



# ICRC

independent competition and regulatory commission

Proposed Price Direction  
**Regulated Water and  
Sewerage Services**

Report 2 of 2013

February 2013



The Independent Competition and Regulatory Commission (the Commission) was established by the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act) to determine prices for regulated industries, advise government about industry matters, advise on access to infrastructure, and determine access disputes. The Commission also has responsibilities under the ICRC Act for determining competitive neutrality complaints and providing advice about other government-regulated activities. Under the *Utilities Act 2000*, the Commission has responsibility for licensing utility services and ensuring compliance with licence conditions.

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# Part A

## 1 Preliminary

### 1.1 Proposed Price Direction

The proposed Price Direction is provided in accordance with section 18(5)(a) of the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act). The Draft Report into Regulated Water and Sewerage Services (ICRC Report 1 2013) forms the basis for the Commission's decisions as outlined in this proposed Price Direction. In the event of any inconsistency between the Draft Report into Regulated Water and Sewerage Services and the proposed Price Direction, the proposed Price Direction prevails.

The final Price Direction establishes a maximum price for water, sewerage and miscellaneous services provided by ACTEW in the ACT (see regulated services in clauses 2.1-2.3) for the regulatory period stipulated below.

The proposed Price Direction is: Parts A-D; the clauses and sub-clauses in those Parts; and the tables in those Parts.

The Parts are set out as follows:

- Part A – Preliminary
- Part B – Regulated services and prices
- Part C – Regulatory model
- Part D – Legislative provisions

Part A sets out the preliminary information to the proposed Price Direction.

Part B sets out the regulated services and associated price controls. This Part outlines the prices for ACTEW's water and sewerage services for the first two years of the regulatory period.

Part C sets out the regulatory model that will establish the prices for ACTEW's water and sewerage services for the two subsequent biennial periods in the six year regulatory period.

Part D sets out a number of specific legislative provisions (or actions under certain provisions) that the Commission must, or has chosen to outline, in the proposed Price Direction.

## 1.2 The regulatory period

The Price Direction determines, within the meaning of the ICRC Act, maximum prices for the period 1 July 2013 to 30 June 2019.

## 1.3 Notes

### *Monetary values*

All monetary values in the proposed Price Direction are measured in Australian dollars.

### *Business days*

Means all days other than Saturday, Sunday and public holidays.

Dates outlined in the Price Direction that require a specified action (for example ACTEW providing information to the Commission on 30 November) that fall on a non-business day, will be deemed to fall on the first business day subsequent to the non-business day.

## Part B

# 2 Regulated services and prices

## 2.1 Regulated services

The following services are regulated by the Commission. The prices for these services will be subject to the formulae and other arrangements set out below:

- (a) the provision of water services by ACTEW (including the availability of supply) to residential, commercial, and industrial premises (see clauses 2.2.1, 3 and 4 (including the sub-clauses to the aforementioned));
- (b) the provision of sewerage services by ACTEW (including the availability of supply) to domestic, commercial, and industrial premises (see clauses 2.2.2, 3, and 4 (including the sub-clauses to the aforementioned)); and,
- (c) miscellaneous services provided by ACTEW (see clause 2.3 and sub-clauses):
  - (i) special meter readings
  - (ii) testing of water meters
  - (iii) the provision of rate certificates
  - (iv) tapping into water mains
  - (v) installation of fire hydrants
  - (vi) disconnection
  - (vii) installation and removal of stop valve locking cover
  - (viii) meter relocation.

## 2.2 Service prices

In accordance with section 20A of the ICRC Act, the Commission determines the maximum price for the regulated services outlined in clauses 2.2.1 and 2.2.2.

### 2.2.1 Water services

The maximum price that may be charged for water in 2013-14 and 2014-15 is shown in Table 2.1 below.

Table 2.1 Commission's draft decision on water tariffs, 2013–14 to 2014–15 (\$ current prices)

	2013–14	2014–15 increase by
Fixed (\$/a)	100.00	CPI
Tier 1 (0-200 kL/a) \$/kL	2.02	CPI
Tier 2 (200 kL/a+) \$/kL	4.04	CPI

Where:

$$CPI = \frac{CPI_{June(t-2)} + CPI_{Sept(t-1)} + CPI_{Dec(t-1)} + CPI_{March(t)}}{CPI_{June(t-3)} + CPI_{Sept(t-2)} + CPI_{Dec(t-2)} + CPI_{March(t-1)}} - 1$$

where t means the year 2014 and CPI means the consumer price index, All Groups Index number for the weighted average of eight capital cities as published by the Australian Bureau of Statistics; if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI will mean an index determined by the Commission that is its best estimate of the index.

## 2.2.2 Sewerage services

The maximum price to be charged for sewerage services in 2013–14 is shown in Table 2.2 below.

Table 2.2 Commission's draft decision on sewerage tariffs, 2013–14 to 2015–16 (\$ current prices)

	2013–14	2014–15 increase by
Supply charge (\$/a)	456.24	CPI
Fixture charge non-residential customers (\$/a)	446.20	CPI

Note: Where CPI is defined in clause 2.2.1

## 2.3 Miscellaneous services

The price to be charged for each miscellaneous service in each year of the regulatory period, including 2013–14, is to be calculated in the following manner:

$$p_t = p_{t-1} \times (1 + CPI)$$

where:

$p_t$  is the price to be charged for the relevant service in the next regulatory year

$p_{t-1}$  is the price charged for the relevant service in the current year

*CPI* is as defined in 2.2.1.

Prices should be rounded to the nearest dollar GST inclusive.

### **2.3.1 New miscellaneous services**

Should ACTEW wish to introduce a new miscellaneous service during the regulatory period, ACTEW must make an application to the Commission and provide the following information:

- a description of the new miscellaneous service;
- the reasons for the introduction of the new miscellaneous service;
- the terms and conditions which will apply to the provision of the new miscellaneous service;
- the direct efficient costs of providing the new miscellaneous service;
- a forecast of the annual volume of sales of the new miscellaneous service; and,
- the proposed price for the new miscellaneous service for the first year it is in place.

The Commission will consider any submission from ACTEW and have regard to:

- whether the expenditure and/or revenue associated with the miscellaneous service have already been taken into account in specifying the prices to apply under this determination;
- whether the proposed price provides for a sustainable revenue stream that does not reflect inefficient expenditure and reflects the costs of providing the miscellaneous service; and,
- any other relevant matter.

The Commission may request that ACTEW:

- provide any additional information specified by the Commission; and/or,
- resubmit any price proposed by ACTEW for a new miscellaneous service.

The Commission will notify ACTEW of its decision whether or not to approve the proposed price submitted for the new miscellaneous service, together with the details of the timing of the introduction of the price for the new miscellaneous service and any terms and conditions which will apply to its introduction or provision.

The Commission will provide ACTEW with this notification within ten business days of ACTEW's submission, or later if any additional information is provided by ACTEW. In the event that no additional information is sought from ACTEW, if the Commission does not formally advise ACTEW of its decision within ten business

days, ACTEW's proposal will be deemed to be approved and ACTEW may commence charging for the new miscellaneous service as per its proposal.

### **2.3.2 Removing a miscellaneous service**

Should ACTEW wish to remove a miscellaneous service, ACTEW must provide to the Commission:

- a description of the miscellaneous service to be removed;
- reasons for the removal of the miscellaneous service; and,
- the proposed date of the removal of the miscellaneous service.

The Commission will notify ACTEW of its decision whether or not to approve the removal of the miscellaneous service. The Commission will provide ACTEW with this notification within ten business days of ACTEW's submission, or later if any additional information is provided by ACTEW. In the event that no additional information is sought from ACTEW, if the Commission does not formally advise ACTEW of its decision within ten business days, ACTEW's proposal will be deemed to be implicitly approved and ACTEW may remove the new miscellaneous service as per its proposal.

## Part C

### 3 Pass-through events

#### 3.1 Events

ACTEW may apply to the Commission to have the following pass-through events included in the appropriate price.

A pass-through event is one of the following:

- (a) a change in the Water Abstraction Charge (WAC) (clause 3.2)
- (b) a change in the Utilities Network Facilities Tax (UNFT) (clause 3.3)
- (c) a change in the Commonwealth subvention payment (clause 3.4)

##### 3.1.1 Commission may deny a pass-through event

The Commission may deny a pass-through event. The Commission will provide a statement of reasons if a pass-through event outlined in clause 3.1 has been denied under this clause.

##### 3.1.2 Pass-through may result in a positive or negative impact on the price

To avoid all doubt, a pass-through may have a positive or negative impact on the price.

#### 3.2 Pass-through: Change in the Water Abstraction Charge

ACTEW may, in accordance with clause 3.1, seek to have a change in the WAC included in the price.

A change in the WAC occurs where for a particular year the charge which ACTEW pays, differs from that paid in the previous year.

#### 3.3 Pass-through: Change in the Utilities Network Facilities Tax

ACTEW may, in accordance with clause 3.1, seek to have a change in the UNFT included in the price.

A change in the UNFT occurs where for a particular year the tax paid by ACTEW differs from that paid in the previous year.

### 3.4 Pass-through: Change in the Commonwealth Subvention Payment

ACTEW may, in accordance with clause 3.1, seek to have a change in the Commonwealth subvention payment included in the price.

A change in the subvention payment occurs where for a particular year the subvention payment from the Commonwealth Government differs from the amount incorporated in this Price Direction.

Table 3.1 Subvention payments

Year t	\$'000 (current prices)
2013–14	10,587
2014–15	10,587
2015–16	10,587
2016–17	10,587
2017–18	10,587
2018–19	10,587

Source: ACTEW information request

No subvention event will be deemed to have occurred in the event that ACTEW receives a payment from the Commonwealth Government or ACT Government that explicitly or implicitly replaces the subvention payment, except to the extent that the amount differs by more than \$1 million (in 2012–13 price terms) from the amount incorporated in this Price Direction.

### 3.5 Commission may initiate a pass-through

If a pass-through event, as outlined in clause 3.1, occurs and ACTEW does not propose the inclusion of the event in the price under clause 3.1, the Commission may decide on a pass-through amount which will be included in the appropriate price. The amount may be a negative or positive figure.

Under this clause, the Commission will make the decision in relation to whether a pass-through event has occurred.

In doing so, the Commission:

- (a) may seek information from ACTEW in relation to the pass-through event and the pass-through amount; and,



- (b) must notify ACTEW in writing of the pass-through amount and the reason for the Commission’s decision.

## 4 Regulatory model

### 4.1 The adjustment process

The Commission will make two biennial adjustments to the maximum price within the regulatory period.

The price resulting from the biennial adjustment will take effect in accordance with the following table:

Table 4.1 Biennial adjustments

	Assessment process	Period price is set	Length
Price Direction (current) <sup>1</sup>	-	1 July 2013-30 June 2015	2 years
Biennial adjustment	1 November 2014–11 June 2015	1 July 2015-30 June 2017	2 years
Biennial adjustment	1 November 2016–9 June 2017	1 July 2017-30 June 2019	2 years

Notes: <sup>1</sup> Price Direction is not a biennial adjustment, however it is put in for illustrative purposes to outline the three two-year periods of the 2013-2019 regulatory period.

#### 4.1.1 Timeline

Table 4.2 Regulatory model

Event	Clause/s	2015–16 to 2016–17 period	2017–18 to 2018–19 period
Commission provide ACTEW with information request template	4.2 & 4.2.1	1 November 2014	1 November 2016
ACTEW provide completed information request to the Commission	4.3 & 4.3.1	30 November 2014	30 November 2016
Commission places all information received from ACTEW on the Commission’s website for public perusal	4.4	7 December 2014	7 December 2016
Receive submissions from interested parties	4.5	15 February 2015	15 February 2017
Price update issued	4.6	11 June 2015	9 June 2017
Price takes effect		1 July 2015	1 July 2017

The Commission may adjust the dates set out in the timeline in Table 4.2 if it believes the adjustment of the date/s is in the interests of facilitating the process.

## 4.2 Information request

The Commission will provide ACTEW with an information request template on the date outlined above in Table 4.2.

The Commission will determine the form/s on which the completed information request is to be returned to the Commission by ACTEW.

ACTEW will provide information relating to its capital expenditure, operating expenditure, customer numbers and volumes for the actual/historical, estimated and forecast periods set out in Table 4.3.

The information categories mentioned in the above paragraph are general categories, therefore the Commission may be more specific about the information required within these categories when sending the information request to ACTEW.

The ACTEW board to provide the Commission with a statement endorsing the account provided by ACTEW for any changes to ACTEW's operating environment and the extent to which this has necessitated changes to operating and capital expenditure plans and forecasts.

Table 4.3 Information time periods

Relevant biennial period	Actual/historical	Estimated	Forecast
2015-16 to 2016-17	2012-13 to 2013-14	2014-15	2015-16 to 2020-21
2017-18 to 208-19	2014-15 to 2015-16	2016-17	2017-18 to 2022-23

### 4.2.1 Further information

The Commission may request further information from ACTEW other than that mentioned in clause 4.2.

## 4.3 Completed information request

ACTEW must provide the completed information request to the Commission on or before the date set out in Table 4.2 in the relevant biennial adjustment process.

The completed information request will be in the form/s outlined in the information request provided by the Commission under clause 4.2.

### 4.3.1 Completed information request does not comply

If the completed relevant information request does not comply, the Commission will notify ACTEW that the information is non-compliant.

The Commission at its discretion may seek additional information relevant to the biennial adjustment from ACTEW. Where the Commission seeks additional information from ACTEW, ACTEW must submit the additional information to the Commission by a date specified by the Commission. Failure to submit information by ACTEW constitutes non-compliance with this clause and this Price Direction.

#### **4.4 Information will be placed on the public record**

The Commission will place ACTEW’s completed information request on the Commission’s website for public perusal.

The information will be placed on the website on the date outlined in Table 4.2, or within seven days of when the information is received if the receipt date is later than the date in Table 4.2.

#### **4.5 Submission from interested parties**

The Commission will consider written submissions that are received by the date set out in Table 4.2. The Commission will only consider submissions that are received by that date.

#### **4.6 Report**

The Commission will release its report, providing the price ascertained, on the date set out in Table 4.2.



## Part D

### 5 Legislative provisions

Nothing in Part D limits the provisions of the ICRC Act.

#### 5.1 Price Direction variation trigger events

Pursuant to section 20A(3)(c) and 24F(2) of the ICRC Act, the following events are price variation trigger events, the triggering of which allows the Commission to initiate a reference for the variation of the Price Direction:

- (a) Act of terrorism;
- (b) Major natural disaster;
- (c) Major damage to ACTEW's infrastructure; or,
- (d) An unforeseen or *force majeure* event that severely restrict ACTEW's ability to provide services.

#### 5.2 Reset principles

Pursuant to section 20B of the ICRC Act, the future reset principle is:

The Commission will seek a reference from the relevant Minister regarding services covered by this Price Direction 18 months prior to the expiry of the regulatory period as set in clause 1.2 of this Price Direction.



## Abbreviations and acronyms

Commission	Independent Competition and Regulatory Commission (ACT)
ICRC	Independent Competition and Regulatory Commission (ACT)
ICRC Act	<i>Independent Competition and Regulatory Commission Act 1997</i> (ACT)
Utilities Act	<i>Utilities Act 2000</i> (ACT)
UNFT	Utilities Network Facilities Tax
WAC	Water Abstraction Charge