10 June 2026

Mr Richard Owens
Senior Commissioner
Independent Competition and Regulatory Commission
PO Box 158
CANBERRA ACT 2601
email: icrc@act.gov.au

Dear Mr Owens

Review of Sewerage Tariff and Liquid Trade Waste charging – Icon Water supplementary submission

Please find attached Icon Water's supplementary submission to the Independent Competition and Regulatory Commission's (the 'Commission') review of sewerage tariff and liquid trade waste charging. This submission should be read together with Icon Water's initial submission and provides further evidence and refinement of the proposed set of reforms that Icon Water would implement should the Commission agree to progress them. It notes in particular Icon Water's support for introducing a liquid trade waste charging framework and its more considered position on wastewater reform.

The supplementary submission presents findings from targeted engagement with non-residential customers and sets out a refined proposal with a particular focus on progressing liquid trade waste reform.

Should the Commission determine that wastewater reform is warranted, the submission proposes that any such change be implemented through a staged and carefully managed pathway.

It also describes the proposed sequencing of liquid trade waste reform ahead of any decision on broader wastewater reform, and outlines a practical implementation scenario for transitioning to variable wastewater charges, should the Commission decide to proceed. This includes proposed checkpoints to confirm readiness and establish an agreed forward rebalancing pathway, providing customers with greater price certainty.

The submission also identifies several broader issues arising from engagement that Icon Water considers warrant further examination in future regulatory cycles. A copy of the supporting Customer Research and Engagement Report and Liquid Trade Waste Technical Pricing Paper is also attached, with sensitive material redacted and available confidentially on request.

Icon Water appreciates the opportunity to further contribute to this review and would be pleased to provide any further information the Commission may require.

Yours sincerely

[redacted]

Joy Yau

Interim Managing Director

Review of Sewerage and Liquid Trade Waste charging - Supplementary Submission

Executive Summary

This supplementary submission responds to the Commission's Review of Sewerage Tariff and Liquid Trade Waste (LTW) Charging. It builds on Icon Water's initial Issues Paper submission by incorporating customer engagement findings, refining the proposed pricing framework, and providing information to assist the Commission in setting out a coordinated multi-year implementation scenario pathway that sequences LTW and wastewater reforms in a manner consistent with the Commission's pricing principles. The current fixture-based wastewater charging model no longer reflects the differing loads imposed by non-residential customers, and liquid trade waste discharges are managed under an approval framework without a corresponding cost-recovery tariff. The reforms proposed in this submission address both issues through a more cost-reflective and transparent approach informed by structured engagement with non-residential customers.

Engagement with non-residential customers conducted since the initial submission has confirmed broad support for reform. Customers accepted the rationale for moving toward a user-pays framework, but their support is conditional: they expect transparent discharge factor methodologies, customer-specific bill impact modelling before charges apply, protection from sudden or disproportionate increases, and adequate notice and support throughout the transition. These expectations have shaped both the proposed tariff design and the staging of implementation.

Icon Water proposes two linked reforms and, to support the Commission's assessment, has developed a practical transition scenario demonstrating how these reforms would be sequenced to manage implementation complexity and customer impacts:

1. The first reform is the introduction of a liquid trade waste charging framework comprising a risk-based fixed management fee aligned with existing approval categories, complemented by volumetric, mass-based quality charges for customers generating high-risk industrial wastewater. Under the transition scenario, fixed management fees would commence from 1 July 2029, with volumetric, mass-based quality charges following from 1 July 2030 to allow customers time to understand and adjust to fixed-fee obligations before variable charges are introduced.
2. The second reform is the transition from the current fixture-based wastewater model to a fixed-plus-variable tariff structure. Under the implementation scenario, variable charges would initially be set at a nominal level, with existing flushing-fixture charges retained and progressively rebalanced over an agreed transition period. Wastewater tariff reform would be implemented from 1 July 2033, within the 2033–38 regulatory period, with the fixed-plus-variable structure phased in and the rebalancing of fixture charges undertaken over time.

The implementation scenario proposes to stage the introduction of reforms across multiple regulatory cycles, to manage customer impacts and Icon Water implementation requirements. The staging is supported by a formal mid-way checkpoint with the Commission, which is proposed for late 2029 or early 2030, with a final implementation checkpoint for wastewater charges to occur as part of the 2033–38 price review. These checkpoints would confirm readiness, set the initial variable rate, and establish an agreed forward rebalancing pathway to provide customers with greater price certainty.

Indicative implementation costs are estimated at $2 million to $6 million, reflecting non-ongoing expenditure incurred progressively over multiple years in the event the reforms proceed. These one-off costs are proposed to be recovered over the 2028–33 regulatory period.

If the Commission determines that both reforms should proceed, Icon Water would need to provide the following supporting activities that underpin the implementation approach and estimated implementation costs:

1. publishing transparent discharge factor methodologies and providing a formal process for site-specific review
2. providing customer-specific bill impact modelling to all affected customers before any charge applies
3. maintaining the staged transition pathway including the one-year gap between LTW fixed fees and mass-based charges
4. delivering differentiated support for complex, high-risk and atypical customers during transition periods.

Icon Water would need to report against the progress of these transition activities at the proposed checkpoints.

The submission also identifies other issues for the Commission's consideration that fall outside the immediate tariff design but have implications for the proposed reforms. These include the interaction between the proposed wastewater variable charge and the ACT’s Tier 2 inclining block water tariff, and the need for detailed bill-impact modelling before meter-size-based fixed charges can be supported.

Background

Regulatory Context

Icon Water is the monopoly provider of water and wastewater services in the Australian Capital Territory. Prices are set by the Commission under the Independent Competition and Regulatory Commission Act 1997. The current price direction covers 1 July 2023 to 30 June 2028.

As part of its 2023–28 work program, the Commission committed to a dedicated review of Icon Water's sewerage tariff structure and the potential introduction of a liquid trade waste charging framework. This followed submissions from the hospitality sector during the 2023–28 price review highlighting that the current flushing-fixture model does not adequately reflect the differing load impacts of non-residential customers on the wastewater network. The Commission released an Issues Paper, to which Icon Water lodged an initial submission setting out the conceptual and economic basis for reform across two areas: wastewater tariff reform and the introduction of a liquid trade waste charging framework. The full submission is available at, Icon Water — Initial Submission: Review of Sewerage Tariff and Liquid Trade Waste Charging (ICRC website).

Icon Water's Initial Issues Paper Submission

The initial submission proposed transitioning away from the current fixture-based wastewater model with a fixed-plus-variable tariff structure that better reflects the costs imposed by different non-residential customers. It also proposed introducing a dedicated liquid trade waste tariff for the first time, recovering the real costs of managing, monitoring and enforcing LTW approvals through a risk-based fee structure. Both proposals were grounded in the pricing principles set out in **Table 1**, which are derived from the Commission's overarching approach to tariff design.

While the initial submission established the conceptual basis for reform, and to move toward an appropriate long-term outcome, it identified the need for further targeted customer engagement, particularly to assess how the proposed changes would affect different customer groups, what transition support would be needed, and whether the staging of reform was appropriate given the Community Impact pricing principle. This supplementary submission addresses those questions directly.

Table 1 – Icon Water's proposed pricing principles

Principle		Explanation
Economic efficiency	1. In use	Regulated prices should promote the economically efficient use of Icon Water's water and sewerage services infrastructure and encourage efficient use of the water resource itself.
	2. For investment and operation	Regulated prices and supporting regulatory arrangements should facilitate the efficient recovery of the prudent and efficient costs of investment and operation.
Environment	3. Environmental considerations	Regulated prices and complementary mechanisms should ensure that environmental objectives are effectively accounted for.
Community impact	4. Gradual adjustment	Any change to prices that will have substantial consumer impacts should be phased in over a transition period to allow reasonable time for consumers to adjust.
	5. Fair outcomes for low-income consumers	Adverse impacts on low-income or price-sensitive consumers need to be limited or moderated by phasing and other compensating mechanisms.

Principle		Explanation
Regulatory governance	6. Simplicity	Regulated prices and their form should be simple for consumers to understand and straightforward for the utility to implement.
	7. Transparency	Regulated prices should be set using a transparent methodology and be subject to public consultation and scrutiny.
	8. Implementation	Prices should consider the level of costs that may be incurred by the utility to implement and administer the pricing framework and any flow-on cost recovery impacts to consumers.

Customer Engagement

To inform the development of this submission, Icon Water undertook a structured program of engagement and research with non-residential customers. The findings have directly shaped the proposed tariff design, implementation sequencing and supporting activities. A copy of the Customer Research and Engagement Report is provided at **Attachment 2**.

Approach

The engagement program was designed to achieve two objectives: to notify as many non-residential customers as possible about the review and the potential changes under consideration; and to ensure that affected customers had a genuine opportunity to explain the impacts on their businesses and identify how those impacts could best be managed during implementation.

A key design consideration was that the impacts of reform across the non-residential customer base would be highly varied, with some customers facing bill decreases and others facing increases depending on their fixture profile and discharge volumes. Because a primary objective was to understand the perceived impacts on businesses that could face higher bills, the methodology focused on deeper conversations with customers where a bill increase was possible. All non-residential customers were, however, notified of the review and given the opportunity to engage with Icon Water for more information.

Icon Water sought a deeper understanding of customer priorities and drivers, not just stated preferences. For this reason, qualitative engagement and research activities were selected over quantitative survey approaches, allowing for more in-depth discussion with a broadly representative sample of customers. The program comprised a review of submissions made to the Commission in response to the Issues Paper; written feedback received via Icon Water's engagement webpage; questions and comments from participants at two webinars held in late March 2026; feedback from non-residential customers participating in three two-hour online focus groups held in late March 2026; and feedback from in-depth interviews conducted with twelve non-residential customers in March and April 2026. In total, ninety non-residential customers participated across the program.

Overall Sentiment

Customers indicated a cautious openness to potential reforms. Most accepted the rationale for moving toward a more cost-reflective, user-pays framework, but their support was consistently framed as conditional. They emphasised the need for clear and personalised information on how the reforms would affect their own bills rather than relying on sector-level or case-study estimates. They also sought confidence in the accuracy and defensibility of the discharge factor methodologies, together with transparent access to the assumptions and modelling that would underpin any charges applied to their operations, including the ability to challenge those inputs where necessary.

Key Themes

Across the wastewater tariff, liquid trade waste arrangements, and the cumulative effect of both, several consistent themes emerged from the engagement.

Customers described the current fixture-based wastewater system as a blunt tool that disadvantages high-fixture, low-discharge sites. While they supported the direction of reform, they stressed the importance of accurate discharge factors and the opportunity to contest proxy values for complex or atypical operations. Sensitivity to potential bill shock was particularly pronounced among small and medium enterprises, for whom even modest unexpected cost increases can have material business consequences.

For liquid trade waste, customers broadly agreed that higher-impact dischargers should contribute more to the costs they impose. However, operators of complex multi-system sites expressed concern about per-process charging, indicating a strong preference for site-level approaches where a single business operates multiple discharge processes. Businesses that have already invested in pre-treatment sought assurance that these investments would be recognised, or at least not penalised, in any future charging framework.

The cumulative impact of wastewater and liquid trade waste charges emerged as the primary concern for most customers. Many emphasised that the combined effect of both reforms, rather than any single component, would determine the perceived fairness and affordability of the overall proposed reforms. This theme has driven the decision to sequence the two workstreams carefully, with a one-year gap between the introduction of LTW fixed fees and LTW mass-based charges, and with wastewater fixed-plus-variable billing deferred to 2033 to allow time to mitigate transition risks and consider some of the broader issues identified through engagement (noted below).

Customers were also consistent about what would be needed to make reform workable. They need early notice and long lead times to plan and adjust operations and engage with Icon Water before any financial consequences apply. They want plain-English explanations of how charges are calculated, pitched at a level accessible to business tenants and intermediaries, not just account holders. They want access to the discharge factors, consumption data and calculation methodology applied to their own operations, and to be able to challenge proxy assumptions where these do not accurately reflect their activities. And they strongly prefer gradual change over sudden large cost shifts, with tailored support scaled to the complexity of their operations.

Customer Engagement Challenges

Reaching non-residential customers likely to be affected by the proposed reforms was genuinely challenging, for reasons that also have implications for how the implementation program should be designed. A significant proportion of affected parties are not direct Icon Water account holders. Tenants, sub-tenants and operators within multi-tenanted sites often rely on landlords or property managers to manage water and sewerage accounts, meaning they have limited visibility of existing charges and even less awareness of how proposed reforms might alter their cost base. Many landlords and property managers themselves had only partial insight into the cost pressures facing individual business leaseholders, particularly where charges are passed through via service charges or bundled into rents.

This fragmentation reinforces the need for a carefully sequenced transition, supported by clear communication and practical guidance for intermediaries who will play a critical role in conveying the implications of reform to end users. It also confirms that Icon Water's implementation approach must explicitly address multi-tenancy complexity as a priority design task before variable billing can be introduced.

Broader Issues Identified Through Engagement

Engagement also identified three issues with implications beyond the immediate tariff design.

The proposed wastewater variable charge may interact adversely with the ACT's inclining block (Tier 2) water tariff. For high water-consuming, low-fixture customers, such as commercial laundries, food processors and some industrial operators, the combination of the two tariffs may create a stronger cumulative cost signal than either charge alone, particularly where customers have already invested to

maximise feasible water-conservation measures. This raises questions of cost-reflectivity and equity for water-intensive businesses whose further consumption reductions are operationally constrained.

The second issue concerns the meter-size-based pricing option for the fixed wastewater charge. From an economic efficiency perspective, this approach remains Icon Water's preferred long-term model, as meter size provides a practical and defensible proxy for the different infrastructure capacity requirements that different customers impose on the wastewater network. However, customer engagement indicated limited support for this approach at this stage, largely because customers could not assess its individual bill impacts without site-specific modelling.

The third issue concerns pre-treatment infrastructure requirements as a potential barrier to entry for small and emerging businesses. LTW approval conditions require businesses generating LTW above certain thresholds to install and maintain pre-treatment infrastructure as a condition of their approval. For established businesses with scale, these costs are manageable. For small or emerging businesses in the hospitality and food service sectors, the capital requirement can represent a material barrier to entry before a revenue base is established.

Proposed Tariff Reform

Icon Water's proposed pricing reform for wastewater and liquid trade waste charging builds on the pricing options set out in our initial submission and is informed by customer evidence demonstrating broad support for moving toward a more cost-reflective, user-pays approach. Customers consistently viewed the existing arrangements as neither appropriate nor equitable, and their feedback provides a strong foundation for reform. This evidence is considered alongside the Commission's pricing principles, ensuring that the reforms promote fairness and cost-reflectivity, remain practically implementable within existing operational and system constraints, and support a transparent and manageable transition for customers to any revised charging arrangements. Consistent with Icon Water's initial submission, LTW reform is strongly supported by Icon Water and proposed to proceed first. Should the Commission determine that wastewater tariff reform is to be pursued, Icon Water supports this in the long term, subject to a carefully managed and staged transition that reflects customer impacts and implementation readiness. Table 2 below provides a summary of how customer engagement findings have informed the proposed tariff design responses and regulatory outcomes.

Table 2 – Customer Engagement Tariff Design Responses

Customer Finding	Design Response	Pricing Principle/Regulatory Benefit
Fixture model is inequitable	Fixed-plus-variable tariff with discharge factors	Economic efficiency in use. Cost-reflective pricing; user-pays principle
Discharge proxies risky for complex sites	Transparent discharge factor framework; threshold-based rollout	Transparency. Reduces mis-pricing risk; preserves ability to challenge
Combined Wastewater (fixtures) + LTW reform impact is primary concern	Phased, co-sequenced implementation; cumulative modelling	Gradual Adjustment. Manages distributional risk; maintains business viability
Simplicity needed for transition	Uniform fixed charge as transitional starting position	Simplicity. Customer confidence; lower implementation friction
Bill shock risk high, especially small, medium-size enterprises	Nominally low initial variable rate; fixtures retained during transition	Fair outcome. Cliff-edge impacts avoided; predictable cost path
Wastewater variable charge adverse interaction with Tier 2 water tariff	Flagged for Commission review with any increase in variable charge above the proposed initial nominal level to be considered in parallel with the impact of Tier 2	Economic efficiency in use. Policy coherence

Introduction of Liquid Trade Waste Charges

LTW charging is proposed as a necessary and pragmatic first reform, supporting user pays, delivering fairness, cost-reflectivity, and compliance benefits with manageable customer and implementation impacts, ahead of more complex wastewater tariff changes. The proposed LTW tariff to be introduced is structured across three components:

1. LTW management fixed charges
2. LTW quality mass-based volumetric charges for customers with high-risk industrial wastewater
3. LTW miscellaneous charges for ad-hoc services.

Liquid Trade Waste Management Fixed Charges

LTW management fixed charges are risk-based, aligned with existing approval categories, and simplified to two charging categories, commercial and industrial, with complexity tiers and a two-step process-based structure that reflects reduced marginal effort for each additional process. The fees are set on a cost-recovery basis, to reflect the level of effort required to administer and oversee LTW customers, ensuring charges remain proportionate, transparent, and aligned with established pricing principles.

For commercial LTW customers, the tiers are based on the number of customer processes, with sites assessed as complex when there are more than four processes (aligned with Icon Water's Trade Waste Approval and Compliance Requirements). For industrial LTW customers, the tier is based on the risk the customer's wastewater presents, determined by such factors as volume, load, safety and wastewater systems impact. Non-compliance charges are included within the fixed fee structure to provide a behavioural signal for customers who breach approval conditions.

The design of the fixed fee structure reflects specific engagement findings. Customers broadly accepted the principle of a risk-based fixed management fee as fair and proportionate. However, customers operating complex multi-process sites raised concerns about flat per-process charging, which they argued did not reflect the reduced marginal effort involved in managing each additional process at an already-engaged site. The two-step model for Commercial customers, which applies a lower rate for additional processes, was developed directly in response to this feedback, while Industrial customers' fees are levied on a per-site basis. To recognise the additional effort required to establish the initial LTW agreement the tariff structure also includes a separate establishment fee for all new LTW customer agreements.

Table 3 provides information on the indicative charges proposed for LTW Management Fixed Charges.

Table 3 - Liquid Trade Waste Management Fixed Charges

LTW Charge Category	Commercial		Industrial		Nightsoil
	Tier1	Tier 2	Tier 1	Tier 2	
Establishment Fee *(one-off charge when establishing the customer's initial LTW agreement)*	$388	$620	$1,737	$2,047	$2,016
Annual Agreement Fee *(annual charge to recover such things as inspections, sampling, customer engagement and administration)* - First process - Additional process	$309 $93	$625 $187	$3,947 -	$4,076 -	$931 -
Non-Compliance Fee *(one-off fee per non-compliance)*	$543	$543	$543	$543	-

Liquid Trade Waste Quality Volumetric Mass-Based Charges

Quality mass-based charges apply to customers with high-risk industrial wastewater only, and only for treatable pollutants above domestic thresholds. Adopting a strict cost-reflective approach that avoids any signal that could be read as tacit acceptance of non-compliant loads, no charge is levied for pollutants where Icon Water cannot treat the discharge.

A 3× non-compliance rate applies where LTW acceptance limits are exceeded. The primary purpose of this rate is deterrence to prevent customers from operating near or above acceptance limits, protecting both the network and other customers. Anchored to the cost-reflective base charge and applied in other jurisdictions where a simple transparent rule is preferred over a complex marginal cost curve, it also acknowledges that the marginal cost of treating over-strength waste rises non-linearly once it pushes the system beyond its design envelope.

Critically, the implementation scenario proposes to stage the introduction of the volumetric mass-based charges after the LTW fixed fee framework is established and operational. This sequencing reflects customer feedback about the cumulative effect of fixed and variable LTW charges. Introducing mass-based volumetric charges at the same time as fixed management fees would compound the financial impact on these customers before they have had the opportunity to assess the effect of fixed fees on their overall cost position, or to make further investments in discharge reduction. The staged approach gives industrial customers time to understand the fixed fee framework, stabilise their compliance position, and plan for the additional cost signal that mass-based charging will introduce.

Transition risk mitigation activities such as shadow billing or equivalent methodologies for mass-based charges will be considered from July 2029, 12 months before live billing in July 2030, giving industrial customers real data on their likely volumetric charge exposure before any financial consequences apply. This is the most material customer impact in the proposed LTW reforms, and it warrants the most preparation time. Customers can start characterising and understanding their waste streams better, now, by commencing analytical sampling and monitoring of discharge flows to inform what, if any, pre-treatment investment would be required to offset potential charging impacts.

Table 4 provides information on the treatable pollutants and indicative charges proposed for mass-based quality charging.

Table 4 – Liquid Trade Waste Quality volumetric mass-based charges*

Pollutant	Total Charge ($/kg)	Non-Compliance Rate (3×)
Biological Oxygen Demand (BOD_5)	$1.01	$3.03
Total Suspended Solids (TSS)	$0.42	$1.26
Fats, Oil and Grease (FOG)	$0.66	$1.98
Total Kjeldahl Nitrogen (TKN)	$1.20	$3.60
Total Phosphorus (TP)	$3.52	$10.56

*Quality volumetric mass-based LTW charging thresholds are based on customer LTW agreements

Liquid Trade Waste Miscellaneous Charges

As part of the LTW tariff structure, miscellaneous charges are also proposed to be introduced for ad-hoc services associated with LTW administration, inspection and compliance activities and nightsoil, or tankered waste services. These charges have been set strictly on a cost-recovery basis. This approach ensures that the costs of activities are borne by the customers who generate the need for them, rather than being distributed across the broader customer base. It also aligns with established regulatory principles by maintaining transparency and ensuring that charges remain proportionate and reflective of the actual resources required to deliver these services. These charges have been set on a cost recovery basis and are shown at **Table 5**.

Table 5 - Liquid Trade Waste Miscellaneous charges

Miscellaneous Fee	Charge
Additional Sampling *(To recover analytical and consumables costs associated with additional sampling rounds required above what is included in agreement fees)*	To be charged on a cost recovery basis
Replacement site access card *(Recovers the cost to replace a lost Icon Water issued site access security card)*	
Wastewater maintenance fee *(Recovers the cost to remediate attributable network blockages, e.g. cost of networks crew attending a "call out" to clean sewer)*	
Nightsoil $k/L *(to receive nightsoils, or tankered wastewater that is discharged directly at our LTW receival facility including residential septic effluent, portable toilet wastewater and commercial waste)*	$56.17

Wastewater Tariff Reform

Should the Commission determine that wastewater tariff reform is to be pursued, Icon Water's implementation scenario proposes to transition from the current fixture-based wastewater charging model to a fixed-plus-variable tariff structure from 1 July 2033. The reform directly responds to the customer evidence that the current fixture-based approach is neither equitable nor cost-reflective and aligns with the Commission's pricing principles on economic efficiency, cost-reflectivity and transparency.

The proposed structure has four elements, designed to balance cost-reflectivity with the practical need for a manageable transition.

1. A variable charge based on estimated return-to-sewer volumes uses water consumption combined with a discharge factor (direct metering of wastewater is generally not cost-effective).
2. The variable charge is initially set at a nominally low rate, with existing flushing fixture charges retained alongside it, allowing gradual rebalancing of cost recovery over time.
3. A uniform fixed charge is proposed as a transitional starting position: a meter-size-based fixed charge is more economically efficient and remains Icon Water's preferred longer-term model, but engagement confirmed that customer-specific bill modelling is needed before that approach can be progressed
4. Customers whose wastewater characteristics are broadly residential in nature (estimated at more than 60 per cent of non-residential customers who have discharge volume less than 175 kL/year) will face a fixed charge only, improving simplicity and administrative burden for this large cohort of non-residential customers.

The initial rebalancing proposes to recover approximately $2m (or approximately 6%) of current flushing fixture charge revenue through the new variable charge. This provides a measured starting point that supports transition manageability while establishing the cost-reflective framework. The variable rate would then be rebalanced on an agreed pathway to be determined as part of the final implementation checkpoint in 2032, to provide price certainty to customers (noting any future increase should be considered in parallel with the impact of the Tier 2 water consumption charge on water-intensive businesses – see below discussion). The 50 per cent flushing fixtures concession for community customers such as churches and schools is proposed to be carried over and applied to the new variable charge. Table 6 below shows the indicative 2025/26 charge comparison.

Table 6 – Current and Proposed Wastewater Charges

2025/26 Charges	Current	Proposed
Fixed Service Fee	$617.21	$617.21
Flushing Fixtures Fee	$603.63	$540.00
Variable Discharge Fee	nil	$0.25 /kL

Implementation Scenario

Icon Water's proposed implementation scenario brings together the practical considerations, indicative cost envelope and staged timeline required to introduce the reforms in a way that is workable for customers and deliverable for Icon Water should the Commission agree to pursue them. The staging of reform reflects four categories of dependency: customer readiness, systems capability, data infrastructure, and policy decisions that must be resolved before more complex charging components can commence, particularly for wastewater tariff reform which requires a carefully managed transition.

Implementation Considerations

The shift from fixture-based to variable wastewater charging involves a significant redistribution of costs across the non-residential customer base. The pace of transition must balance the objective of establishing cost-reflective pricing against the risk of unmanageable bill impacts, particularly for customers who are currently undercharged relative to their discharge loads. This concern is compounded when the cumulative effect of LTW and wastewater reform is considered together, an issue that customer engagement identified as the primary concern for most affected businesses, and which underpins the proposed sequencing and the inclusion of a final implementation checkpoint.

LTW related fixed charge functionality can be delivered within Icon Water's current billing systems. However, integration of LTW management systems with the customer management systems is required before LTW variable charges can be introduced. This dependency has shaped the sequencing of LTW charge introductions in the proposed timeline.

Establishing and maintaining accurate discharge factor records for all affected non-residential customers is a significant ongoing operational requirement. Discharge factors must be established before advanced visibility of charges can be provided and billing can commence and will require regular review as customer operations change. This is a continuing program of data management, not a one-off project cost, and the implementation cost allowance must provide for it accordingly. The treatment of multi-tenancy commercial properties, where one meter connection may serve multiple businesses with different discharge profiles, also requires policy decisions on scoping and attribution before billing can be applied. This is a priority design task for the implementation program and must be resolved before wastewater variable charging can commence.

Costs to operationalise the proposed reforms are subject to more detailed implementation planning and solution and service design work which would only proceed once the Commission confirms its decision. Indicative implementation costs are $2m to $6m, predominantly one-off operating expenditure, to be recovered in the next regulatory cycle. Ongoing support costs are estimated at approximately $0.2m to $0.5m per annum. These costs cover system and process implementation, the customer-facing support program, site audits, bespoke modelling assistance, and the communications infrastructure that engagement evidence confirms is essential for a successful transition. To provide early assurance that the scale and drivers of costs are understood and that they align with the Commission's expectations for prudent and efficient expenditure Icon Water could further develop and share a more refined preliminary estimate with the ICRC.

Staged Implementation Timeline

The proposed implementation scenario timeline sequences the two reform workstreams to provide customers with a coordinated and predictable transition, with less complex changes introduced first and

more material changes deferred. Shadow billing, or equivalent methodologies precede each major charge introduction to ensure customers receive clear bill-impact information before charges take effect. Table 7 below sets out the proposed staged implementation pathway including the mid-way checkpoint and the final implementation checkpoint to introduce wastewater charging reforms and establish the future rebalancing price path.

Table 7 – Proposed Tariff Reform Implementation Scenario Timeline

Date	Activity
Feb 2027	Commission Final Decision on tariff review
Jun 2027	Icon Water project commencement — program design and customer engagement
1 Jul 2028	Introduce LTW non-compliance charging (low admin, initially manual).
1 Jul 2029	Introduce LTW fixed-fee charging. Shadow billing/advanced visibility of charges provided for high-risk mass-based LTW charges
Late 2029 / Early 2030	Mid-way checkpoint with Commission — review progress and refine assumptions
1 Jul 2030	Introduce high-risk mass-based LTW charging. Continue wastewater engagement
1 Jul 2032	Final implementation checkpoint and 2033–2038 price proposal outlining proposed future annual rebalancing price-path. Shadow billing/advanced visibility of charges provided for wastewater fixed-plus-variable charges
1 Jul 2033	Wastewater fixed-plus-variable billing commences, followed by annual price-path price rebalancing over 2033–2038 regulatory cycle

Revenue Recovery Risk Considerations

There are revenue recovery risks as new data points for charging are introduced alongside the introduction of variable charges.

Two proposed LTW revenue streams carry more uncertainty than the rest of the framework:

1. non-compliance charges and
2. quality mass-based volumetric charges for customers with high-risk industrial wastewater.

Unlike fixed management fees, both depend on customer responses to new price signals. If the charges improve compliance or reduce discharge loads, recoveries may be lower than forecasts based on current behaviour; if behaviour changes more slowly, recoveries may be higher. Embedding either outcome in a forward price path creates a risk of over or under-recovery in the early years of the framework.

To manage this uncertainty, Icon Water proposes annual ex-post reconciliation for LTW non-compliance and mass-based charge recoveries, rather than relying entirely on forward price paths. Actual recoveries would be compared with benchmark cost recovery targets each year, with any difference addressed in the following year. As the framework matures and customer behaviour becomes better understood, the basis for forward revenue forecasting should improve, and Icon Water proposes that the reconciliation approach be reviewed at the next price determination with a view to transitioning to a conventional forward price path.

A related issue arises for the variable wastewater charge, which is proposed to commence in July 2033 at the start of the next regulatory period. As the charge will commence in the first year of the 2033–38 regulatory period, no historical recovery data will be available to inform the Commission's assessment of the initial forward forecasts for that period. Icon Water considers that an ex-post recovery mechanism

could be incorporated into the 2033–38 price proposal, enabling any material over or under-recovery in the early years of the framework to be transparently addressed as part of the Commission's normal annual pricing review and adjustment process within that regulatory period.

Key Implementation Activities

Should the Commission endorse the reforms set out in this submission, Icon Water proposes to implement the following supporting activities that underpin the implementation approach and have been incorporated in the estimated implementation costs. These supporting activities respond directly to the conditions customers attached to their support for reform and will form the basis of Icon Water's reporting to the Commission at the proposed mid-way checkpoint in late 2029 or early 2030 and at the final implementation checkpoint as part of the 2033–38 price review process.

First, publishing the discharge factor framework to be applied to non-residential customers, and to providing a process for customers to request a review of the discharge factors applied to their operations. This is the single most important condition customers attached to their support for reform, and Icon Water treats it as fundamental to the legitimacy of the charging framework.

Second, providing individual bill impact modelling to affected customers before any charge takes effect. Shadow billing, or advance visibility of prospective charges will allow customers to review projected charges, understand the assumptions applied, and raise issues before charges commence. Aggregate or sector-level modelling is not a substitute for this, and Icon Water's implementation program will be resourced accordingly.

Third, the staged implementation pathway set out in Table 7, including the one-year gap between the introduction of LTW fixed fees and mass-based charges, the nominally low initial wastewater variable rate, and the retention of flushing fixture charges during the transition. Any material change to the staging or pace of reform would require further customer engagement and notification to the Commission.

Fourth, a differentiated support program scaled to customer complexity. For large, complex or customers with high-risk wastewater, this includes site engagement, bespoke modelling assistance and extended access to Icon Water's technical and billing teams during transition periods. For smaller customers with lower-risk wastewater, it means accessible, plain-English information designed to support conversations with business tenants and intermediaries.

Mid-way checkpoint

A formal mid-way checkpoint with the Commission is proposed for late 2029 or early 2030 to provide a measured framework for mid-period assurance. The checkpoint will include an ex-post review of LTW recoveries to assess whether recoveries are tracking as expected and whether any adjustments are warranted in light of actual customer behaviour and system performance. It will also provide updated price modelling reflecting any analysis updates, customer responses and policy decisions made during the initial implementation phase, and a review of the wastewater variable charge recovery to confirm that the fixture rebalancing remains appropriate and consistent with the Commission's intent.

Final Implementation Checkpoint (2033-38 Price Review)

A final implementation checkpoint for wastewater charging reforms will be undertaken as part of the 2033–38 price review process. This checkpoint will confirm that the preconditions for commencing wastewater variable charges have been met, including customer readiness, system performance, discharge factor accuracy and the resolution of any outstanding policy decisions. As part of this checkpoint, the initial variable rate would be confirmed and the agreed pathway for future rebalancing of the variable rate would be established, providing a transparent and structured basis for subsequent adjustments and price certainty for customers.

Questions for Future Reviews

The following issues fall outside the current review scope but have emerged from engagement and analysis as material questions warranting consideration in future regulatory cycles. They are flagged here so that they form part of the formal record and to signal matters that may appropriately be revisited at the final implementation checkpoint or in subsequent price reviews.

Meter-Size-Based Fixed Wastewater Charges

A meter-size-based fixed wastewater charge remains the economically efficient long-term model. Meter size is a practical and defensible proxy for the different infrastructure capacity requirements that different customers impose on the wastewater network: a large industrial customer connected via a 100mm meter necessarily reserves a far greater share of system capacity than a small café operating on a 20mm connection, irrespective of the volume either discharges on any given day. A pricing framework that recognises this structural difference is more cost-reflective, more equitable across the customer base, and more consistent with the user-pays principles underpinning this review (and is consistent with the approaches taken by Sydney Water and Hunter Water).

The uniform fixed charge proposed for this period is intended as a transitional measure. Once customers have had the opportunity to engage with the new framework and individual bill impacts are better understood, a move to meter-size-based charging should be revisited. Icon Water also notes that if a meter-size-based fixed wastewater charge is adopted in a future cycle, there is a logical case for aligning the fixed water supply charge on the same basis, improving overall price coherence and cost-reflectivity across both services.

Review of the Tier 2 Inclining Block Water Tariff

The proposed wastewater variable charge may interact adversely with the ACT's Tier 2 inclining block water tariff, with the combination of the two tariffs potentially creating a stronger cumulative cost signal than either charge alone. This concern is most acute for high water-consuming, low-fixture customers, such as commercial laundries, food processors and some industrial operators, who have already invested to maximise feasible water-conservation measures that the Tier 2 tariff is designed to encourage, and for whom further consumption reductions are operationally constrained. Many comparable jurisdictions have moved away from inclining block structures in favour of more cost-reflective pricing, in part for this reason.

Icon Water considers that any future decision to increase the wastewater variable charge above the proposed initial nominal level should be considered in parallel with the impact of Tier 2 water consumption tariffs on water-intensive businesses, to ensure that the cumulative price signal remains both cost-reflective and equitable.

Extension of Variable Quality Charges to Commercial LTW Customers

The current proposal limits mass-based volumetric charges to customers with high-risk industrial wastewater, reflecting the ACT's LTW discharge profile and the administrative complexity of extending volume-based quality charges more broadly. However, as the framework matures and data on commercial discharge loads improves, there is a sound cost-reflectivity case (as is applied in other jurisdictions) for extending variable quality charges to commercial customers whose discharge loads impose measurable treatment costs. A future review should assess whether the LTW quality charging should be extended to some commercial customers as systems capability and discharge factor accuracy improve.

Compliance Incentive Arrangements for Pre-Treatment Investment

Customers who have invested in pre-treatment infrastructure (e.g. grease traps, pH correction systems, oil interceptors) bear significant upfront capital costs in order to comply with their LTW approval conditions. During engagement, customers frequently raised the question of whether compliance investment should be recognised through reduced charges or formal incentive arrangements. It was noted that for small and emerging businesses in the hospitality and food service sectors, pre-treatment obligations can represent a material barrier to entry before a sufficient revenue base is established.

Icon Water acknowledges that structured compliance incentive schemes, similar to those operating in some other jurisdictions, can reinforce the behaviours the regulatory framework seeks to encourage. However, any mechanism that provides financial recognition for pre-treatment investment would necessarily involve cross-subsidisation between customer groups, raising competitive neutrality concerns and sitting outside the intent of a regulated pricing framework. At this stage, Icon Water considers that questions about recognising compliance-related capital investment are more appropriately addressed through broader small-business or economic development policy settings rather than through regulated service charges. This approach maintains the integrity of the pricing framework while allowing other

policies, where appropriate, to provide targeted support without embedding cross-subsidies in regulated tariffs.

Conclusion

This submission sets out a proposed set of pricing reforms to address how Icon Water recovers the costs of wastewater and liquid trade waste services from non-residential customers. It combines revised pricing proposals, customer engagement findings and a proposed staged implementation scenario while giving effect to Pricing Principles by improving cost-reflectiveness and fairness between customer types. It also ensures that any transition to revised tariffs considers community impacts and is predictable, transparent and implementable should the Commission agree to progress the reforms.

The current fixture-based wastewater model does not adequately reflect the costs imposed by different customer types. The absence of an LTW charging framework means that some costs of managing and regulating LTW and the incremental cost impact of high-strength discharge are not recovered through a dedicated tariff. The proposed LTW reforms are intended to address these issues through more cost-reflective charging arrangements.

This supplementary submission adds customer engagement evidence to Icon Water's initial submission and explains how that evidence has informed the proposed design and our thinking on the proposed implementation scenario. It also identifies broader issues raised through engagement, including the interaction with the Tier 2 tariff, pre-treatment barriers to entry, and the limitations of progressing meter-size-based charging in the current period, noting that these matters are more appropriately considered in future regulatory cycles.

Icon Water acknowledges that the proposed reforms involve trade-offs and that customer impacts will vary. Icon Water has provided a practical phased transition scenario for the Commission’s consideration, with a nominally low initial variable rate, retention of flushing fixture charges during transition, and change management activities that provide customers with advance visibility of prospective charges which are intended to manage those impacts in a transparent and orderly way while moving toward a more cost-reflective tariff structure. To provide customers with price certainty, the final implementation checkpoint would confirm the initial wastewater variable rate and determine the agreed forward rebalancing pathway.

The four supporting activities on discharge factor transparency, customer-specific modelling, phased transition, and tailored implementation support, describe how Icon Water proposes to implement the reforms. Icon Water would report against these activities at the proposed mid-way checkpoint with the Commission and again at the final implementation checkpoint as part of the 2033–38 price review process.

Attachment 2

Review of Wastewater Tariff and Liquid Trade Waste Charging: Customer Research and Engagement Report