



Australian Capital Territory Government



Mr Paul Baxter
Senior Commissioner
Independent Competition and Regulatory Commission
GPO Box 296
Canberra ACT 2601

Dear Paul

**ESCC Response to Report 11 of 2007
Draft Report and Price Determination - Water and Wastewater Price Review**

At the Public Hearing on Thursday 14 February 2008, I indicated that the evidence and opinions which Bill Percy and myself advanced on behalf of the Council were preliminary, and required discussion and confirmation by the Council at its meeting on 19 February 2008.

The Council has discussed Report 11 of 2007 and has agreed to endorse the evidence given to the Commission on 14 February. I would ask you to refer to the transcript for details of the Council's positions.

In broad terms, the Council's evidence covered the following issues:

1. The Council is very concerned about the cumulative impact of price rises, including water, over the past five years. Taken together, price rises for the essentials of housing, utilities, transport, health and food have far outstripped increases in the incomes of low-income households in the ACT.
2. It is essential that the value of the water/wastewater concession be increased and extended to include Health Care Card holders. The Council stresses that the concession should be expressed as a percentage of the total water/wastewater supply fees and not narrowed down to the relatively small amount of the water supply fee. The Council recommends that the concession be set at 100% of the combined water/wastewater supply charges.
3. The Council generally supports the proposed inclining block tariff structure for water, with a relatively small supply fee and a much higher price for water consumption in excess of the price set for an initial "life line" block in the vicinity of 150 – 200 kl of water. The Council recommends that the Commission test some pricing scenarios which further reduce the price of the first block (down from \$1.75), balanced by an increase in the second block (up from \$3.50). In particular, the new pricing should avoid average price increases of 13% - 20% for low consumption customers when the price increase for large customers is 9.18%.
4. The Council does not support the approach of CPI price increase only for a five year period. This could have major price shock effects in five years time and could unfairly shift the burden of increased costs from consumers today to consumers in five years time. The Council agrees with an initial approach of CPI-only for five years, however there must be a mechanism for reopening the price if a significant event occurs which is not included in the stated pass-throughs.

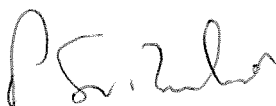
Essential Services Consumer Council (established under Part 11 of the *Utilities Act 2000*)

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5. The Council urges caution in relation to any proposed roll out of smart meters for water. The current proposal for a national roll out of electricity smart meters is in serious trouble (financial and technical) and these problems should be resolved before a roll out is considered for water meters.
6. The Council notes that the Residential Tenancy Act specifies that water and wastewater supply fees must be paid by the lessor; only consumption fees are permitted to be passed through by lessor to tenants. For this reason, there is no need to extend the water/wastewater concession to tenants (who are not "customers" of Actew) as this would benefit lessors and not tenants. In relation to tenants, one important gap in the current arrangements for utility hardship is that tenants who cannot afford to pay for water consumption costs (passed on by the lessor) cannot access the ESCC because there is no direct contractual relationship between Actew and the tenant.

Please contact me if you would like any of these points clarified or expanded,.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Sutherland', written in a cursive style.

Peter Sutherland
Chairperson

5 March 2008