

Submissions by SEQ Water Grid Manager on 11 March 2011

1. These submissions are made to the Queensland Floods Commission of Inquiry (**Commission**) by the SEQ Water Grid Manager (**Water Grid Manager**). As is discussed in more detail below, the Water Grid Manager is a statutory body responsible for the management of the water grid in South East Queensland (**SEQ**). The Water Grid Manager tenders these submissions so as to assist the Commission by identifying itself and its role in the State's management of water supply in SEQ.
2. The Commission has invited certain submissions by 11 March 2011. The submissions to be made by that date are only those that relate to flood preparedness for next summer's wet season. As the Water Grid Manager understands the Commission's direction, that is specifically (and only) so as to enable any early recommendations by the Commission to be made and implemented before next summer's wet season so as to improve safety for next summer. That reflects the Commission's terms of reference relating to an interim report. The Water Grid Manager understands that all other matters for submission are to be dealt with in written submissions due on 4 April 2011. The Water Grid Manager has no submissions concerning early recommendations of change(s) to enable implementation before next summer's wet season. Those matters are best addressed by others.
3. These submissions are set out in the following sections:
 - a. Section A – water management in SEQ prior to 2008;
 - b. Section B – the reform that occurred from 2008;
 - c. Section C – the current legislative and regulatory framework; and
 - d. Section D – the Water Grid Manager.

A. The management of water in South East Queensland prior to 2008

4. Prior to 1 July 2008 there were approximately 22 different bodies which were involved in the management and supply of water in SEQ. These bodies were responsible for:
 - a. the bulk supply of water;

- b. the treatment of water;
 - c. the transport of bulk water;
 - d. the distribution and retail sale of water; and
 - e. wastewater collection and treatment.
5. The Water Grid Manager **attaches**, as ‘Annexure A’, a diagram which sets out the industry structure prior to the reforms in 2008.
6. Upon review, it was considered by Government that the number of these entities and the different geographical and infrastructure interests they held made the management of the different interests difficult for the benefit of SEQ as a whole. In consequence, a series of reforms were explored and formulated from in or around early 2007 and took effect from 1 July 2008.

B. Legislative reform in 2008

7. SEQ’s water supply network was thus reformed from 22 different (largely governmental) organisations with overlapping infrastructure management interests and geographic areas of influence to an integrated, regionally-focused system of seven organisations, each with a specific focus. This was largely achieved by the *South East Queensland Water (Restructuring) Act 2007*, the relevant provisions of which commenced on 1 July 2008.
8. The Water Grid Manager **attaches**:
- a. as ‘Annexure B’, a diagram which sets out a broad view of the timeline of the reforms; and
 - b. as ‘Annexure C’, a diagram which sets out the industry structure after the reforms commenced in 2008.
9. In broad terms, the reform established:

- a. a Water Grid – namely the infrastructure which supplies bulk water to SEQ from the Water Grid Manager’s water entitlements. The Water Grid includes 12 connected dams, 10 connected drinking water treatment plants, three advanced water treatment plants producing purified recycled water, 28 water reservoirs, one desalination plant, 22 bulk water pump stations and 535 km of drinking water bulk water mains; and
 - b. the status of participants in the Water Grid, including:
 - i. Grid Service Providers – which are entities that provide a water service to the Water Grid Manager, currently Seqwater, LinkWater and WaterSecure (as shown on Annexure C); and
 - ii. Grid Customers – which are entities that are supplied bulk water from the Water Grid Manager. These are Queensland Urban Utilities, UnityWater and Allconnex Water who distribute and retail water services and supply sewerage services to their customers in SEQ, and CS Energy Limited, Tarong Energy Corporation Limited and Toowoomba Regional Council (as shown in Annexure C).
10. As is shown in Annexure C, this new system is based on a coordinated supply chain management approach, connecting the region’s water supplies, catchments and storages. It replaces the past practice of individual entities within the same region operating in isolation of each other, and thus provides holistic management of the supply. Each of the Grid Service Providers and Grid Customers has a contract with the Water Grid Manager that is approved by the relevant Minister.
11. The Water Grid Manager was established to operate the Water Grid. The functions of the Water Grid Manager are to purchase water services and sell water, and other activities that would complement or facilitate those functions, to the extent that these are consistent with its operating and strategic plans¹.

¹ See section 10 of the *South East Queensland Water (Restructuring) Act 2007*.

12. The Water Grid Manager does not own infrastructure assets but holds the water entitlements for SEQ. It is able to make strategic decisions based on coordinating the production and transportation of water to where it is needed most and at the lowest possible cost while maintaining water quality and system reliability, rather than based on an ownership interest in infrastructure assets.
13. The use of an overarching manager, in this case the Water Grid Manager, removes any vested interest(s) in terms of ownership of assets or linkages to specific geographic locations.

C. Current statutory and regulatory framework for the Water Grid

14. The SEQ Water Grid is governed by three main pieces of legislation and a variety of statutory instruments and regulatory documents. These include:
 - a. the *South East Queensland Water (Restructuring) Act 2007* (Qld) (already noted);
 - b. the *Water Act 2000* (Qld) – as amended following the enactment of the above;
 - c. the *Water Supply (Safety and Reliability) Act 2008* (Qld);
 - d. the Market Rules (a statutory instrument made under the *Water Act*);
 - e. the System Operating Plan (a regulatory document);
 - f. the Water Resource Plans, Resource Operations Plans and various operating protocols and documents; and
 - g. Grid Contracts.
15. The *South East Queensland Water (Restructuring) Act* was the Act which established the Water Grid Manager and the Grid Service Providers (Seqwater, WaterSecure and LinkWater). Its purpose was to enable improved regional co-ordination and management of the water supply in SEQ.

16. The *Water Act* (as amended) empowers the Minister to make Market Rules governing the conduct of participants in the Water Grid and to approve contracts between Grid Participants. It also established the process for the transfer of SEQ water entitlements to the Water Grid Manager.
17. The *Water Supply (Safety and Reliability) Act* is directed to the safety and reliability of water supply. It sets out a regulatory framework for matters including the provision of water and deals with a number of other topics including the regulation of referable dams and flood mitigation responsibilities. Chapter 4, Part 2 deals with responsibilities for flood mitigation and provides that the owners of dams must prepare a flood mitigation manual to be approved by the relevant minister and must operate the relevant dam in accordance with that manual.
18. The Market Rules are a statutory instrument made by the responsible minister and administered by the Queensland Water Commission as Rules Administrator pursuant to the *Water Act*. The Rules set out the rights and obligations of the Water Grid Manager and the Grid Participants and provide the framework within which:
 - a. Grid Service Providers supply declared services to the Water Grid Manager; and,
 - b. Grid Customers purchase water from the Water Grid Manager.

The Market Rules also provide a statutory regime for numerous matters which include Grid Instructions, Operating Protocols, Risk Management, Emergency Response and Quality Management.

19. The System Operating Plan is made in accordance with Chapter 2, Part 4 of the *South East Queensland Water (Restructuring) Act*. It deals with the use of the available water supply sources and is the high-level instrument which governs the operation of the Water Grid.

D. The SEQ Water Grid Manager

20. The Water Grid Manager is a statutory body established under the *South East Queensland Water (Restructuring) Act*². It is not a body corporate³ but has all the powers of an individual⁴, insofar as its powers are expressly granted in an Act⁵.
21. The core responsibility of the Water Grid Manager is to manage the strategic operation of the SEQ Water Grid in the most efficient and effective manner, consistent with the System Operating Plan, the Market Rules and associated legislative and regulatory requirements. Its primary accountabilities under legislation are:
- a. purchasing water services and selling water (*South East Queensland Water (Restructuring) Act*);
 - b. ensuring that all reasonable actions are taken to achieve the outcomes required of it under the System Operating Plan (*Water Act*);
 - c. ensuring financial and corporate governance compliance applicable to statutory bodies (*Financial Accountability Act 2009*, *State Water Authorities Governance Framework 2008* and *Statutory Bodies Financial Arrangements Act 1982*);
 - d. complying with the Market Rules (*Water Act*); and
 - e. complying with, administering and enforcing the Grid Contracts (Market Rules).
22. To that end it directs the Water Grid's operations by:
- a. issuing Grid Instructions to the Grid Service Providers;
 - b. ensuring water supply meets contract specifications; and

² And particularly section 6(1)(d) and section 10 of that Act.

³ See section 6 of the Act.

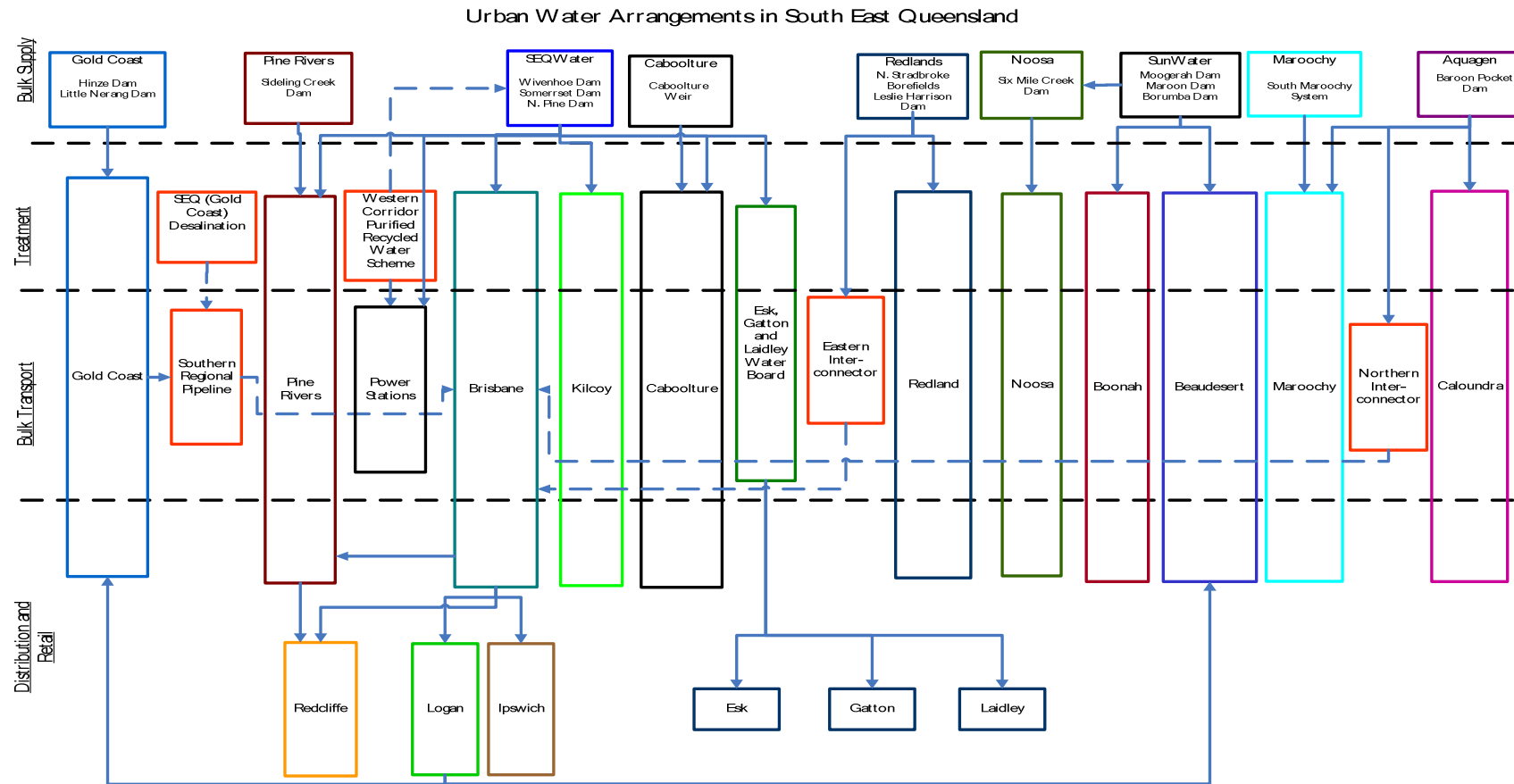
⁴ See section 7(1) of the Act.

⁵ See sections 7(2) and (3) of the Act.

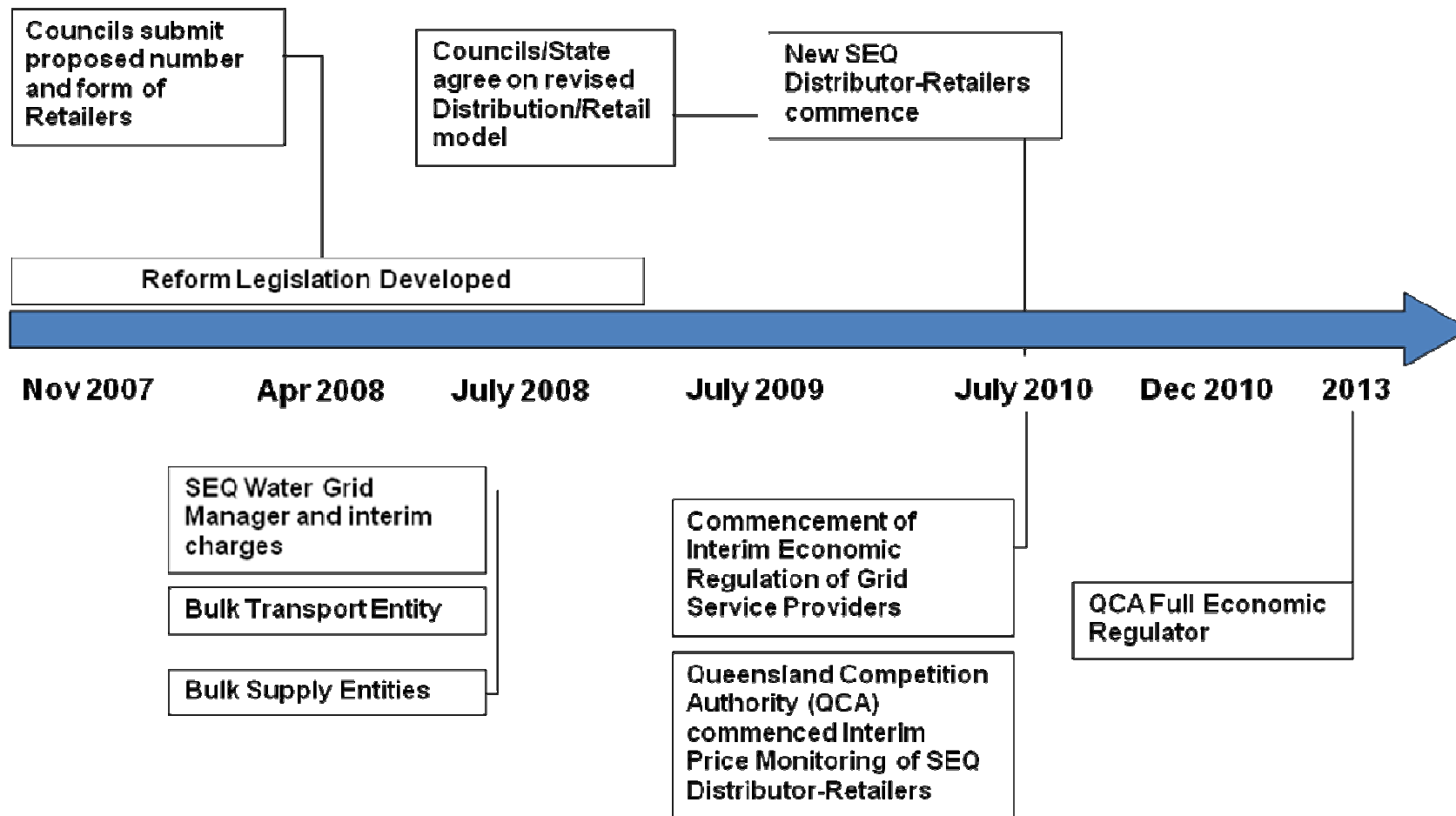
- c. preparing whole-of-Grid plans as required by the Market Rules.
23. This helps ensure an integrated service delivery across a supply chain.
24. The Water Grid Manager has a number of customers and stakeholders (both government and private) with whom it regularly contracts and works to deliver its strategic objectives.
25. Seqwater, WaterSecure and LinkWater – the Water Grid Manager’s Grid Service Providers, are specialist asset-owning entities. This disaggregated supply chain encourages greater transparency in product specifications and monitoring of product performance, aimed at delivering higher levels of customer service and confidence. It also means service delivery risks are allocated across the SEQ Water Grid to where those risks can best be managed and allows each specialist entity to be accountable in operating its specific part of the SEQ Water Grid supply chain.
26. The Water Grid Manager assists in the facilitation of a ‘whole-of-grid’ approach by managing communications between Grid Participants and the public, media and the Queensland Government⁶. It relies on information from Grid Participants in this regard and reports to the Parliament through two responsible Ministers, currently:
- a. the Minister for Finance and the Arts; and
 - b. the Minister for Energy and Water Utilities.
27. The Water Grid Manager intends to make further written submissions as to the other matters raised by the Commission’s terms of reference by the 4 April 2011 deadline. It will assist the Commission in any other way it can (including the provision of further written submissions as to specific issues, if so requested).

⁶ As a result of a Ministerial directive (in a letter dated 22 April 2010) to facilitate communications relevant to the Water Grid in an integrated model.

Annexure A - Industry structure: pre-reform



Annexure B - Reform timeline



Annexure C – Post-reform

