

2023–28
WATER AND WASTEWATER
**PRICE PROPOSAL
OVERVIEW**



Acknowledgement of Country

Icon Water acknowledges the traditional custodians of the Canberra region, the Ngunnawal people and pay our respect to their Elders – past, present and emerging. We recognise and value their continuing culture and the contribution they make to the life of the city and the region. We also acknowledge the First Peoples of the broader region in which we live and work.

CONTENTS

A message from our Board	2	What our proposal provides	26
		How prices are set	27
Our price proposal, on a page	3	Governance arrangements and expenditure planning processes	28
Introduction	4	Operating expenditure	29
Background to our price proposal	5	Capital expenditure	30
Guide to our price proposal	6	Our required revenue	33
About us	7	The demand for our services	34
Our context and key challenges	12	Our tariffs and proposed prices	35
Our wastewater treatment processes and investments	14	Impact of our proposal on typical prices	38
Our community has helped shape our plans	16	How we support customers	40
What we have heard	19	Where to from here	40
The key actions we will take	21		
Performance measures to track our progress	24		

A MESSAGE FROM OUR BOARD

We are pleased to present our five-year water and wastewater price proposal for the 2023–28 regulatory period to the Australian Capital Territory (ACT) community. The ACT's economic regulator, the Independent Competition and Regulatory Commission (the Commission), will review and consult on our proposal before setting water and wastewater prices to apply from 1 July 2023.

Our vision – *to be a valued partner in our community* – can be best achieved when we understand and respond to our community's values and expectations for water and wastewater services in the ACT. We aim to have a continuous dialogue with our customers and for these meaningful conversations to translate into tangible good for the community. Over the past 18 months we have built on our past research to create deeper connections with our customers, stakeholders and the ACT community as part of our *Let's Talk Water and Wastewater* engagement program where we engaged with more than 17,500 Canberrans.

Through these activities we explored a wide range of topics including priorities for water security, service standards and customer experience, affordability and tariffs. What we heard from the ACT community on these topics has shaped our price proposal for the 2023–28 regulatory period. We wish to extend our sincere appreciation to those who participated in our engagement program, and we look forward to continued engagement with the community on both this price proposal and other upcoming initiatives.

Our price proposal has been developed to deliver on the services our customers value most: reliable water and wastewater services; quality drinking water; affordable pricing; and responsive customer service. At the same time, our proposal responds to the major factors influencing our operating environment. Icon Water faces a future where we must work proactively to make plans for our ageing infrastructure, the challenges of climate change, a growing ACT population, and changing government policy. We share the community's concerns about affordability and the pressure on prices being observed across the economy.

To deliver safe drinking water and reliable wastewater services to a population of over 430,000 people across Canberra and the region, we operate and maintain a multi-billion dollar network of water and wastewater assets. For us to continue to serve the ACT community for decades to come, it is important we continue our focus on ensuring long-term water security, protecting our waterways through effective wastewater treatment and taking care of our major assets. We need to make responsible investments

so future generations are not left to pay – either through high bills, environmental damage or poor quality and unreliable services. We are proposing a sensible, rigorously assessed investment program for the five-year period that focusses on renewing and upgrading critical infrastructure. At the same time, our proposal has been informed by community expectations and reflects our commitment to maintain affordability for our customers over the long-term, protect our environment, and be a valued and visible community partner.

We are confident our price proposal, summarised in this overview document, enables us to continue to provide, safe, reliable, and value-for-money services to the ACT community into the future.

We believe our proposed prices reflect the objectives of the *Independent Competition and Regulatory Commission Act 1997* (ACT). We look forward to working with the Commission on its review and encourage our customers and other stakeholders to participate in the Commission's consultation process.

OUR PRICE PROPOSAL, ON A PAGE

Our operating environment is being shaped by...

Ageing infrastructure

Climate change

Growing population

Government policy

Our customers...

...value

1. Reliable water and wastewater services
2. Quality drinking water
3. Affordable pricing
4. Responsive customer service

...and expect that

The community agrees with the need to continue to plan for the future, this includes investing in water security and exploring alternative water sources.

There is community support for achieving greater environmental sustainability and accelerating net zero while limiting impact on customer prices.

The community is committed to Icon Water maintaining quality and reliable core services and is willing to pay something towards reducing interruptions or issues for those who experience them more than usual.

Affordability should underpin any investment decision. If we need to invest to avoid causing issues in the future, we will consider support for vulnerable customers and other impacted customer segments.

The community considers Icon Water an essential service provider. To be a valued partner in the community customers want us to be more visible – this means being targeted in our partnering initiatives, education and supporting activities, and proactively talking about it with the community.

Our priorities for 2023–28...



Prepare and plan for the future

- Investigate alternative and diverse water supply options for drought resilience, and engage with customers
- Major upgrading of sewage treatment plant facilities, to support a total population over 600,000



Care for and protect the environment

- Continue our pathway towards achieving net zero emissions by 2045
- Engage in resource recovery and circular economy initiatives



Affordability for all

- Continue to review and explore impact of tariffs and rebates
- Maintain rebates and hardship program
- Engage with customers and representative bodies to improve support for vulnerable customers



Valued and visible community partner

- Review and optimise our approach to community support program and research and development programs
- Deliver water and wastewater literacy programs to the community
- Continue to partner with the community, affiliated industry and key stakeholders



Maintain core service levels

Safe and healthy drinking water

- Assess and prepare for water treatment upgrades in response to changes to source water quality and climate change
- Continue to conduct independent extensive water quality program

Reliable water and wastewater services

- Continue to undertake targeted renewal programs where more frequent interruptions are observed
- Continue to undertake planned maintenance at water and wastewater treatment plants

Responsive to faults

- Increase our focus and investment in notification to customers on status of faults and rectification and response times
- Continue to maintain a 24/7 fault and emergency telephone line
- Engage with customers on prioritisation and appropriate targets for response

Contemporary and responsive customer service

- Increase our focus on liquid trade waste and continue to enhance the developer journey
- Continuous improvement and update to website and application tools



In 2023–28 the combined water and wastewater bill for a typical residential customer consuming 200kL per year will grow by around 4.5 per cent each year



INTRODUCTION



BACKGROUND TO OUR PRICE PROPOSAL

As a monopoly provider of water and wastewater services, our maximum prices are set by an independent regulator to ensure they are no higher than needed to deliver safe, reliable services at efficient cost. This independent regulator is the Independent Competition and Regulatory Commission (the Commission).

The Commission last reviewed our prices in 2018. The decision they made in 2018 expires on 30 June 2023. On 9 December 2021, the ACT Treasurer issued a terms of reference requiring the Commission to review and determine the prices we will charge our customers from 1 July 2023 to 30 June 2028.¹

The Commission's objective when conducting the review is to promote the efficient investment in, and efficient operation and use of, water and wastewater services for the long-term interests of consumers in relation to the price, quality, safety, reliability and security of the service.

The Commission will review Icon Water's price proposal and may accept or amend the proposal to further this objective.

In the lead up to this review, the Commission has already provided direction on some aspects of how Icon Water's prices will be set, including:

- the Commission has decided to leave largely unchanged their approach to calculating the rate of return Icon Water receives on past capital expenditure – which is important to ensure capital investment decisions are prudent and efficient.
- the Commission has decided to maintain current approaches to regulatory 'incentive mechanisms' – that is, the arrangements for changing prices when water sales, costs and service quality are different from those expected. This means that Icon Water continues to operate under a regulatory framework that incentivises efficient expenditure and maintaining our service standards.
- the Commission has decided to mostly maintain the existing methodologies for forecasting the amount of water used in the ACT, while updating for the latest available data.

Icon Water's price proposal is consistent with these decisions. Our proposal has considered the long-term interests of our customers and our detailed rationale has been provided in the submission.

You told us that you value responsive customer service. Nine-in-ten customers want to be able to log an emergency via direct 'hotline'. Speaking to someone knowledgeable is important.

If you experience a fault, you can call us on 6248 3111 anytime of the day or night to speak to one of our knowledgeable and local customer service representatives.

¹ ACT Government (Regulated Water and Sewerage Services) Terms of Reference Determination 2021, 9 December 2021.

GUIDE TO OUR PRICE PROPOSAL

Our 2023–28 price proposal comprises an overview document (this document) and 13 detailed attachments covering the various elements that make up our regulatory price proposal.

Our proposal sets out our plan for the 2023–28 regulatory period including our customer service levels, upcoming expenditure and investments and proposed customer prices. The proposal will be assessed by the Commission, which will later publish a determination on the prices Icon Water can charge for water and wastewater services over the 2023–28 regulatory period.

This proposal is published and accessible to the ACT community. The community will have the opportunity to provide feedback during the Commission's review of Icon Water's proposal. For more information on the review, please visit the Commission's website: icrc.act.gov.au.

Overview of our price proposal

This document provides a concise and accessible summary of our entire 2023–28 price proposal.

Our pricing website

A user-friendly and customer-focused [website](http://iconwater.com.au/priceproposal) (iconwater.com.au/priceproposal) provides an interactive way for our customers to explore our proposal.

The website also provides links to this overview and the attachments.

Detailed attachments

More detailed information on key elements of Icon Water's proposal is set out in 13 attachments, and three models.

The attachments provide the information required to enable full scrutiny by the Commission to determine prices for the 2023–28 regulatory period.

The attachments include:

1. Our role, operations and business context
2. Customer and community engagement
3. Service standards
4. Regulatory controls
5. Asset management governance
6. Operating expenditure
7. Capital expenditure
8. Regulatory asset base and corporate income tax
9. Rate of return and forecast inflation
10. Revenue requirement
11. Demand
12. Tariff structure and proposed prices
13. Consistency with regulatory objectives

The supporting models include:

1. Revenue model
2. Operating expenditure model
3. Demand forecasting model

Timeline





ABOUT US

As the ACT's supplier of essential water and wastewater services, we are committed to providing a safe, secure and sustainable water supply for the people of the ACT and the region.

We have been part of the Canberra community for over 100 years; sourcing, treating and supplying water and managing wastewater services. We play a fundamental role in the community – providing essential services that contribute to public health and the prosperity and liveability of the region.

The current value of our assets is around \$2.7 billion and include the territory's network of dams, water treatment plants, wastewater treatment plants, reservoirs, water and sewage pumping stations, pipes and other related infrastructure.

A major part of our role is protecting the environment. We operate one of Australia's largest inland wastewater treatment plants, returning around 70 per cent of the water Canberra uses as high quality flows to the Murrumbidgee River at a standard suitable for beneficial reuse downstream. Our reliability, expertise and community focus mean we are perfectly placed to provide these essential services.

As a Territory-owned corporation we have four obligations under the **Territory-owned Corporations Act 1990**.

1. To operate at least as efficiently as any comparable business.
2. To maximise the sustainable return to the Territory on its investment in Icon Water and ActewAGL, in accordance with the performance targets in the Statement of Corporate Intent.
3. To show a sense of social responsibility by having regard to the interests of the community in which we operate, and by trying to accommodate and encourage those interests.
4. Where our activities affect the environment, to effectively integrate environmental and economic considerations in decision-making processes.

Our essential services support the wellbeing of the Canberra community, particularly in relation to the ACT Wellbeing Framework domains of health, environment and climate, and economy.

For more information about Icon Water and our context, see [Attachment 1: Our role, operations and business context](#).

OUR BUSINESS STRATEGY

Our purpose

To sustain and enhance quality of life

Our vision

To be a valued partner in our community

Our core values



Safety

Accepting personal responsibility to ensure a safe workplace and contribute to a safe community.



Openness

Building strong relationships by acting with integrity and being receptive to the views of others.



Excellence

Involving the right people at the right time to get a result we can be proud of.

Our strategic objectives and domains

Workplace

Build a culture that values safety, innovation and inclusiveness



- People health and safety

Sustainable value

Deliver sustainable value for our community and shareholders



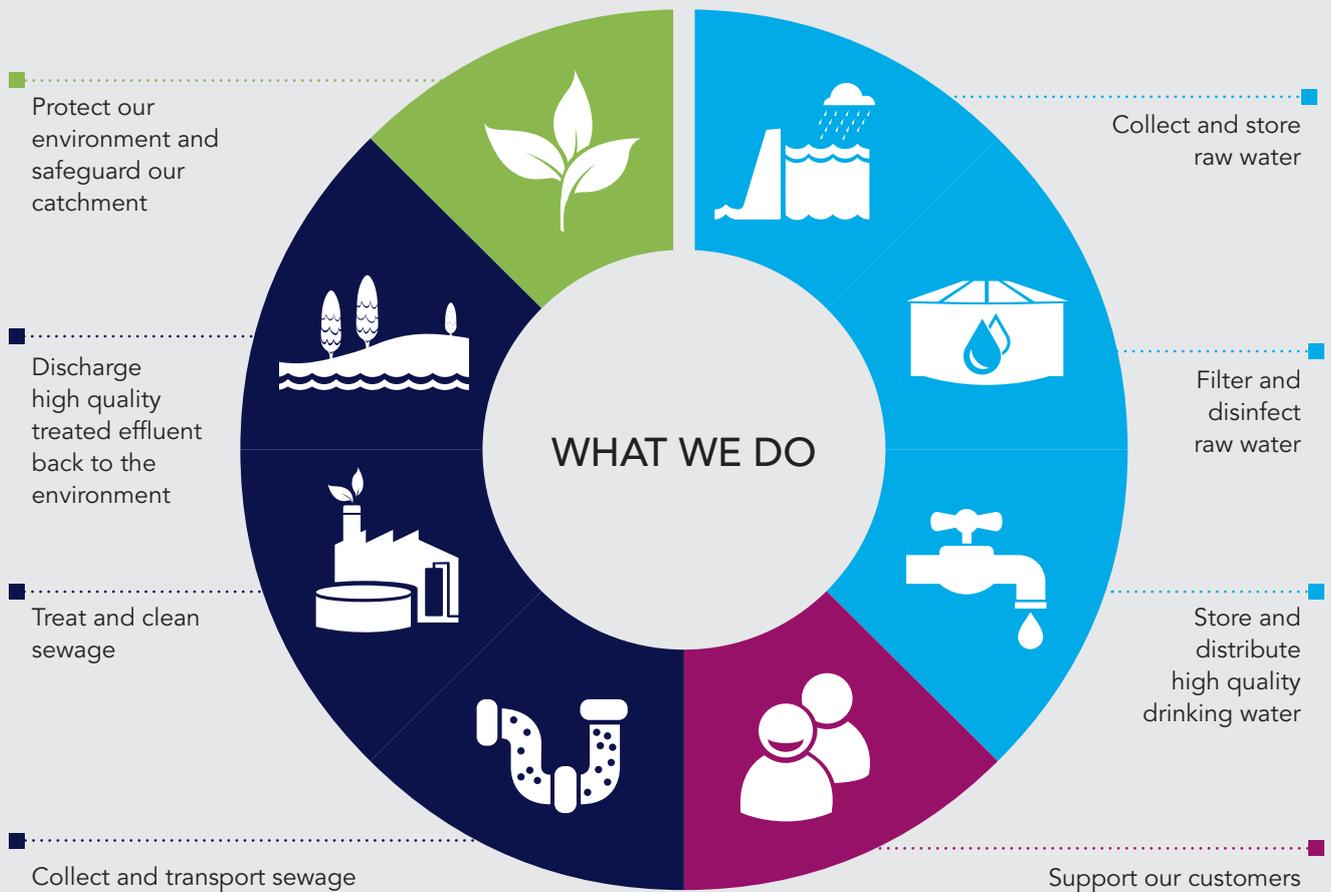
- Asset management
- Operations
- Finance
- Digital
- Sustainability and environment
- Governance

Customer

Enhance customer and community engagement



- Customer and community



OUR CUSTOMERS

431,484

Population reach

181,705

Residential customers

9,879

Non-residential customers

49.3

Gigalitres of water supplied in 2020–21

OUR TEAM

~400

Employees

97%

Employed full-time

21%

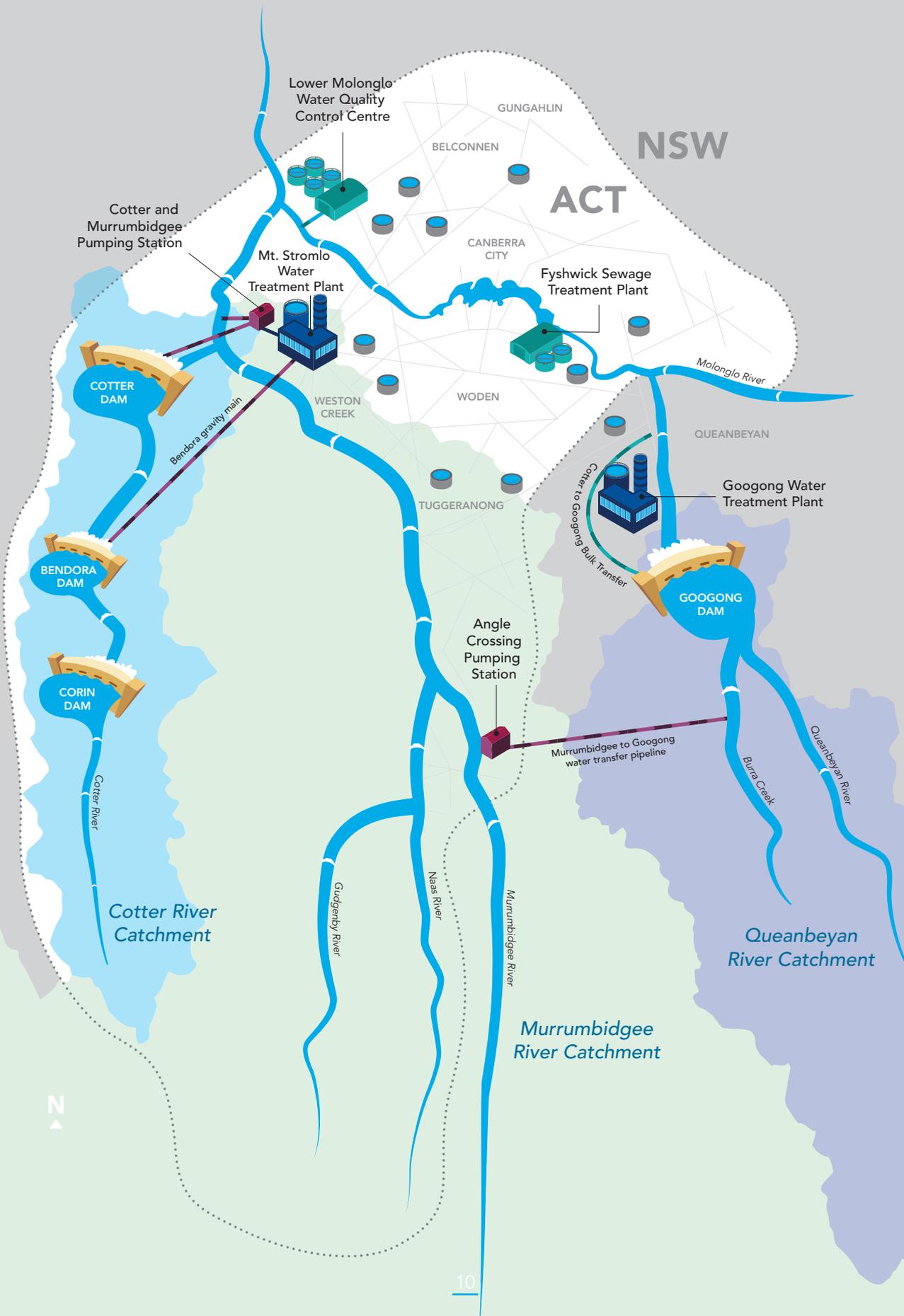
15+ years loyal

44

Average age

OUR NETWORK

(WATER & WASTEWATER)



OUR ASSETS

\$2.7 billion

of water and wastewater related assets



278 GL

Combined dam capacity



3,400km

Network of water pipes



25

Water pumping stations



2

Water treatment plants



50

Reservoirs



3,400km

Network of sewer pipes



27

Sewage pumping stations



4

Sewage treatment plants

OUR CONTEXT AND KEY CHALLENGES

Icon Water is increasingly facing an uncertain operating environment and must make investments to ensure we can continue to maintain affordability and service quality over the longer term. Recent experience has demonstrated the need for Icon Water to be resilient to disruptions caused by events such as the COVID-19 pandemic, drought, bushfires, extended wet weather and storms.

Our operating environment is being shaped by four key themes for the 2023–28 regulatory period.

THEME

1

Ageing infrastructure

A significant proportion of Icon Water's assets were built in the 1960s and 70s, at the same time as some of Canberra's major districts (including Woden Valley, Belconnen, Weston Creek and Tuggeranong). Many of these assets are now reaching the end of their economic and engineering life, including multiple drinking water reservoirs in the ACT. We have been planning for this large scale of asset renewals, and are now implementing those plans. For example, in the 2018–23 regulatory period we commenced rollout of a significant water reservoir renewal program – which will see around half our water reservoir fleet replaced, upgraded or decommissioned over a 20-year period.

The Lower Molonglo Water Quality Control Centre (LMWQCC) was built in the 1970s and major components of the plant are ageing. Planning to replace our furnaces which are reaching the end of their service life is already underway as part of the biosolids renewal project.

THEME

2

Climate change

Climate change in the ACT region is happening now. We're seeing our temperatures warming and changes to our rainfall and runoff patterns impacting availability of water, as well as a rise in extreme fire weather and an extension of the fire season. These changes are expected to continue and worsen, with extreme events such as heat waves and severe storms becoming more frequent. In recent years, the ACT has observed its water storage drop to around 45 per cent of capacity in early 2020, before increasing to 100 per cent in 2021. Not only does this have an impact on the costs required to operate the network, but it also affects how much revenue Icon Water can collect to invest in the network, since water demand is highly influenced by the weather. We recognise the need to take action on climate change and we are committed to achieving net zero emissions by 2045. We recently published our eMission Possible Plan, which maps out our pathway to achieve net zero by 2045.

Icon Water has incorporated climate change projections in our planning since the early 2000s, which has in turn informed key ACT Government strategies including the *Think Water, Act Water* strategy released in 2004 and more recently the *ACT Water Strategy 2014–44*. However, continued investment is required to maintain water security and climate resilience as the territory experiences an increase in climate-related impacts on the network. The Icon Water Climate Change Adaptation Plan identifies priorities to further build our resilience to climate change impacts in the ACT region while minimising disruptions to essential service delivery.

THEME

3

Growing population

By 2042 it is expected that the ACT's population will grow to over 600,000 people, which represents a 33% increase from 2022. Population growth of this magnitude is likely to have a significant impact on demand for ACT water and wastewater services. LMWQCC is approaching maximum capacity particularly during wet weather events, which led to three instances of partially treated effluent being released in 2021. Planning to upgrade the secondary treatment bioreactors is well advanced, and we are on track to commence construction in 2026.

At the same time, Canberra's urban density is increasing. The ACT's 2018 Planning Strategy has marked a shift towards urban intensification, with up to 70 per cent of Canberra's future development to come from infill areas. The ACT's housing mix is also changing, with a greater proportion of new developments being multi-dwelling housing, including apartments and townhouses. This requires Icon Water to find new ways to adapt and manage our infrastructure to support a growing population, while continuing to provide the high-quality water and wastewater services our community expects.

THEME

4

Government policy

As the essential water and wastewater provider in the ACT, Icon Water operates in a highly regulated environment, and is required to meet numerous safety, quality, reliability and governance standards established under ACT and Commonwealth Government legislation. Icon Water's business is also responsive to changes in ACT planning rules, which can affect how customers connect to and use the water and wastewater networks. Our commitments in these areas require us to be proactive and make early, measured investment to ensure we can responsibly meet our obligations.

You want us to continue to plan for the future, this includes water security and exploring alternative water sources.

We expect the future to bring change and challenges: By 2042 it is expected that the ACT's population will grow to over 600,000 people and climate change is increasing weather extremes. We will continue to include the most up to date climate change science and population projections in our long-term planning.

We are working with the ACT Government and large developers to ensure that water and wastewater infrastructure can service new or infilled areas of housing and development. Our wastewater services are nearing capacity and we are exploring how we can best increase this. We are also reviewing our water security to ensure that we can manage through more frequent and extended drought periods.



OUR WASTEWATER TREATMENT PROCESSES AND INVESTMENTS

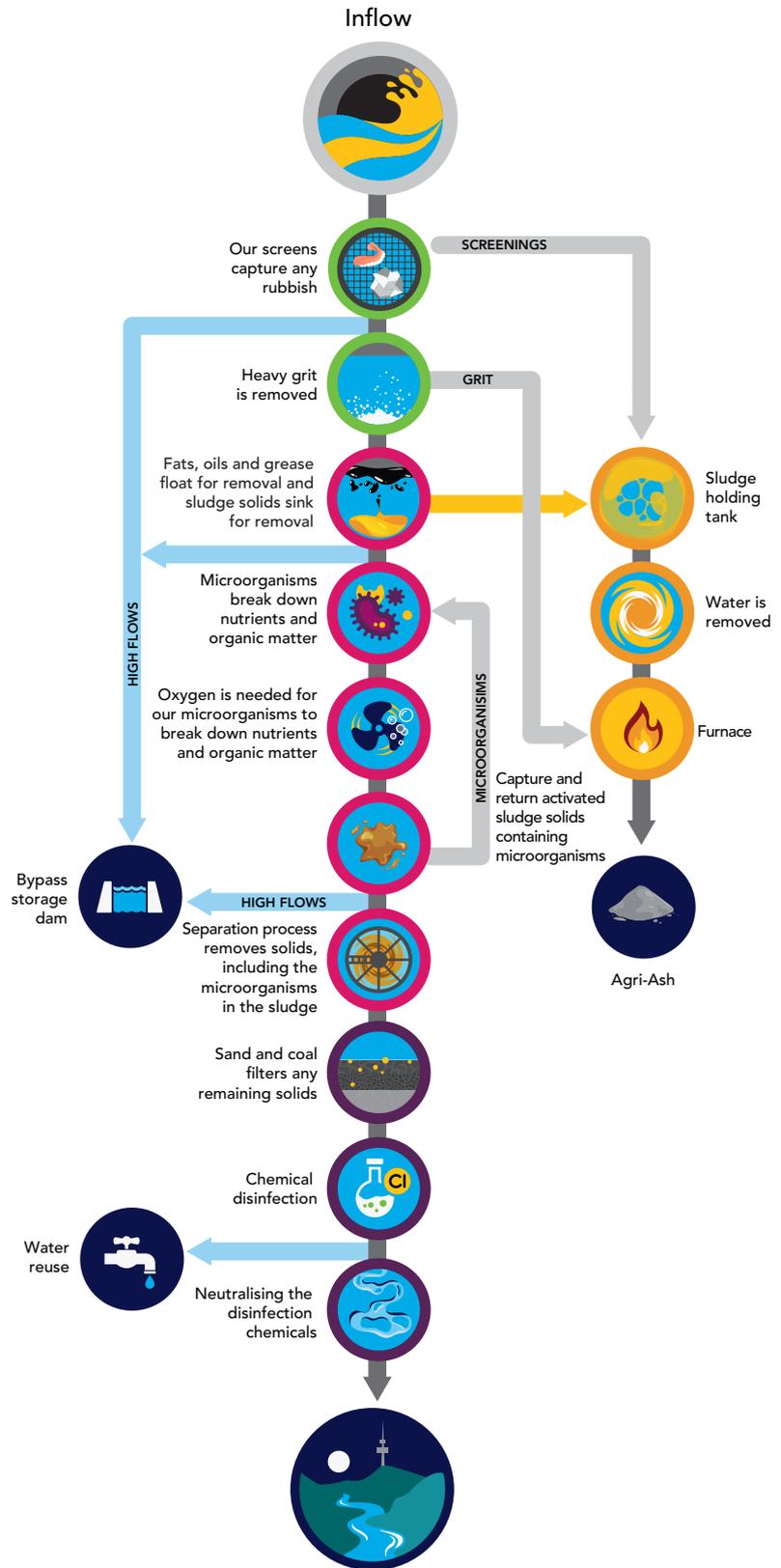
Icon Water owns and operates LMWQCC – the treatment plant that processes most of Canberra’s wastewater and is the largest inland sewage treatment plant in Australia. LMWQCC treats Canberra’s wastewater to a high quality, releasing treated water back to the environment via the Molonglo River. We also beneficially reuse the sewage solids removed from the process, generating a high value soil conditioner known as Agri-Ash.

The LMWQCC plant was built in the 1970s and designed to process wastewater for a Canberra population of around 500,000. Over the last 45 years, we have undertaken a comprehensive program of maintenance and upgrades to maintain a high level of service to the ACT population.

Many of the major components of the plant are ageing, and have reached or will soon reach end of life. This impacts the reliability, efficiency and safety of the plant – and increases the risk that the plant could fail. We’ve been progressively upgrading and renewing the plant for some time. This program of work will continue into the 2023–28 regulatory period. A summary of key projects is included on the next page.

In addition to old assets, the Canberra population has grown significantly in the last 45 years and some processes are at capacity, while others will soon reach capacity. We are therefore expanding the plant to cater for Canberra’s growing population.

The investments we have made over the last five years and will make over the next five years, will enable LMWQCC to continue to treat Canberra’s wastewater to a high quality into the future.



Treated effluent is then returned to the river

Projects completed in 2018–23

Screenings upgrades

We added two new screens to increase capacity, and improved the operating environment by extracting odour. We also added a new screenings balance tank and screenings handling/dewatering system for when the incineration system is offline.

New sludge holding tank

Our increased capacity allows for approximately one day of wet sludge storage. The new tank has a mixing system that allows us to make the sludge nice and consistent (which is important before it enters the furnace for performance and reliability).

Storage dam improvements

Rocks had been getting into the pumps, breaking them. Work was completed to stabilise the dam walls, and since then the pumps are operating well and enabling effective emptying of the storage dam.

Tertiary filter refurbishment

The assets were installed in the 1970s and had not had a major renewal in that time.

The filter floors and air distribution pipework have been replaced, which has the added benefit of removing the need for staff to enter a confined space to perform maintenance. Bypass flow controls have allowed 25% of the clarified flow to be bypassed around the filters for disinfection prior to discharge, rather than going to the bypass storage dam and making the dam spill more frequently.

Upgrade to Furnace 1 & 2

The upgrade to the furnaces allow the use of natural gas, in addition to fuel oil, and enhanced monitoring of the incineration process has been completed. This work was required to enable the continued operation of both furnaces until the biosolids management renewal project is complete.

High-voltage upgrade

The high-voltage electricity infrastructure throughout the plant is over 40 years old and requires upgrades to meet current safety and reliability standards.

A prolonged power outage at LMWQCC would impact our ability to efficiently treat Canberra's sewage.

This project will be complete in 2023.

Centrifuge replacement

Three new centrifuges have been installed, which have increased capacity for processing solids, improving reliability and performance of the solids handling system.

Upgrade to secondary clarifier inlet gates

The upgrade to the secondary clarifier inlet gates has improved operator safety and improved safety and solids capture during wet weather.

Projects planned for 2023–28

Biosolids management renewal

Our furnaces are 45 years old and are reaching the end of their service life. We are currently exploring available technologies to determine which may serve Canberra best in the future. This project will help support the operation of LMWQCC for another 50 years.

Disinfection renewal

The existing chlorination system will be replaced by a bulk sodium hypochlorite dosing facility to improve safety of operation. The new bulk storage and dosing facility will be constructed in 2023, and operational from early 2024.

The dechlorination system (sulphur dioxide dosing) will undergo minor renewals and a potential reduction in storage inventory held on site.

Secondary treatment (bioreactors) upgrade

Our current bioreactors are at capacity and require expansion to cater for population growth in Canberra.

Construction is expected to commence in 2026, with the majority of works to occur in 2027 and 2028.

Note: Use the project box colour to identify which part of the LMWQCC process on page 14 that the project relates to

A close-up photograph of a smiling barber with a beard and a dark hat, wearing a green apron over a patterned shirt. He is cutting the hair of a customer whose back is to the camera. The scene is set in a barbershop with warm lighting and blurred background elements like light fixtures.

OUR
COMMUNITY
HAS HELPED
SHAPE OUR
PLANS



Over many years, we have been building our understanding of what our customers and the community value through our ongoing research on customer sentiment and perceptions. For our 2023–28 price proposal we have built on this past research to create deeper connections with our customers, stakeholders and the ACT community.

Our 2023–28 price proposal has been informed by and refined during extensive consultation with the ACT community. In 2021, we launched our customer engagement program – *Let's Talk Water and Wastewater*. It's our most comprehensive program to date and has so far involved over 17,500 Canberrans.

The engagement activities were designed to inform our strategic priorities and our 2023–28 price proposal. Topics canvassed included customer priorities for water security,

levels of service, tariffs, innovation, sustainability, liveability and customer service channels.

Our 2023–28 price proposal is underpinned by this engagement, which included focus groups, an open community survey, a deliberative deep-dive process, stakeholder interviews, a Customer Advocacy Forum and a quantitative survey (including a willingness-to-pay study).

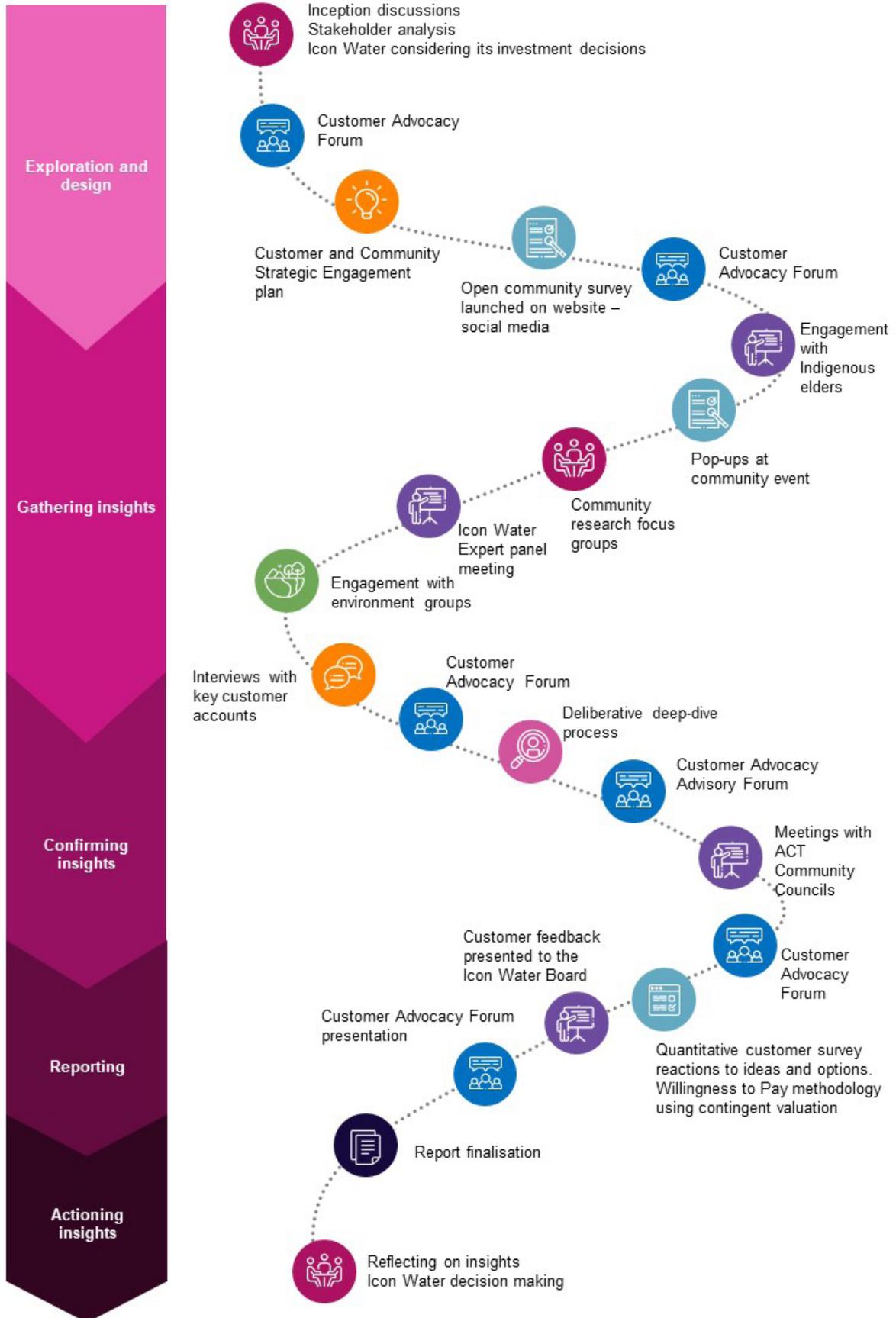
The Customer Advocacy Forum was established to inform the development and delivery of the

engagement program. It comprised representatives from ten peak bodies and key community groups, and met six times during the engagement program.

[Attachment 2: Customer and community engagement](#)

provides more information on the engagement program, the insights and how this has informed our 2023–28 price proposal.

OUR CUSTOMER ENGAGEMENT PROGRAM



WHAT WE HAVE HEARD



Through our *Let's Talk Water and Wastewater* engagement, our customers told us they have clear expectations and priorities for how we plan and invest in the future. Water security, environmental sustainability, maintaining quality, affordability and being more visible in the community are the key areas of focus our customers highlighted.

We know through our ongoing research on customer sentiments and perceptions that our customers value reliable water and wastewater services, quality drinking water, affordable pricing and responsive customer service, above all else.

	<p>The community agrees with the need to continue to plan for the future, this includes investing in water security and exploring alternative water sources.</p>
	<p>There is community support for achieving greater environmental sustainability and accelerating net zero while limiting impact on customer prices.</p>
	<p>The community is committed to Icon Water maintaining quality and reliable core services and is willing to pay something towards reducing interruptions or issues for those who experience them more than usual.</p>
	<p>Affordability should underpin any investment decision. If we need to invest to avoid causing issues in the future, we will consider support for vulnerable customers and other impacted customer segments.</p>
	<p>The community considers Icon Water an essential service provider. To be a valued partner in the community customers want us to be more visible – this means being targeted in our partnering initiatives, education and supporting activities, and proactively talking about it with the community.</p>

Our customers clearly identified several areas for future investment and prioritisation, with water security, innovation, sustainability and tariffs highlighted as the most critical areas of focus. Customers asked that we also consider enhancements to our levels of service. While there was also an expectation that Icon Water continues to promote liveability and maintain our customer service channels/website, these were seen as lower priority for customers.

What you told us should be our priority for investment planning and strategic decisions.



Invest	Water Security	
	Innovation	
	Sustainability	
	Tariffs	
Enhance	Levels of service	
Maintain	Liveability	
	Customer service channels and website	

THE KEY ACTIONS WE WILL TAKE

We have considered our customer values, expectations and investment priorities, alongside our business needs and regulatory obligations, to develop our plan for the 2023–28 regulatory period. This is brought together in our eight customer-focused outcomes for the 2023–28 regulatory period.

OUTCOME 1

Prepare and plan for the future

The community told us water security is a major priority and agrees with the need to plan for the future of the water and wastewater networks.

As Canberra’s supplier of essential water and wastewater services, we recognise our responsibility to protect and maintain the assets our community has invested in building over more than 100 years. Our responsibility also extends to future generations, who will continue to use and benefit from the investments we make today. By making responsible investments in our key assets, we can help safeguard affordable and high quality services for the future of Canberra.

During the 2023–28 regulatory period, we are focused on improving the resilience of our network to meet the challenges of a growing population, our ageing infrastructure and disruption. As part of our Water System Strategy we will continue to investigate alternative and diverse water supply options that can serve the ACT community into the future. In accordance with our Wastewater System Strategy we will upgrade LMWQCC to support a total population of over 600,000 people and will also explore wastewater treatment options beyond 2030 to ensure we can continue to meet the service standards our community expects. This includes major works at LMWQCC in the 2023–28 regulatory period, with construction of upgrades to the secondary treatment bioreactors to commence in 2026 and replacement of the furnaces shortly thereafter.

OUTCOME 2

Care for and protect the environment

The community is deeply concerned about environmental sustainability, and supports Icon Water accelerating to net zero greenhouse gas emissions while limiting impacts on customer prices.

Our wastewater treatment process plays an important role in protecting the environment in the ACT region. LMWQCC uses physical, chemical and biological treatment processes to remove solids, nutrients and pathogens from the raw sewage. These treatment processes ensure that the water discharged into the Molonglo River is within acceptable ranges to protect public health and the environment. Treated water from LMWQCC plays an important role in keeping local rivers flowing and supporting aquatic life. As LMWQCC ages and the Canberra population increases, our treatment processes need to be replaced and upgraded so we can continue to treat all wastewater to the required standards. The investments we have made at LMWQCC in the last five years and have planned for the next five years will help us keep our waterways safe and healthy now and into the future.

We have also committed to achieving net zero emissions by 2045, and mitigating the impacts of climate change on our community. During the 2023–28 regulatory period we will continue investment in our pathway to progress towards net zero emissions. We will also engage in resource recovery and circular economy initiatives to reduce the environmental footprint of Icon Water’s operations.

OUTCOME 3

Affordability for all

Affordability is a key concern for our community, particularly as it relates to vulnerable and impacted customer segments. We know that across Canberra our customers are facing cost of living pressures. We have carefully planned our investments for the 2023–28 regulatory period to ensure we continue to meet our customers’ expectations for service quality, while keeping bill impacts to a minimum over the longer term. We will also continue supporting our customers experiencing vulnerability or difficulty paying their bill, including personalised support through Icon Water’s Staying Connected program and connecting customers to broader programs.

Our price proposal maintains the current tariff structure for water and wastewater services. This includes retaining the significant tariff reform achieved during the 2018–23 regulatory period which resulted in a rebalancing of the water tariff towards lower usage charges. Retaining the current structure provides the best affordability outcome for most customers.

Nonetheless, we recognise that some customers – especially larger, non-residential customers – feel that our tariffs could be more fair. We will continue to engage with our customers on how our tariff structure can be improved, including the potential for future tariff reform where this can be done while safeguarding affordability for all customers.

OUTCOME 4

Valued and visible community partner

The community considers Icon Water an essential service provider, and wants us to be a valued and visible community partner.

During the 2023–28 regulatory period we will review and enhance our approach to community support programs and research and development programs to target support where it is most valued by the community. We will also work with the community to deliver water and wastewater literacy programs to build awareness about how to use water and wastewater services responsibly, helping preserve our environment and minimise costs to the network.

OUTCOME 5

Maintain core service levels – safe and healthy drinking water

Safe and healthy drinking water is consistently a core value for our customers. During the 2023–28 regulatory period we will continue to conduct an independent and extensive water quality program, while assessing and preparing for water treatment upgrades in response to changes to source water quality and climate change.

OUTCOME 6

Maintain core service levels – reliable water and wastewater services

The community is committed to Icon Water maintaining reliable core services and is willing to pay something towards reducing interruptions and issues for those who might experience them more than usual. During 2023–28 we will continue to undertake targeted renewal programs where more frequent interruptions are observed. We will also continue to invest in LMWQCC to renew and grow our wastewater treatment capabilities.

OUTCOME 7

Maintain core service levels – responsive to faults

Our 2023–28 price proposal includes several investment initiatives to maintain the safety, reliability and responsiveness of our water and wastewater services. We will continue to respond to faults within target response times and maintain our 24/7 fault and emergency telephone line.

OUTCOME 8

Maintain core service levels – contemporary and responsive customer service

Icon Water is committed to maintaining contemporary and responsive customer services. During 2023–28 we will increase our focus on liquid trade waste and continue to enhance the developer journey. We will also continue to explore digital meter technology, which can provide our customers with up-to-date usage information and leak detection capabilities.

You told us that most of you consider yourselves to have limited knowledge of water and wastewater operations in Canberra

We currently run educational programs in a number of primary schools, high schools and for community groups across Canberra, and have targeted community campaigns most recently the 'free the poo' campaign. In the coming five years, you can expect to see some more community campaigns. We're also going to be actively engaging with you to input to decisions around key projects, water security and future wastewater treatment options.



PERFORMANCE MEASURES TO TRACK OUR PROGRESS

Icon Water has defined service standards – or targets – which we measure performance against every year. These standards serve two main purposes. First, they help ensure Icon Water is achieving the levels of service that customers expect and are prepared to pay for. Second, they provide confirmation that Icon Water is meeting its obligations under technical, environmental and consumer protection regulations.

In addition to measuring performance against service

standards, we also undertake periodic telephone surveys to measure general customer satisfaction with our services.

Decisions about service standards include a trade-off between costs and benefits. While increased service standards provide customers with improved service, they also increase our costs (and therefore customer bills). Due to the long asset lives of our infrastructure, there can be a lag between when the investment decision is made and when the impact is felt – the

decisions we make today will impact future customer experience and the bills they pay. In developing our proposed service standards for the 2023–28 regulatory period we have carefully considered this trade-off – to balance customer preferences, the expenditure required to meet service standards and the impact on customer bills and experience in the 2023–28 period and beyond.

For more information on our customer service levels see [Attachment 3: Customer Service Standards](#).

Current performance

The 2018–23 regulatory period has been a challenging time for maintaining service levels, due to climate extremes of extended and severe droughts, followed by extended periods of wet weather. We also faced disruptions to our business and community from the COVID-19 pandemic and its impacts on public health, supply chains and the global economy.

Despite these challenges we met a number of the key service targets

set at the start of the 2018–23 regulatory period. There is a high level of satisfaction among our customers, with over 90 per cent of our customers being satisfied with our overall service in every year of the 2018–23 regulatory period so far. The quality of our drinking water is consistently recognised for its high standard, and we exceeded our targets for water and wastewater system reliability. Where we did not meet service standards, contributing factors included climate conditions

and a change to work practices due to COVID-19 pandemic. For example, the average duration of planned water interruptions was higher than the target. This was primarily due to COVID-19 impacts that resulted in 'typical' activities such as water meter replacements being postponed, so that more complex activities could be prioritised, such as hydrant replacements, which has skewed the average interruption time.

Reflecting customer preferences in our future targets

Customers told us that while they are generally happy with the level of service Icon Water provides, the current measures are technical rather than focused on the outcomes that matter most to them. In response we have distilled the customer values and expectations we heard into eight customer focused outcomes and proposed one or two service measures for each outcome. This has led to some

minor adjustments to existing measures of service, as well as the addition of some new measures. We will continue our engagement into the 2023–28 regulatory period to ensure our measures continue to be appropriate and meaningful.

Our proposed customer service standards for the 2023–28 regulatory period are outlined in Table 1.

Table 1: 2023–28 customer service standards

Outcomes	Proposed measure/s of success	2018–23 performance	2023–28 target	Timeframe for achievement
Prepare and plan for the future	Time in water restrictions (excluding water restrictions called in response to a State of Emergency or Natural Disaster)	No restrictions over the period	Less than 5% of the time	Total over the five years
Care for and protect the environment	Reduction in net CO ₂ equivalent compared to 1990 levels	40% by 2020	60 – 65% reduction by 2028	Trend at end of period
Affordability for all	Effectiveness of Icon Water’s customer support programs (measure to be developed)	NEW	TBC ¹	Every year
Valued and visible community partner	Community perception of Icon Water	61	>65	Every year
Maintain core service levels - safe and healthy drinking water	Compliance with Australian Drinking Water Guideline (minimum regulation)	100%	100%	Every year
Maintain core service levels - reliable water and wastewater services	Percentage of connections with > 3 water or wastewater interruptions per year	0.029%	<0.05%	Every year
	Percentage of connections with a water or wastewater interruption > 6 hours	4%	<5%	Every year
Maintain core service levels - responsive to faults	Average response time between fault logged and crew onsite (mins)	134 (water) 152 (sewer)	<150 mins	Every year
	Respond to Priority 1 ² interruptions within 120 mins	66%	75%	Every year
Maintain core service levels - contemporary and responsive customer service	Survey respondents ‘Satisfied’ or ‘Very satisfied’ with Icon Water	93% ³	> 90%	Every year
	Percentage of issues resolved at first point of contact	NEW	Increase over time	Every year

Source: Icon Water.

1 For the first time, in the 2023–28 regulatory period we are going to introduce a customer service measure for ‘affordability for all’. There is no existing industry measure we can adopt and we want to ensure our affordability customer service measure drives the right outcome. For this reason, we have not yet proposed a specific measure for the 2023–28 regulatory period but will commit to introducing a measure following further industry developments in this space and our own engagement with our customers, relevant peak bodies and consumer advocacy groups.

2 A Priority 1 activity is where a customer has total loss of water supply, a wastewater overflow to a customer property, or an event causing major property damage, personal injury, public health risk or damage to the environment.

3 This average is impacted by the exceptional satisfaction received during the COVID-19 pandemic when prices were frozen for customers. Under normal circumstances the average is 90% which is why the 90% target is appropriate.



WHAT OUR
PROPOSAL
PROVIDES

HOW PRICES ARE SET

Icon Water’s prices are set by the Commission so that customers pay no more than the prudent and efficient costs of delivering water and wastewater services. The Commission uses a ‘building block’ approach to calculate Icon Water’s prices. In simple terms, this involves three steps:

1. Identify how much revenue will be needed to cover Icon Water’s prudent and efficient costs for providing regulated water and wastewater services in the ACT. This includes operating costs, return on capital, depreciation and tax. Together, these costs make up our revenue requirement.
2. Forecast the demand for Icon Water’s services. This includes how many customers will connect to the network, and how much water the community will use.
3. Divide the revenue requirement (1) by forecast demand (2) to get our prices.

To set our prices and determine which costs can be included in our revenue requirement, the Commission is guided by the overarching objective of promoting the long-term interests of consumers. The Commission takes into consideration factors including economic efficiency, community impacts and environmental objectives. Icon Water’s proposal for 2023–28 has also been developed with regard to these principles, and the need to ensure we meet customer expectations for service quality while keeping bill impacts to a minimum.

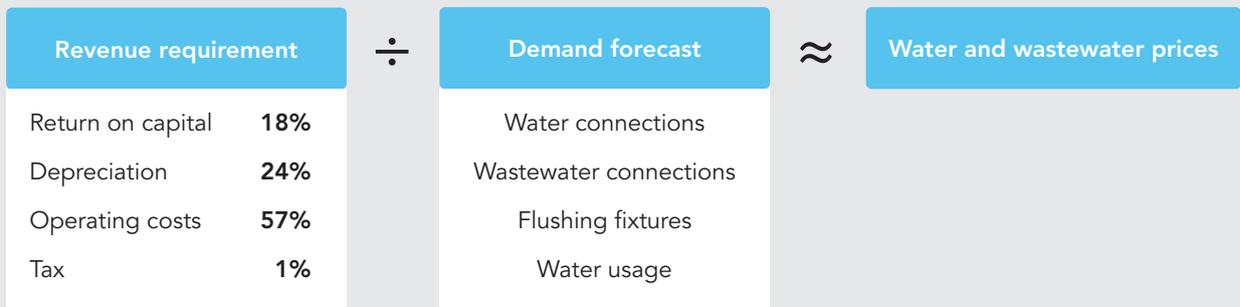
Our cost building blocks

Operating costs are the day to day costs of running our water and wastewater network - such as staff salaries, chemicals for treatment and energy to pump water and sewage.

Return on capital covers the cost of servicing our debt and provides a return to our shareholders. This is calculated by multiplying our **regulated asset base** - which records the value of our water and wastewater assets - **by the weighted average cost of capital (WACC)**.

Depreciation acknowledges that our assets wear out over time.

Tax costs are our tax liabilities net of the value of imputation credits.





GOVERNANCE ARRANGEMENTS AND EXPENDITURE PLANNING PROCESSES

To efficiently and effectively manage and operate our water and wastewater infrastructure, we apply a robust asset management system. We are committed to achieving effective asset management and providing affordable, resilient and reliable services to the community based on the following key principles:

- putting safety first
- delivering customer centred services
- delivering sustainable value
- focusing on performance.

For more information on our processes and governance arrangements, see [Attachment 5: Asset management governance](#).

OPERATING EXPENDITURE

Operating expenditure (opex) refers to the day to day costs we incur to plan, operate and maintain our network in providing water and wastewater services to our customers. Operating efficiently is important to us. We achieved opex efficiencies over the 2018–23 regulatory period, and have committed to achieving additional productivity savings over the upcoming 2023–28 regulatory period.

Specifically, our opex includes expenditure for network maintenance, chemicals, electricity for pumping water, materials,

equipment, labour and emergency response. It also includes meter reading, billing services, maintaining and improving digital assets, corporate overheads and other costs to deliver and support the provision of safe and reliable water and wastewater services in the ACT. In contrast to capital expenditure, which is recovered over the asset life, operating costs are recovered as they are incurred.

Our opex is split into costs that we have some control over (controllable opex) and those that we do not (non-controllable opex). Controllable opex includes labour

and energy costs. Non-controllable opex includes ACT Government fees and charges such as the Water Abstraction Charge (WAC) and the Utilities Network Facilities Tax (UNFT), which account for 23 per cent of opex.

Over the 2018–23 regulatory period, we expect to spend \$970.9 million on opex, which is 0.1 per cent higher than the Commission’s regulatory allowance of \$970.4 million (\$2022–23).

Our opex forecasting methodology

We have used the Commission’s preferred ‘base-step-trend’ approach to forecast our opex:

1

Identify how much opex was incurred in the base year, the penultimate year of the regulatory period (2021–22)

2

Normalise the base year to represent typical and recurrent expenditure required to sustainably provide safe and reliable regulated water and wastewater services within our operating environment

3

Trend the normalised base year to account for real price changes, growth in customer numbers and demand, and expected efficiency savings over the forthcoming 2023–28 regulatory period

4

Add step changes

5

Add non-controllable opex

Our opex forecast for the 2023–28 regulatory period, based on our prudent and efficient costs, is \$1,045.1 million in 2022–23 dollars (or \$1,131.6 million in nominal dollars) as shown in Table 2.

Icon Water’s opex forecast for 2023–28 reflect several key considerations, including:

- expansion of our water and wastewater network required to deliver services to a growing population in the ACT, and meet the community’s demand for water and wastewater services
- expected real changes in costs for labour, electricity, and chemicals
- sustained increases in insurance premiums
- expenditure associated with protecting the ACT’s critical infrastructure
- government fees and charges.

Table 2: Operating expenditure forecast by category (millions, \$2022–23)

	2022–23 (2018 Final Decision)	2023–24	2024–25	2025–26	2026–27	2027–28	Total (2023–28)
Water							
Controllable	\$67.9	\$71.7	\$73.0	\$74.7	\$76.1	\$77.3	\$372.7
Non-controllable	\$41.5	\$41.6	\$42.2	\$42.9	\$43.7	\$44.5	\$214.8
Wastewater							
Controllable	\$80.6	\$82.6	\$84.1	\$86.1	\$87.7	\$89.1	\$429.7
Non-controllable	\$5.9	\$5.4	\$5.5	\$5.6	\$5.7	\$5.8	\$27.9
Total opex	\$195.9	\$201.3	\$204.8	\$209.2	\$213.1	\$216.7	\$1,045.1

Source: Icon Water.

Note: Totals may not sum due to rounding.

For more information on our opex performance and forecasts see [Attachment 6: Operating expenditure](#).

CAPITAL EXPENDITURE

2018–23 period performance

Icon Water’s main capital expenditure (capex) focus during the 2018–23 regulatory period was our continued investment to renew ageing assets. This included renewal projects at LMWQCC, replacement of water mains, augmentation of the trunk sewer system at Belconnen and replacement of sewer mains.

During the period we also continued major ICT system renewal to replace aged and unsupported systems and drive business efficiencies over the long term.

We expect to spend a total of \$487 million on capital assets in the 2018–23 regulatory period: \$188 million on water services and \$299 million on wastewater services (in 2022–23 dollars). Our expenditure is about \$44 million or 9.9 per cent higher than in the 2018–23 price determination. Several factors have contributed to this variance, including projects costing more than anticipated or the addition of unforeseen projects that were undertaken to manage key risks.

Top 5 capex projects

- we are currently undertaking a renewal of high voltage electricity supply infrastructure at LMWQCC, to replace critical end of life assets which were installed in the late 1970s
- we have renewed and upgraded the tertiary filter system at LMWQCC, to replace the original 1978 equipment with modern replacements, ensuring long-term safety and reliability of the treatment plant
- we have an ongoing program of work to replace water mains that have evidence of deterioration including a history of breaks
- we also have an ongoing program of work to replace sewer mains that have evidence of deterioration including a history of blockages
- we have upgrades underway to augment the Belconnen trunk sewer to meet population growth in Belconnen and Gungahlin.

2023–28 period forecast

Our forecast capex for the 2023–28 period is \$702 million (in 2022–23 dollars). This includes \$226 million for water assets and \$476 million for wastewater assets. We are forecasting that \$30 million of this program will be co-funded by developers through the capital contributions charge.

The proposed capex program will enable Icon Water to renew ageing infrastructure to maintain service levels for customers. Approximately 60 per cent of the forecast capex is for the renewal of existing assets. The next largest category of forecast capex is for growth assets, particularly for wastewater services, to provide services to a growing ACT population.

Around 35 per cent of Icon Water’s forecast capex over the 2023–28 regulatory period is made up of two large projects at LMWQCC. As the Canberra population increases, our treatment processes also need to grow so we can continue to treat all wastewater to the required standards. As such, over the next ten years we will be upgrading a number of the major treatment components of LMWQCC including the secondary treatment bioreactors and our biosolids treatment facility. These projects will ensure that we continue to protect the environment and contribute to further beneficial reuse from the plant. Planning for both projects is well progressed, with a shortlist of options already identified and business cases are under development. The majority of

construction works for the secondary treatment upgrade will occur in 2027 and 2028, and the new biosolids treatment solution is expected to be in place by 2030. Table 3 outlines our forecast capex for the 2023–28 regulatory period.

For more information on our capex performance and forecasts see [Attachment 7: Capital expenditure](#).

RENEWAL

Works to replace or restore assets to original size, condition or capacity

REGULATION

Works to improve service standards or ensure regulatory compliance

GROWTH

Works to create new, upgraded or improved assets to meet changes in usage, customer expectations or future needs

EFFICIENCY

Works to improve performance of existing assets

Table 3: Summary of forecast capex (\$million, 2022–23)

	2023–24	2024–25	2025–26	2026–27	2027–28	Total
Water						
Renewal	\$66.5	\$48.3	\$39.1	\$23.8	\$28.7	\$206.3
Growth	\$-	\$-	\$-	\$-	\$0.3	\$0.3
Efficiency	\$6.3	\$2.4	\$3.0	\$-	\$-	\$11.7
Regulatory	\$0.9	\$0.5	\$1.6	\$4.4	\$-	\$7.4
Total capex water	\$73.7	\$51.2	\$43.7	\$28.1	\$29.0	\$225.8
Wastewater						
Renewal	\$53.2	\$45.2	\$55.6	\$42.0	\$42.8	\$238.9
Growth	\$19.8	\$23.2	\$31.4	\$66.6	\$76.2	\$217.1
Efficiency	\$4.5	\$3.0	\$2.2	\$1.7	\$-	\$11.4
Regulatory	\$0.9	\$0.8	\$2.3	\$4.8	\$0.1	\$8.8
Total gross wastewater capex	\$78.3	\$72.2	\$91.5	\$115.1	\$119.1	\$476.3
Less capital contributions	\$3.0	\$13.7	\$4.3	\$4.0	\$5.3	\$30.4
Total net capex, wastewater	\$75.4	\$58.5	\$87.2	\$111.1	\$113.8	\$445.9
Total gross capex	\$152.1	\$123.4	\$135.2	\$143.3	\$148.1	\$702.0
Total net capex	\$149.1	\$109.7	\$130.8	\$139.2	\$142.8	\$671.7

Source: Icon Water

Note: Totals may not sum due to rounding

You told us that you value reliable water services

We have 50 water reservoirs located around Canberra (you can spot them on many local hilltops). Our reservoirs work together to maintain water supply and pressure throughout Canberra. Many of our reservoirs were built 50-60 years ago and are now in need of upgrades. In 2020 we replaced the roof on Mugga reservoir and we are currently replacing the roof on O'Connor reservoir.

In the 2023–28 regulatory period, we will undertake repairs and replacement on about five of our water reservoirs and evaluate the work required for about half of our reservoir fleet. This ranges from full roof replacement through to roof repair, repainting and pipeworks.



OUR REQUIRED REVENUE

Icon Water's proposed net revenue requirement, which is the amount we propose to recover from our customers over the 2023–28 regulatory period is shown in Figure 1. The net revenue requirement is expected to fall slightly in 2023–24 before increasing over the regulatory period.

A detailed description of the revenue requirement is provided in [Attachment 10: Revenue requirement](#).

Table 4 and Table 5 show Icon Water's net revenue requirement for water and wastewater for the 2023–28 regulatory period.

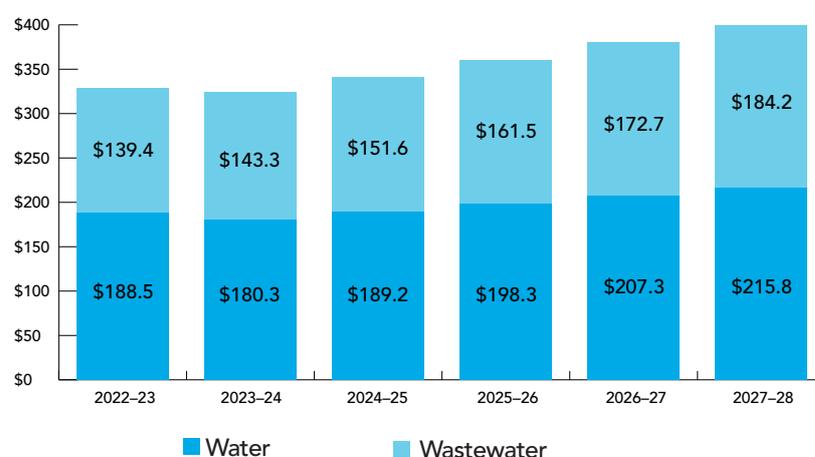


Figure 1 Net revenue requirement for water and wastewater (\$million, nominal)

Table 4: Forecast net revenue requirement – water (\$million, nominal)

	2023–24	2024–25	2025–26	2026–27	2027–28
Return on capital	\$42.4	\$42.9	\$43.0	\$42.7	\$42.1
Depreciation	\$41.1	\$45.2	\$49.1	\$52.9	\$56.3
Operating expenditure	\$73.5	\$76.9	\$80.7	\$84.4	\$88.0
Water abstraction charge	\$35.8	\$37.3	\$38.9	\$40.6	\$42.4
Utilities network facilities tax	\$6.9	\$7.2	\$7.5	\$7.8	\$8.2
Net tax liabilities	\$0.2	\$0.1	\$0.2	\$0.5	\$1.0
Total revenue requirement	\$199.9	\$209.5	\$219.3	\$228.9	\$238.1
Less other adjustments	\$19.5	\$20.3	\$21.0	\$21.6	\$22.3
Net revenue requirement water	\$180.3	\$189.2	\$198.3	\$207.3	\$215.8

Source: Icon Water

Note: Totals may not sum due to rounding

Table 5: Forecast net revenue requirement – wastewater (\$million, nominal)

	2023–24	2024–25	2025–26	2026–27	2027–28
Return on capital	\$27.7	\$28.4	\$29.1	\$30.5	\$32.0
Depreciation	\$40.8	\$44.0	\$47.9	\$52.8	\$57.6
Operating expenditure	\$84.8	\$88.6	\$93.1	\$97.3	\$101.5
Utilities network facilities tax	\$5.5	\$5.8	\$6.0	\$6.3	\$6.6
Net tax liabilities	\$1.5	\$2.3	\$3.2	\$4.2	\$5.4
Total revenue requirement	\$160.3	\$169.1	\$179.4	\$191.1	\$203.1
Less other adjustments	\$17.0	\$17.5	\$17.9	\$18.4	\$18.9
Net revenue requirement wastewater	\$143.3	\$151.6	\$161.5	\$172.7	\$184.2

Source: Icon Water

Note: Totals may not sum due to rounding

THE DEMAND FOR OUR SERVICES

Our demand forecasts are an important part of setting water and wastewater prices. They help ensure we recover the right amount of revenue to cover our approved costs and help us plan our investments for the growth of the water and wastewater networks.

The Commission conducted a detailed review of Icon Water’s demand forecasting methodologies during this regulatory period, for incorporation into the 2023–28 regulatory period. Our proposed forecasts for 2023–28 have been developed using the demand forecasting methodologies determined by the Commission in the review.

A detailed description of the demand forecasts and methodologies is provided in [Attachment 11: Demand](#).

Water volumes forecast

Icon Water’s proposed water demand forecast has been developed using an Autoregressive Integrated Moving Average (ARIMA) model. This is an econometric model that is based on the observed relationship between climate data and water usage. The ARIMA approach is widely used to model high frequency time series data, such as water demand.

The first step to forecasting water demand involves examining the historical relationship between weekly dam abstractions, climate variables (including temperature, rainfall, and evaporation) and water connection numbers. We use historical data from 2006 onwards to account for the change in water usage patterns that occurred following the millennium drought.

Next, the forecast considers the future impacts of climate change, based on twelve future climate scenarios taken from NSW and ACT Regional Climate Modelling (NARCLiM). The total forecast is then split into Tier 1 and Tier 2 water sales based on the historical relationship between dam abstractions, customer numbers and water sales in each tier. ACT water sales are lower than total

water abstractions, mainly due to factors such as water losses and sales of unregulated water (e.g. to Queanbeyan-Palerang Regional Council).

Using this model, Icon Water is forecasting:

- water abstractions (dam releases) of 53.2 gegalitres (GL) on average per year over 2023–28. This is around 1.5 per cent higher than the average annual releases observed over the current regulatory period (52.4 GL)
- water sales in the ACT of 44.8 GL on average per year over 2023–28. This is around 4.2 per cent higher than the average annual sales observed over the current regulatory period at the time of this proposal (43.0 GL).

The increase in abstractions and water sales can largely be attributed to a growing ACT population, but also takes into account demand impacts associated with a changing climate.

We expect to update our demand forecasts using the latest available data when we respond to the Commission’s draft decision in late 2022.

Table 6: Icon Water’s proposed dam abstractions forecast (ML)

	2023–24	2024–25	2025–26	2026–27	2027–28
Forecast abstractions	51,938	52,418	53,138	53,902	54,632

Source: ICRC Demand Forecasting Model, updated with actual data to 7 November 2021

Table 7: Proposed billed water sales forecast (ML)

	2023–24	2024–25	2025–26	2026–27	2027–28
Tier 1	27,286	27,675	28,139	28,623	29,101
Tier 2	16,426	16,438	16,574	16,727	16,857
Total	43,712	44,112	44,712	45,350	45,958

Connections forecasts

The number of connections to Icon Water’s water and wastewater network is strongly related to the ACT’s population. The Commission’s approach to forecasting connections uses ACT population projections, and the historical relationship between population and connection numbers. The proposed forecast for water connections, wastewater connections and flushing fixtures is shown below.

Table 8: Proposed connections forecast

	2023–24	2024–25	2025–26	2026–27	2027–28
Water connections	199,679	203,460	207,469	211,639	215,890
Wastewater connections	197,572	200,538	203,565	206,592	209,558
Flushing fixtures*	64,962	65,231	65,506	65,780	66,049

Source: Icon Water

* Flushing fixtures refers to the number of flushing fixtures charges billed by Icon Water. Flushing fixture charges are paid by non-residential customers for each flushing fixture in excess of two.

OUR TARIFFS AND PROPOSED PRICES

We recognise our tariffs are important for maintaining affordability for our customers. Our proposal for 2023–28 has two parts relating to water and wastewater tariffs:

- 1) the prices we need to charge to recover our prudent and efficient costs (calculated using the ‘building block’ approach)
- 2) the tariff structure, which refers to the mix of different charges (e.g. supply and usage charges) we use to recover our costs.

We are committed to continually exploring whether our tariff structure can be improved. Over the past 18 months, we have engaged with the community on our tariff structure, including the balance of supply and usage charges, and the concept of a non-residential tariff.

Determining a tariff structure is complex – it requires balancing community preferences, economic efficiency and bill impacts for different customer segments. Given the importance of tariffs to all our customers, Icon Water’s position

is that the tariff structure should only change where there is a broad level of support across all customer segments.

Our tariff proposal has been guided by the feedback we heard from the community as well as the Commission’s pricing principles. For more information on how we’ve developed our tariff proposal see [Attachment 12: Tariff structure](#).

Water tariffs

Icon Water’s proposal is to maintain the current tariff structure for regulated water services. Community feedback highlighted that affordability is a key issue for the tariff structure, particularly as it relates to smaller water users and more vulnerable customers. Our proposed tariff structure limits bill impacts for smaller water users and continues to provide familiar and stable pricing for all our customers.

Our water tariff proposal includes:

- maintaining an annual supply charge for water
 - retaining the two-tier inclining block usage charges, with a higher Tier 2 price for usage over 50kL per quarter
 - keeping the current balance of supply and usage charges, with future price changes to be applied uniformly across all tariff components
- applying the same tariff structure to all customers (residential and non-residential) who receive a regulated water service.

Our forecast water tariffs for the 2023–28 regulatory period are outlined in Table 9.

Table 9: Forecast water tariffs (\$, nominal)

	2023–24	2024–25	2025–26	2026–27	2027–28
Supply charge (\$/annum)	\$205.87	\$211.92	\$218.14	\$224.55	\$231.14
Tier 1 charge (\$/kL)	\$2.35	\$2.42	\$2.49	\$2.56	\$2.64
Tier 2 charge (\$/kL)	\$4.71	\$4.85	\$5.00	\$5.14	\$5.29

Source: Icon Water.

All prices are inclusive of inflation of approximately 2.6% per year. The Tier 1 price applies to water usage up to 0.548 kL on average per day of a customer’s billing period. The Tier 2 price applies to any water use in excess of 0.548 kL on average per day.

Icon Water undertook a gradual rebalancing of our water tariff structure during 2018–23, with a shift towards higher supply charges and relatively lower usage charges. We asked the community whether we should continue rebalancing our tariffs in 2023–28. Customers expressed a diverse range of views, with no clear consensus. While some customer segments strongly supported continued tariff rebalancing, there was not a broad level of support across all customer segments. We consider that the tariff reform delivered over the 2018–23 regulatory period has achieved an appropriate balance between our fixed and variable water tariffs and this balance will be continued into the 2023–28 regulatory period.

We also considered the possibility of separate water tariffs for residential and non-residential customer groups. Our initial analysis has shown that this would result in substantial bill increases for residential and/or small non-residential customers, and a concentration of benefits for a very small number of large customers. For similar reasons, there was not broad support across all customer segments for introducing a non-residential tariff, apart from some larger customers who felt the current water tariff is unfair.

There was some support among residential customers for a non-residential tariff specifically for not-for-profit community organisations

rather than commercial businesses. However, there was also recognition that supporting not-for-profit community clubs was a shared responsibility with the broader ACT community, and is not necessarily best achieved through water tariff reform.

Icon Water remains committed to continuing dialogue with our customers to ensure our water tariffs provide options for all members of the ACT community, which may include further tariff reform in future regulatory periods.

Wastewater tariffs

Icon Water proposes to retain the current wastewater tariff structure with its annual supply and fixtures charge. Our proposed wastewater tariffs are shown in Table 10.

Table 10: Forecast wastewater tariffs (\$, nominal)

	2023–24	2024–25	2025–26	2026–27	2027–28
Supply charge (\$/annum)	\$534.40	\$568.68	\$605.17	\$643.99	\$685.31
Charge for flushing fixtures in excess of two (\$/fixture/annum)	\$522.64	\$556.17	\$591.85	\$629.82	\$670.23

Source: Icon Water.

All prices and bill impacts are inclusive of inflation of approximately 2.6% per year. The flushing fixture charge applies to non-residential customers for each flushing fixture in excess of two.

The wastewater tariff structure is a simple approximation for a volume-based charge that takes into account how much wastewater is likely to be produced by each customer. The wastewater supply charge is intended to reflect typical wastewater volumes for a residential customer, and their costs on the wastewater network. The flushing fixture charge recognises that non-residential customers typically produce more wastewater, depending on how many flushing fixtures they have.

We know this simple wastewater tariff may not always fully reflect the costs of each individual customer on the wastewater network but we do not currently have the ability to accurately measure wastewater volumes for individual customers. We consider that the benefits of maintaining a simple and familiar tariff structure outweigh the costs of transitioning towards a volume-based charge at this time.

Over the course of the 2023–28 regulatory period, we will continue our investigations into liquid trade waste in the ACT. This is expected to provide a better understanding of non-residential discharges, their impacts, and how we can best manage these discharges. This may include new wastewater pricing options for non-residential customers in the future. We look forward to continued engagement with our customers on the topic of wastewater tariffs.

Miscellaneous fees and charges

Icon Water currently provides several regulated miscellaneous water and wastewater services. These include meter replacements, disconnections and installation of fire hydrants.

We recently completed a detailed review of miscellaneous fees and charges to ensure they remain cost-reflective and deliver value to our customers. As a result, we are

proposing price changes from 1 July 2023. The changes will result in the price of some services increasing, and others decreasing, while Icon Water's overall revenue from the charges will remain around the same. The outcomes of Icon Water's review, including the proposed new prices for each service, are described in [Attachment 12: Tariff Structure and Proposed Prices](#).

Capital contributions charge

Icon Water collects capital contributions from customers who undertake developments that increase demand on the water and wastewater network in established suburbs. The 2022–23 charge is set at \$1,094 per net increase in equivalent population (EP).

We propose to continue the current approach of applying to the Commission to update the capital contributions charge annually based on updated population projections and forecast capital investments.

IMPACT OF OUR PROPOSAL ON TYPICAL PRICES

A typical residential customer consuming 200 kilolitres (kL) of water per year is forecast to see an increase in their combined water and wastewater bill of 4.5 per cent (or around \$58) per year on average during 2023–28. This includes forecast inflation of 2.6 per cent per year.

Non-residential customers can expect a combined annual bill change of between 3.0 per cent and 6.4 per cent (including inflation), depending on their usage and number of billable flushing fixtures. Figure 2 provides a breakdown of the combined bill cost stack.

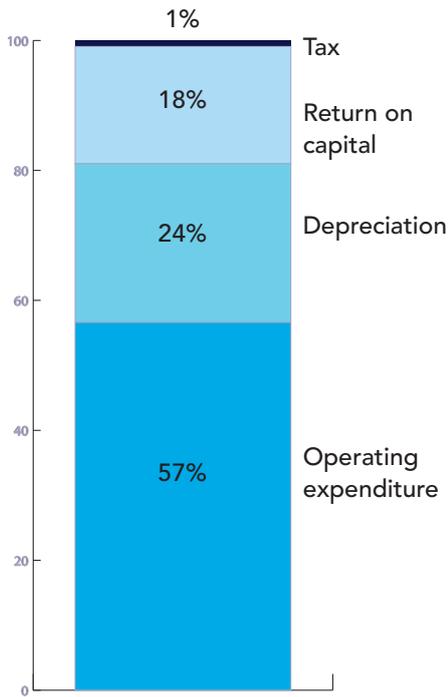


Figure 2: Combined bill cost stack 2023–28

Illustrative water and wastewater bills for 2023–28

As part of our customer engagement program, we developed five community personas to help with discussions about tariffs and their impacts on customer bills.



Celia

Meet Celia
Celia lives by herself in a small house in Monash, ACT. She works part-time, so money is reasonably tight. She watches every penny. Celia doesn't typically use much water and always conserves what she can – her plants are cared for with water saved from the shower! Celia is interested in ways to save on bills and how residential water users can help improve water security in the ACT.

100kL of water per year



The Andersons

Meet The Andersons
The Andersons are a family of four (plus two furry friends) who live in a large house in Nicholls, ACT. They use water a lot in their day-to-day lives. They have a lot of laundry to do, as well as a pool and garden to maintain. The Andersons are keen to look at ways to reduce their water use (and large bills) without compromising their quality of life.

300kL of water per year



Kevin at Bean Brew Coffee Shop

Meet Bean Brew Coffee Shop
Kevin is the owner. He and his small team use water to make coffees, for cooking, cleaning and the customer restroom. Kevin knows his water use is fairly low compared to larger businesses, but he is always looking for ways to be more efficient and return a profit. Kevin wants to be able to easily and quickly reach out to Icon Water to fix any problems and to minimise the costs of running his business.

200kL of water per year



Ashlee at Blooms

Meet Blooms Garden Centre
Blooms is a suburban garden centre offering a large variety of plants for purchase and has a number of greenhouses to raise plants to sell. The owner, Ashlee, knows that despite good water conservation practices the business uses a lot of water. Ashlee finds that her water bills are very high and would like to reduce them, as well as explore ways to recycle and reuse water.

5,000kL of water per year



John at the club

Meet the local football club
John manages his local football club. He takes pride in maintaining the grounds and pitch and in providing facilities like player shower rooms. However, water bills can be hard to afford, particularly as a not-for-profit organisation. John would like to know how to reduce water use or save costs without compromising service. He has a water tank but doesn't want to rely on this too heavily in case of future dry spells.

30,000kL of water per year

The approach to use personas was positively received by participants so we have extended their use to show the impacts of our proposed prices for the different community personas, as shown in Table 11. [See Attachment 12: Tariff structure and proposed prices for more information on our proposed prices.](#)

Table 11: Forecast bill impacts for community personas (\$, nominal)

	2023–24	2024–25	2025–26	2026–27	2027–28
Celia – using 100 kL per annum					
Combined water and sewerage bill (\$ per annum)	\$975	\$1,022	\$1,072	\$1,125	\$1,180
Change in bill (\$)	\$45	\$47	\$50	\$53	\$55
Change in bill (%)	4.8%	4.9%	4.9%	4.9%	4.9%
The Andersons – using 300kL per annum					
Combined water and sewerage bill (\$ per annum)	\$1,681	\$1,749	\$1,820	\$1,895	\$1,973
Change in bill (\$)	\$65	\$68	\$71	\$75	\$78
Change in bill (%)	4.0%	4.0%	4.1%	4.1%	4.1%
Bean Brew Coffee Shop – using 200kL per year					
Combined water and sewerage bill (\$ per annum)	\$1,229	\$1,284	\$1,342	\$1,402	\$1,466
Change in bill (\$)	\$52	\$55	\$57	\$60	\$64
Change in bill (%)	4.4%	4.5%	4.5%	4.5%	4.5%
Blooms Garden Centre – using 5,000kL per year					
Combined water and sewerage bill (\$ per annum)	\$23,839	\$24,558	\$25,299	\$26,063	\$26,850
Change in bill (\$)	\$697	\$719	\$741	\$764	\$788
Change in bill (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Local Football Club – using 30,000kL per year, with 10 billable wastewater fixtures					
Combined water and sewerage bill (\$ per annum)	\$146,928	\$151,443	\$156,103	\$160,914	\$165,881
Change in bill (\$)	\$4,374	\$4,515	\$4,660	\$4,881	\$4,967
Change in bill (%)	3.1%	3.1%	3.1%	3.1%	3.1%

Source: Icon Water.

All prices and bill impacts are inclusive of inflation of approximately 2.6% per year

HOW WE SUPPORT CUSTOMERS

Icon Water recognises the cost-of-living pressures facing our community which are impacting our customer segments in different ways.

We understand people may need some extra help paying their bills from time to time, and we are committed to supporting our customers – particularly those who are vulnerable or struggling financially. We provide a range of support options for residential and small business customers which include:

- flexible payment plans
- payments extensions
- personalised case management through the Staying Connected program which has been recently expanded to include small business customers.

These support mechanisms can be accessed in several ways:

- Request a payment extension through our online self-service portal.
- Talk to us directly by calling 6248 3111 and selecting option 2.
- Send an email to talktous@iconwater.com.au
- Visit our website to contact our Staying Connected team to discuss how we can assist. Our website also provides information on how to contact us via language assist services if you are deaf or have a hearing or speech impairment.

The ACT community told us that affordability is important to them, and in particular ensuring that appropriate support mechanisms are in place for vulnerable customers. We are going to engage with customers from these cohorts to learn through their lived experience, and seek advice from their advocates, to review our existing support mechanisms and design how we best support customers into the future.

Icon Water will also continue to administer Community Service Obligations (CSOs) on behalf of the ACT Government, which provide subsidised tariffs for eligible institutions including church or other religious establishment, hospital, benevolent institution or charitable institution.

WHERE TO FROM HERE

There has been an incredible level of participation from our customers and the ACT community, which has allowed us to better understand and respond to your needs and expectations in our 2023–28 price proposal.

The Commission will now commence their review of our price proposal and we encourage our customers and other stakeholders to participate in the Commission's consultation process over the coming months.

Principal Registered Office

Level 5, ActewAGL House
40 Bunda Street
Canberra ACT 2600

Mitchell Office

12 Hoskins Street
Mitchell ACT 2911

Postal address

Icon Water
GPO Box 366
Canberra ACT 2601

ACN: 069 381 960

ABN: 86 069 381 960

TTY for Hearing Impaired

133 677

Language assistance

13 14 50, 24 hours

للحصول على مساعدة لغوية، اتصل بالرقم أعلاه
如需语言方面的协助，请打上述号码
برای کمک زبانی به شماره بالا تلفن بنید
மொழியெயர்ப்பாளர் உதவிக்கு மேலே உள்ள இலக்கத்தை அழையுங்கள்
Nếu cần thông dịch viên, hãy gọi đến số trên đây

Talk to us

E talktous@iconwater.com.au

T (02) 6248 3111



@iconwater



@iconwater



@iconwaterCBR

iconwater.com.au

© Icon Water Limited (Icon Water) 2022

This work is copyright. Excluding any use as permitted under the Copyright Act 1968, no part may be reproduced by any process without prior permission from Icon Water or its successors.

Requests and inquiries concerning reproduction rights should be directed to the Company Secretary, Icon Water Limited, GPO Box 366, Canberra ACT 2601.

Information about Icon Water and an electronic version of this report can be found at iconwater.com.au.

