ households and businesses.

The reform agenda also includes developing third party access regimes for bulk water treatment and transport assets, which is anticipated to provide opportunities for alternative supply options and a basis for potential competition in the retailing of water and wastewater services in the future.

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