



ICRC

independent competition and regulatory commission

ISSUES PAPER

Regulated water and sewerage services prices 2023–2028

Report 1 of 2022, March 2022



The Independent Competition and Regulatory Commission is a Territory Authority established under the *Independent Competition and Regulatory Commission Act 1997* (the ICRC Act). We are constituted under the ICRC Act by one or more standing commissioners and any associated commissioners appointed for particular purposes. Commissioners are statutory appointments. Joe Dimasi is the current Senior Commissioner who constitutes the Commission and takes direct responsibility for delivery of the outcomes of the Commission.

We have responsibility for a broad range of regulatory and utility administrative matters. We are responsible under the ICRC Act for regulating and advising government about pricing and other matters for monopoly, near-monopoly and ministerially declared regulated industries, and providing advice on competitive neutrality complaints and government-regulated activities. We also have responsibility for arbitrating infrastructure access disputes under the ICRC Act

We are responsible for managing the utility licence framework in the ACT, established under the *Utilities Act 2000* (Utilities Act). We are responsible for the licensing determination process, monitoring licensees' compliance with their legislative and licence obligations and determination of utility industry codes.

Our objectives are set out in section 7 and 19L of the ICRC Act and section 3 of the Utilities Act. In discharging our objectives and functions, we provide independent robust analysis and advice.

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Correspondence or other inquiries may be directed to the Commission at the following address:

Independent Competition and Regulatory Commission
PO Box 161
Civic Square ACT 2608

We may be contacted at the above address, or by telephone on (02) 6205 0799. Our website is at www.icrc.act.gov.au and our email address is icrc@act.gov.au.

How to make a submission

This issues paper tells stakeholders about the price investigation and gives interested people an opportunity to provide feedback and evidence to inform the development of our draft report. It will also make relevant information and issues public and allow us to consider stakeholder views on the issues in making our draft decision.

Submissions on the issues paper close on **Friday 8 April 2022**.

Submissions may be mailed to us at:

Independent Competition and Regulatory Commission
PO Box 161
Civic Square ACT 2608

Alternatively, submissions may be emailed to us at icrc@act.gov.au. We encourage stakeholders to make submissions in either Microsoft Word format or PDF (OCR readable text format – that is, they should be direct conversions from the word-processing program, rather than scanned copies in which the text cannot be searched).

For submissions received from individuals, all personal details (for example, home and email addresses, and telephone and fax numbers) will be removed for privacy reasons before the submissions are published on our website.

We are guided by the principles of openness, transparency, consistency and accountability. Public consultation is a crucial element of our processes. Our preference is that all submissions are treated as public and are published on our website unless the author of the submission indicates clearly that all or part of the submission is confidential and not to be made available publicly. Where confidential material is claimed, we prefer that it is provided as a separate document and clearly marked 'In Confidence'. We will assess the author's claim and discuss appropriate steps to ensure that confidential material is protected while maintaining the principles of openness, transparency, consistency, and accountability. For more information on how to make a submission that contains confidential information and how we treat confidential submissions, please refer our submissions guide at www.icrc.act.gov.au/submissions.

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Summary

We are investigating Icon Water's costs of delivering regulated water and sewerage services to ACT customers so that we can set the prices that will apply over the 5 years from 1 July 2023 to 30 June 2028. Icon Water will prepare a proposal on what it plans to deliver to its customers and the prices it intends to charge over the 5-year period. We will consider Icon Water's proposal during our investigation.

This issues paper explains our investigation process and the issues we will look at and asks ACT water and sewerage customers and the community more broadly to tell us their views, concerns and preferences. This will help us ensure our final decision promotes the delivery of the services that ACT customers and the community want while making sure Icon Water can continue to provide those services into the future.

In this price investigation, we will balance economic, social and environmental considerations, as required by the objectives set for us by the ACT Legislative Assembly.

We will continue to ensure that regulated prices for water and sewerage services reflect only the efficient and prudent costs of providing services and the investments Icon Water needs to make to continue to provide water and sewerage services safely and at the level of quality preferred by ACT customers.

We have identified some issues that we are seeking customer and community views on:

- **Affordability and price stability** over the 5-year period and getting the right balance between the amount customers will have to pay in their bills and making sure Icon Water has enough revenue to deliver the services customers want.
- **Service standards**, what level of investments and maintenance are needed to ensure the quality, safety and reliability of water and sewerage services.
- **Water security**, how much Icon Water should invest in improving the resilience of the water supply network, and appropriately sharing the risks from rainfall fluctuations between Icon Water and its customers.
- How Icon Water is **managing risks from climate change**, such as drought, bushfires or damaging storms, on its ability to deliver safe and reliable services to its customers.

We are also interested in any other relevant issues you would like us to address in our investigation.

The rest of this issues paper gives more detailed information on how we will run our investigation, on each of the issues we have identified, and, for people who are interested, on the technical aspects of our pricing method.

We encourage all interested people to make submissions throughout the investigation process to help us understand community concerns and customer views on Icon's proposal. This issues paper is the first step in our consultation process. After we release our draft decision, we will call for submissions and hold a public hearing to answer questions on our draft decision and hear directly from interested people. We will release our final decision in May 2023.

The closing date for submissions on this issues paper is **8 April 2022**.

1. What is this investigation about?

This investigation will determine the regulated water and sewerage services prices that will apply in the ACT for the period 1 July 2023 to 30 June 2028.

Every five years, Icon Water prepares a regulatory proposal in consultation with its customers and the communities it serves. This submission sets out what Icon Water will deliver to customers and the prices it will charge in return.

Our role at the commission is to scrutinise and challenge Icon Water's pricing proposal to ensure customers pay no more than they need to for safe and reliable water and sewerage services into the future. We will assess the reasonableness of Icon Water's forecasts and the efficiency of its expenditure proposals. If we have concerns about the costs included in Icon Water's pricing proposal, we will ask Icon Water for more detailed information or a clearer business case. We may accept or amend Icon Water's proposal in making our assessment of efficient costs.

We will be encouraging stakeholders to make submissions throughout the investigation process to ensure broader community concerns and customer views are also considered as part of this investigation.

1.1 Background to the investigation

We are the Australian Capital Territory's (ACT) independent economic regulator. We regulate prices, access to infrastructure services and other matters in relation to regulated industries in the ACT.

Icon Water is the monopoly provider of water and sewerage services in the ACT. We set the maximum prices Icon Water can charge for the supply of water and sewerage services. We undertake price investigations for Icon Water under Part 3 of the *Independent Competition and Regulatory Commission Act 1997* (the ICRC Act), and issue price directions under Part 4 of the ICRC Act. The 2018 price direction sets out our methodology for setting the maximum prices that Icon Water can charge for water and sewerage services from 1 July 2018 to 30 June 2023. This price direction will expire on 30 June 2023.

On 10 December 2021, we received terms of reference from the ACT Government to start an investigation into regulated water and sewerage services prices for the next regulatory period. As a result of this investigation, we will determine the amount of revenue Icon Water can earn, and what prices it can charge, over the period 1 July 2023 to 30 June 2028.

1.2 Purpose of the issues paper

We have two reasons for releasing this issues paper. The first is to alert stakeholders that we are undertaking an investigation into regulated water and sewerage prices and set out our approach for the investigation. The second is to inform stakeholders of the key issues we have identified as part of this investigation and seek their input on these issues and any others that they consider relevant.

1.3 Our role and objectives

Our objectives, as set out in section 7 of the ICRC Act, is to promote effective competition in the interests of consumers while facilitating an appropriate balance between economic efficiency, environmental and social considerations.

When making price directions, section 19L of the ICRC Act also requires us to consider the interests of consumers in promoting efficient investment in, and operation of, regulated services into the future. These objectives, as well as the more detailed requirements of section 20 of the ICRC Act, guide our decision making.

We must balance the interests of consumers in receiving reliable services at the lowest price, with the need for Icon Water to earn enough revenue to cover its prudent and efficient costs, as well as provide an appropriate return on investment. In doing this, we consider environmental and social factors, any service quality, reliability and safety standards, and consumers' preferences about the quality of services delivered. The commission's regulatory approach aims to deliver both safe, high-quality utility services and reasonable prices.

Our objectives under sections 7 and 19L of the ICRC Act and the provisions we must consider under section 20(2) of the ICRC Act are provided in Appendix 2.

1.4 Government policy context

There are several ACT government policies and national agreements that are relevant in determining appropriate regulatory arrangements and prices for regulated water and sewerage services.

The ACT Water Strategy 2014–44

The *ACT Water Strategy 2014–44: Striking the balance* (the strategy) sets out the ACT Government's overarching long-term water resources management policy. The strategy is intended to achieve three outcomes, the second of which – a sustainable water supply used efficiently – is of primary interest for the price investigation. Strategy 5, directed to this outcome, is to manage and promote the sustainable use of water. Action 15 under this strategy is to encourage water users to conserve and use water wisely by, among other things, investigating the use of scarcity pricing to promote water use efficiency.

To help achieve the outcome of a sustainable water supply used efficiently, the ACT has schemes in place, including permanent water conservation measures and a temporary water restrictions scheme that can be imposed in times of acute water shortage. The ACT has been under permanent water conservation measures since Stage 2 temporary restrictions were revoked on 31 October 2010.

The ACT Government's overarching planning act, the Territory Plan, also places water quality requirements on developers relating to the control of stormwater and run-off.

National agreements

The ACT is a signatory to the Murray–Darling Basin Agreement, an intergovernmental agreement between Basin jurisdictions (the Australian Government and the Governments of New South Wales, Queensland, South Australia, Victoria and the ACT). The agreement, among other things, sets a long-term cap – or upper

limit – on surface water diversions. This allows the ACT to take out of the ACT watercourses (dams and rivers) a long-term average of 40.5 GL net per year for consumptive use. The net take in the ACT has fallen significantly in recent years to below or around 20 GL per year.

The 2004 National Water Initiative commits the ACT Government to best practice water pricing and institutional arrangements covering economically efficient prices for water infrastructure and water resources.

The 2010 National Water Initiative pricing principles were developed as the basis for setting water prices in all Australian states and territories. The price-setting principles cover various additional aspects of determining prices that are economically efficient, including a tariff structure with a fixed charge and two usage-based charges.

1.5 What do the terms of reference ask us to consider?

The terms of reference (reproduced in Appendix 1) require us to consider the following matters in this investigation:

- the relevant regulatory objectives and requirements as set out in the ICRC Act
- ACT government policies relating to water and sewerage services including the ACT Water Strategy 2014–44 – Striking the balance
- national and intergovernmental water policies and commitments
- continuing to use the current regulatory model, and, where identified, implement improvements to aspects of the methodology, including improvements identified in reviews undertaken in accordance with the reset principles in the current price direction
- appropriate mechanisms to ensure the recovery of the prudent and efficient costs of Icon Water during the regulatory period, while minimising the potential for significant price fluctuations.

As part of our investigation, we must also outline our intended approach to meeting the various regulatory objectives in our decision-making process as outlined in section 3.

We must also identify the incremental impact on prices associated with any changes to the total allowed revenue for Icon Water; any changes to the water demand forecasts used in the regulatory model; and any changes to the structure of Icon Water’s regulated water and sewerage services tariff.

We are required to make a draft report available for public inspection within the period 1 September 2022 to 12 December 2022 and release a final report within the period 1 March 2023 to 1 May 2023.

The terms of reference prescribe a five-year regulatory period from 1 July 2023 to 30 June 2028.

1.6 Investigation timeline

We propose to adopt the timeline set out in Table 1.1.

Table 1.1 Indicative timeline for the water and sewerage services price investigation

Task	Date
Terms of reference signed	9 December 2021
Release of issues paper	1 March 2022
Submissions on issues paper close	8 April 2022
Icon Water pricing proposal submission	July 2022
Draft report and proposed price direction	October 2022
Submissions on draft report close	November 2022
Public hearing	December 2023
Release of final report and price direction	March - May 2023

The closing date for submissions on the issues paper is 8 April 2022. We will consider written submissions received by the closing date in developing our draft report and the proposed price direction. We are required under section 17(4)(b) of the ICRC Act to conduct a public hearing for all price investigations. We intend to conduct a public hearing after we release the draft report.

2. Delivering outcomes valued by consumers

In undertaking our pricing investigations, we balance economic, social and environmental considerations, as required by the objectives set out in our enabling legislation. This involves a trade-off between keeping bills affordable and creating a sustainable future for the water network.

We will continue to ensure that regulated prices for water and sewerage services reflect only efficient and prudent costs needed to provide services into the future.

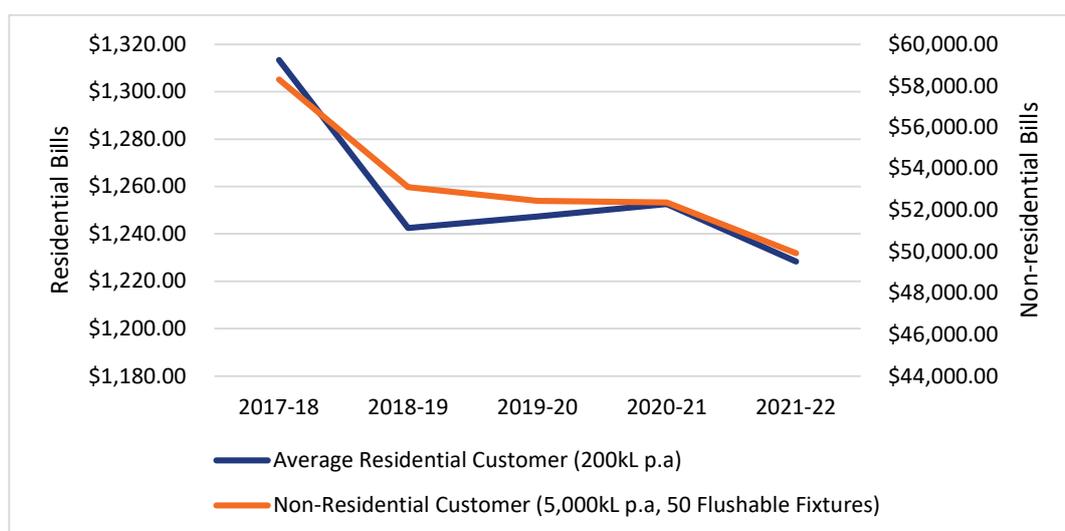
2.1 Affordability and price stability

Icon Water provides essential water and sewerage services to the Canberra community. We understand that Canberra households and businesses are experiencing cost of living pressures, particularly those on lower incomes, and that water and sewerage services must be affordable to consumers.

In our water price reset for the current year (2021–22), we estimated that the average household combined water and sewerage bill in the ACT was \$1,228. Figure 1 shows that in real terms, residential bills have steadily declined from \$1,313 to \$1,228 over the last 5 years. This is also the same for average non-residential bills, which have declined from \$58,314 to \$49,934 over the same period.

Over the past 2 years, the ACT community and businesses have been affected by the COVID-19 pandemic. In a 2020 media release, Icon Water stated that it would freeze combined water and sewerage prices during the 2020–21 period to provide some relief for the community during the public health emergency.

Figure 1. Annual Combined Water and Sewerage Bills (2017-18 – 2021-22, Real 2022 \$)



Source: Annual Water Price Reset reports.

In a submission to our 2020 review of Incentive Mechanisms for Water and Sewerage Services Regulation, both the ACT Civil & Administrative Tribunal (ACAT) and ACT Council of Social Service (ACTCOSS) stated our current form of regulation has been successful in the ACT and has helped drive affordability and service quality for ACT water and sewerage customers.

In this investigation we will consider consumers' preferences, along with their willingness and ability to pay for those levels of service. These will be balanced against price stability and adequate returns to Icon Water as requested by the terms of reference (Appendix 1, section 4.2b).

2.2 Service standards

Water and sewerage services are essential services and maintaining their supply is a key component of Icon Water's role. We will assess Icon Water's maintenance plans, including upgrading or replacing infrastructure, against customer expectations and license obligations, including guaranteed service levels for quality, safety and reliability imposed by the Consumer Protection Code.

We require Icon Water to report annually on its performance and compliance with licence conditions, including the quality of services delivered to consumers, through its Utility Licence Annual Report (ULAR). We monitor Icon Water's performance, and the performance of other utilities, in our annual utilities' performance monitoring report.

This investigation will determine the level of efficient costs that will allow Icon Water to maintain service levels at current standards.

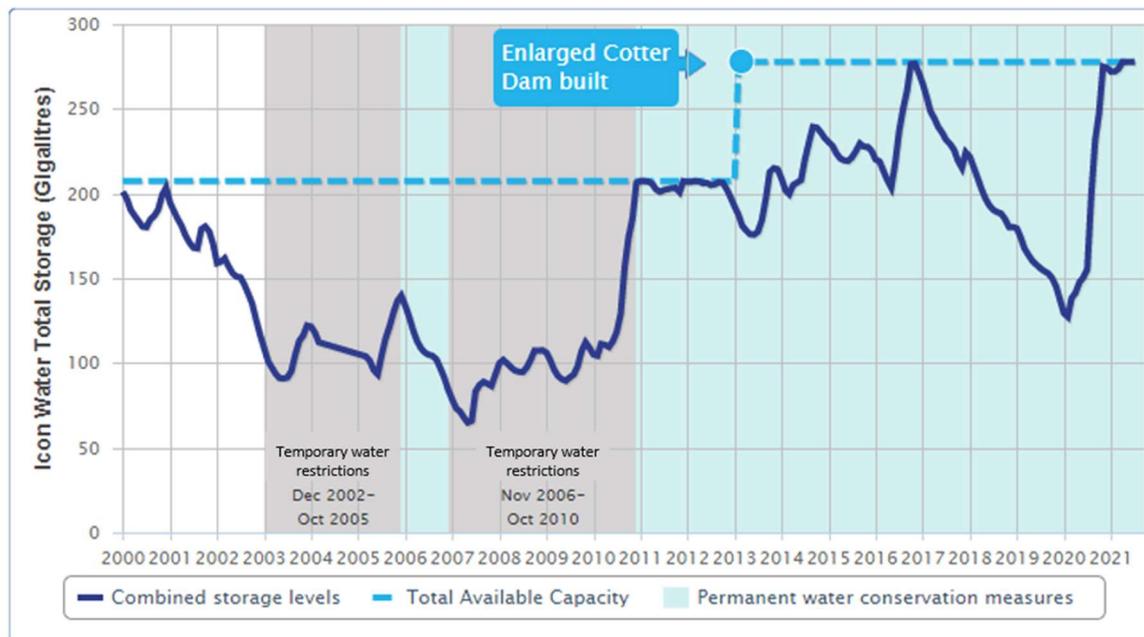
2.3 Water security

Another objective of our regulatory approach is to ensure the long-term stability of the ACT's water supply by ensuring that Icon Water is adequately funded to undertake necessary investments in the water supply network, where it is prudent and efficient.

According to the Bureau of Meteorology, extreme weather events have become more common in recent years. It is important that our water supply system can cope with extreme weather events such as drought, heavy rainfall and temperature extremes into the future.

Figure 2. ACT dam storage levels

Historical storage levels



Source: Icon Water (2021).

Figure 2 shows that the ACT’s dam storage levels have fluctuated in response to extreme weather conditions, such as the prolonged droughts of the mid 2000s and late 2010s and the extreme wet periods of the early and late 2010s. The volatility of water supply highlights the importance of good demand forecasting and regulatory approaches that take it into consideration.

2.4 Managing risks of climate change on Icon Water’s business

We are conscious of the potential impacts of climate change on water supply and demand, and its implications for the water industry. We will review Icon Water’s approach to planning and risk management for climate change and extreme weather events as part of determining Icon Water’s prudent and efficient costs. We need to ensure the continued delivery of sustainable services at the level of quality consumers expect and at the lowest possible price.

In our recent review of demand forecasting methods for water and sewerage services, we decided to use recent climate data to develop future climate scenarios to forecast demand for water. For the upcoming regulatory period we will use the NSW and ACT Regional Climate Modelling (NARCLiM) climate change projections. These projections are widely accepted across the industry and Government and provide climate projections for local areas (including rainfall, temperature and evaporation rates).

Extreme weather events are out of businesses’ control and can impose additional capital and operating expenditure on water and sewerage services providers. Icon Water’s Climate Change Adaption Plan lists a range of potential impacts including:

- Droughts cause tree root incursion into sewerage pipes as they seek moisture, causing chokes and blockages.
- More frequent water main leaks and bursts due to thermal expansion, pipe corrosion or subsidence.
- Heavy rains can cause stormwater incursion into sewers, leading to overflow of sewerage treatment ponds and the flow of partially treated water into river systems. This has negative impacts on local waterways and can also damage infrastructure.
- Bushfires can cause significant damage to Icon Water's infrastructure network, imposing significant repair costs.

Water and sewerage service providers face rising cost pressures resulting from more volatile weather conditions, which will inevitably flow through to customer bills as water and sewerage service providers seek to recover these costs associated with climate.

Question 1

How do we balance the trade-offs between affordability and price stability on one side, and Icon Water's ability to raise enough revenue to maintain service standards, protect water security and manage the impacts of climate change on the other?

Question 2

Are there other issues relating to the price and quality of water and sewerage services supplied by Icon Water that we should consider during the price investigation?

3. Balancing regulatory objectives

The ICRC Act requires us to balance economic efficiency, environmental and social objectives. We acknowledge that there are likely to be trade-offs in balancing these objectives and other objectives set by government policies. To clarify how we intend to take account of the regulatory objectives in our decision-making process, we have established pricing principles. These pricing principles are based on legislative and government policy objectives as well as generally accepted economic and regulatory principles. They also provide the basis for the assessment framework we use in making our final decision on prices for water and sewerage services.

3.1 Our pricing principles

Section 19L in the ICRC Act highlights the importance of all the main aspects of economic efficiency for the long-term interests of consumers in relation to price, quality, safety, reliability and security of the service. This supports our approach to considering economic efficiency as our starting point. However, we will also give careful and transparent consideration of social and environmental impacts.

To help ensure that the final decision is well understood and broadly accepted by the community, we consult extensively with the stakeholders impacted by our decisions. We make our decisions as clear as possible and the reasoning for those decisions as transparent as possible. Our open consultation process helps us understand the views and priorities of consumers and broader community. We recognise that stakeholders need confidence that their input will be considered in our decision-making and that the regulatory process can deliver outcomes that reflect their needs and interests. Our reports explain how stakeholder inputs (such as submissions) were considered and how they informed the outcome of the decision.

Two of the pricing principles relate to simplicity and transparency. These aim to ensure that customers can understand their bills and how they have been calculated, and Icon Water, customers and the ACT community understand how we make regulatory decisions.

The pricing principles are listed in Table 3.1 with more information provided in Appendix 3.

Question 3

We welcome any comments on the pricing principles that we intend to use in addressing and balancing economic, social and environmental objectives.

Table 3.1 Regulatory objectives and pricing principles for water and sewerage tariffs

Objective	
Overarching interpretation	<p>To promote efficient investment in, and efficient operation and use of, regulated services for the long-term interests of consumers in relation to the price, quality, safety, reliability and security of the service.</p> <p>The various aspects of economic efficiency are given emphasis but with the ultimate objective being the long-term interests of consumers. ‘Economic efficiency’ when properly defined encompasses environmental objectives. Consumer interests must take account of equity and other social impacts, as required by the ICRC Act.</p> <p>Economic efficiency considerations related to pricing are a starting point but need to be balanced with environmental and social considerations.</p>
Pricing principle	
1. Economic efficiency in use	<p>Regulated prices should promote the economically efficient use of Icon Water’s water and sewerage services infrastructure and should also encourage economically efficient use of the water resource itself.</p> <p>This includes having regard to uneconomic bypass where water supply is sourced from a higher cost alternative.</p>
2. Economic efficiency for investment and operation	<p>Regulated prices and supporting regulatory arrangements should facilitate the efficient recovery of the prudent and efficient costs of investment and operation.</p> <p>The finance recovery aspect of this principle is often described as ensuring revenue adequacy or financial viability. Costs also need to be efficient, which is primarily dealt with by auditing and incentive-sharing mechanisms.</p>
3. Environmental considerations	<p>Regulated prices and complementary mechanisms should ensure that environmental objectives are effectively accounted for.</p>
4. Community impact – gradual adjustment	<p>Any change to prices or other regulatory arrangements that will have substantial consumer impacts should be phased in over a transition period to allow reasonable time for consumers to adjust to the change.</p>
5. Community impact – fair outcomes for low-income households	<p>Adverse impacts on households with low incomes need to be limited or moderated by phasing and other compensating mechanisms or limits on changes to regulated prices or other regulatory arrangements.</p>
6. Regulatory governance – simplicity	<p>Regulated prices and their form should be simple for consumers to understand and straightforward for the utility to implement.</p>
7. Regulatory governance – transparency	<p>Regulated prices should be set using a transparent methodology and be subject to public consultation and scrutiny.</p>

4. How we set prices for water and sewerage services

To set prices, we first determine how much revenue Icon Water will need to recover its prudent and efficient costs of providing water and sewerage services to the ACT community. We then set prices for individual water and sewerage services, so Icon Water can raise the allowed revenue. This section discusses how we determine Icon Water's revenue requirement and how we set the prices.

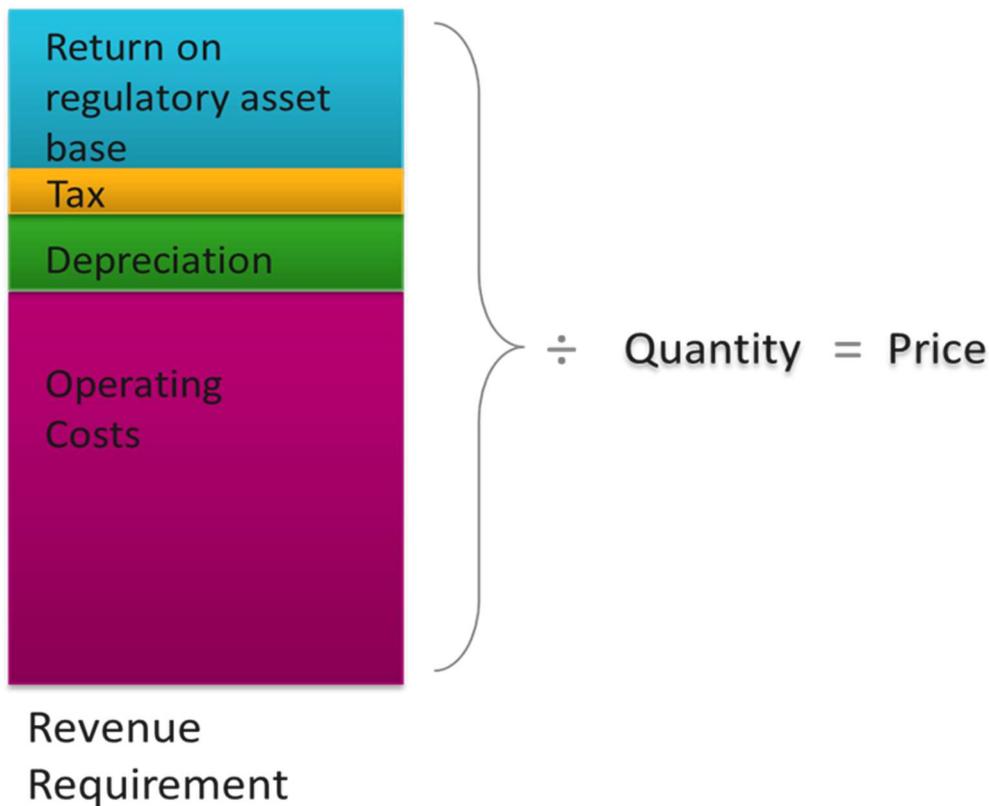
4.1 Building blocks of Icon Water's revenue requirement

Icon Water incurs a range of costs to provide water and sewerage services. We use a 'building block' approach to determine the appropriate costs that Icon Water can recover from its customers in a regulatory period. It is the most widely used approach in Australia for determining the allowable revenue a utility business may recover through prices.

Under the building block approach, Icon Water's total allowed revenue is the sum of the following cost components (or building blocks):

- **Operating expenditure:** These are the costs of operating and maintaining the ACT's water and sewerage system, including salaries and administration costs.
- Contribution to the cost of capital investments made over time, which comprises:
 - **Return on the regulatory asset base:** Shareholders and lenders that finance Icon Water's business expect a commercial return on their funds (equity and debt). The size of this return depends on the value of Icon Water's water and sewerage assets such as dams, pipelines and treatment plants (referred to as regulatory asset base or RAB) and the rate of return allowance that we set.
 - **Depreciation** (a return 'of' the assets that Icon Water uses to provide its services): Icon Water earns revenue to cover its prudent and efficient costs each year, but this revenue does not include the full cost of investment in new assets made during the year. Icon Water's assets (such as dams and pipelines) have a long life, so investment costs are recovered over the economic life of the assets, which may be several decades. The depreciation allowance that Icon Water recovers each year reflects the reduction in the value of its assets each year caused by 'wear and tear'.
- An allowance for the **tax** Icon Water will pay.

Figure 3. Simplified building blocks methodology



Expenditure is only included in calculating the revenue requirement when it is deemed both prudent and efficient. We define prudent and efficient as:

- Prudent expenditure: Whether the project, program or activity would reasonably be expected of a utility operating in the circumstances that apply. Evidence considered for prudence includes substantiation of the benefits of and the need for the project, program or activity.
- Efficient expenditure: Whether the project, program or activity is delivered or proposed to be delivered with the best value for money. Evidence considered for efficiency includes exploration of alternative delivery options, assessment of lowest cost over the life cycle, and the 'deliverability' of the proposed project, program or activity.

Service standards, licence obligations and legislative requirements imposed on business operations underpin operating expenditure and capital investment decisions.

4.2 Our proposed approach to reviewing Icon Water's capital and operating expenditure

To determine Icon Water's revenue requirement, we will examine capital expenditure incurred by Icon Water in the period 1 July 2018 to 30 June 2023, and its forecast capital and operating expenditures for the period 1 July 2023 to 30 June 2028. The first process ensures only prudent and efficient expenditure is

added to the regulatory asset base. The second process determines the prudent and efficient costs (capital and operating) to be included in the revenue requirement for the next regulatory period.

We will engage an independent engineering consultant to undertake a detailed review of Icon Water's operating and capital expenditure. We may rely on the consultant's analysis and any revisions it may recommend to Icon Water's expenditure proposals in determining expenditure allowances for Icon Water.

Capital expenditure for the period 1 July 2023 to 30 June 2028

In forming a view on the prudence and efficiency of Icon Water's capital expenditure forecast, we will assess capital expenditure drivers for Icon Water's business. Capital expenditures may be required to meet legal or regulatory obligations, new growth, renewal of existing infrastructure or an increase in the reliability or quality of services desired by customers.

We will assess underlying business cases and supporting documents for Icon Water's proposed capital expenditure programs and projects, including internal reviews of project appropriateness, options analysis, cost estimates, capital prioritisation and risk assessment results. Once we have approved a capital expenditure allowance, it is up to Icon Water to prioritise its investment program and determine which capital programs or projects it invests in. This gives Icon Water flexibility to change its investment program or reprioritise projects during the 5-year regulatory period, depending on circumstances at the time and its customers' needs and preferences.

Operating expenditure for the period 1 July 2023 to 30 June 2028

Operating expenditure is largely recurrent. Therefore, we can use the actual operating expenditure spent in one year of the regulatory period to forecast Icon Water's needs for the next regulatory period. We refer to this year as the 'base year'. Typically, this is the most recent year for which full annual costs are available and is most representative of the current regulatory and operating environment. We may adjust the base year expenditure if Icon Water or we identify 'one-off' costs that are not typical of its ongoing operating expenditure.

We will use our assessment techniques to determine whether the base year is efficient. If our assessment shows that the base year expenditure is not efficient, we will adjust it to an appropriate amount. Once the base year is set, we apply a rate of change to account for expected changes in efficiency and input costs that may occur over the regulatory period.

Corporate services agreement

Icon Water outsources some corporate functions to ActewAGL Distribution under the Corporate Services Agreement (CSA). The CSA is a contract between Icon Distribution Investments Limited and ActewAGL Distribution. The CSA is scheduled for expiry on 30 June 2023 – the final day of the current regulatory period.

The CSA defines services that ActewAGL Distribution provides to Icon Water for an annual fee and any additional requested services at additional fees. The services include accounts payable, business systems, Oracle support, property and security, human resources, networks, regulatory affairs and pricing, treasury, tax, accounting, procurement, internal audit, legal services, records management, publications, risk management, environment, health, safety and quality.

Icon Water has been reviewing the CSA and the services provided under it during the current regulatory period. We expect Icon Water will give us the outcomes of its review as part of its regulatory proposal. This should include evidence that the provision of services has been market tested through a competitive tendering arrangement and that the decision-making process included a robust assessment of various outsourcing and insourcing options to ensure value for money for Icon Water's customers.

4.3 Our method for setting the return on capital

We calculate the allowed return on capital each year by multiplying the regulatory asset base (RAB) by the rate of return. The shareholders and lenders that fund Icon Water's assets must be paid a commercial return on their investment. As Icon Water holds large high-value capital assets in its RAB (such as dams and pipelines), the return on capital accounts for around 25 per cent of Icon Water's total revenue.

The rate of return is an estimate of the cost of funds required by Icon Water to attract investment in the business. To estimate this cost, we consider the cost of the two sources of funding for investments – equity and debt. The return that Icon Water's shareholders require on their investments is known as the return on equity. The interest rate that a business pays on its borrowings from banks and other lenders is known as the return on debt. The combination of the estimated return on equity and the return on debt, weighted by the estimated shares of equity and debt for the business, comprises the 'weighted average cost of capital' (WACC). For regulatory decision making, the WACC is a common method to determine the rate of return.

The rate of return is a significant driver of Icon Water's revenue and water bills paid by customers. A one percentage point increase in the rate of return for Icon Water would increase its revenues by around eight per cent. During 2021, we reviewed our methodology for determining Icon Water's WACC. Our final decision largely leaves our approach unchanged and improved some aspects of our method. We intend to apply the improved approach in estimating the WACC for this price investigation. We will determine actual parameter values for the return on equity and return on debt.

We did not consider the value of imputation credits during our review of methodology for determining the WACC because it is not an input parameter for calculating the WACC. Icon Water stated that it would submit its views on the value of imputation credits during this investigation. We will consider submissions from Icon Water and other stakeholders on imputation credits in this investigation.

4.4 How we convert the revenue requirement into prices

As discussed in section 4.1, we use a 'building block' approach to determine the prudent and efficient costs that Icon Water can recover from its customers in a regulatory period. This total allowed revenue is then divided by the forecast demand for each service, which includes estimates of future water usage and expected number of water and sewerage service connections, to derive a price for each service.

To forecast demand, we use a model to forecast total water releases from Icon Water's four dams (Corin Dam, Bendora Dam, Cotter Dam and Googong Dam). The model forecasts daily dam releases for four separate future climate scenarios (driest, dry, medium and wet). The different climate scenarios have different rainfall and evaporation assumptions. We take the average of the forecasts for these four climate scenarios and aggregate them over the regulatory period to obtain the total dam release forecast.

We recently completed a review into our demand forecasting methodology, which recommended retaining our existing methodology while updating datasets to ensure we are using the latest available data.

4.5 How we manage business uncertainty and unforeseen events

Unexpected changes in costs may arise during the regulatory period that are out of the control of Icon Water. We call such costs non-controllable expenditure.

Icon Water bears the consequences of changes in costs it can control. This provides Icon Water with incentives to carefully manage its costs and spending. However, where costs are not within the control of a business, regulators typically allow for some costs to be passed onto consumers.

Our current price direction for the 2018-2022 regulatory period has provisions to allow Icon Water to recover costs associated with the following:

- **Inflation (CPI):** changes to inflation are included in the annual price reset to allow Icon Water to recover its costs in 'real' terms. Icon Water's revenue will be higher if inflation is higher than expected and lower if inflation is lower than expected.
- **Trailing average cost of debt:** the interest rate that a benchmark firm would pay on its debt changes with changes in capital markets and is adjusted annually to reflect these changes in the cost of debt.
- **Pass through events:** these are seven events set out in our price direction that allow Icon Water to recover costs, or repay revenue, predominantly relating to charges associated with Government policies.

We apply these adjustment mechanisms at the time of annual price reset.

The current regulatory model also includes a price variation trigger event mechanism that can be activated if one of the following unforeseen events occurs and it satisfies the materiality threshold:

- a significant change in Icon Water's financial or corporate structure
- major damage to infrastructure
- a major natural disaster
- a major unforeseen or force majeure event
- an act of terrorism.

Question 4

Do you have any comments on our proposed approach to assessing Icon Water's revenue requirement for the next regulatory period?

Question 5

Do you have any comments on our proposed process for reviewing the prudence and efficiency of capital and operating expenditure proposed by Icon Water?

5. How we encourage efficient use and operation of water and sewerage services

Section 20A(1) of the ICRC Act requires that a form of price control is applied to regulated services. The choice between different forms of price control affects how demand risks are allocated between consumers and Icon Water, how prices are allowed to vary within the regulatory period, and incentives for Icon Water to encourage efficient utilisation of its assets.

In addition to the price control, we apply a range of complementary incentive mechanisms. Under these arrangements, Icon Water can earn higher profits during the regulatory period when it spends less than the approved forecasts due to improved efficiencies. Icon Water's customers benefit from these efficiencies in subsequent regulatory periods.

In our review of incentive mechanisms, we confirmed the form of control and the incentive mechanisms that will apply to Icon Water in the next regulatory period. The purpose of the review was to ensure that our approach to determining water and sewerage prices provide appropriate and effective incentives for Icon Water to operate efficiently.

This chapter discusses how we structure prices to promote economically efficient use of Icon Water's water and sewerage services infrastructure.

5.1 How demand risk is shared between Icon Water and the ACT community

We decided to continue regulating Icon Water using a hybrid price and revenue cap with a demand volatility adjustment mechanism known as a 'deadband'.¹

This form of control involves us setting prices for individual water and sewerage services, as well as approving the forecast demand and water sales revenue that Icon Water can recover over the five-year regulatory period. The actual revenue recovered by Icon Water depends on the level of water demand. Actual demand may differ from forecast demand, which means that Icon Water will recover more revenue when demand is higher than forecast and less revenue when demand is lower than forecast. However, we limit the amount of excess revenue or shortfall through the deadband mechanism.

We assess whether Icon Water's revenue from water sales over the period has met, exceeded or fallen short of the revenue allowance. If Icon Water's water sales revenue differs from the revenue allowance by more than plus or minus six per cent, we will allow a revenue adjustment for the difference above or below

¹ Where water sales revenue is more than six per cent higher than forecast, Icon Water is allowed to benefit from higher revenue and profits up to the six per cent 'deadband' and customers would benefit during the next regulatory period from any variation above the six per cent 'deadband' through lower prices.

the six per cent threshold. The revenue adjustment will be returned to (or recovered from) customers in the following regulatory period. The 'deadband' essentially shares demand risk—that is, the risk of water usage being lower or higher than what was forecast—between Icon Water and its customers.

We consider that the 'deadband' appropriately allocates demand risk by:

- Requiring Icon Water to manage the revenue impacts of reductions in demand of up to six per cent below forecast revenue by identifying and implementing efficiency improvements, reducing variable costs, providing information to customers on water saving measures, and earning lower than expected profits, and noting that the return on its capital investments includes an allowance for business risk.
- Requiring customers to share larger risks that would affect the long-term financial sustainability of Icon Water and its ability to continue to deliver water and sewerage services in the future (that is, where demand is more than six per cent lower than forecast demand).

Our hybrid form of control gives Icon Water incentives to carefully plan for and manage the risk of lower water consumption. The 'deadband' approach increases Icon Water's incentives to invest in better understanding the factors driving customer usage and the growth in connections so that it can more accurately forecast and manage demand. At the same time, we have recognised the difficulties of accurately forecasting water inflows (and rainfall) and have therefore limited Icon Water's exposure to demand risk by setting the 'deadband' threshold.

Our final decision on incentive mechanisms noted Icon Water's submission that there may be a case in future regulatory periods to revisit the 'deadband' threshold value of six per cent in the form of price control and its concerns about uneconomic bypass. We consider any submissions from Icon Water on the deadband mechanism given to us during the price investigation. We will also consider any submissions from other stakeholders.

5.2 How we encourage Icon Water to achieve cost efficiencies

Operating expenditure incentive mechanisms

As discussed in section 4.2, we determine Icon Water's operating expenditure allowance after a detailed review of its forecast expenditure and assessing it for efficiency and prudence. The review is known as a 'base-step-trend review' and includes the following steps:

- Base – establishes a base year operating expenditure and adjusts the base year to remove non-recurrent costs.
- Step – adjusts the base year to reflect efficient step changes in costs from new obligations.
- Trend – adjusts for expected changes in efficiency and input costs that may occur over the regulatory period.

As part of the 'base-step-trend review', we use assumptions for how these efficient costs may change over the regulatory period. Efficiency improvements are expected over time due to changes in technology, economies of scale as customer growth occurs, and improvements in how the business operates (such as efficiencies in business processes).

This approach gives Icon Water incentives to achieve cost efficiencies. This is because, if Icon Water is unable to achieve the efficient level of approved operating expenditure, its profits will be lower (a result of having higher operating costs). But, if Icon Water can do better than the efficient level of costs and deliver services with lower operating costs, Icon Water will increase its profits in the regulatory period. In future regulatory periods, Icon Water's customers benefit from this approach as these efficiency gains flow through to customers in the form of lower prices.

Capital expenditure incentive mechanisms

As discussed in section 4.2, we review the prudence and efficiency of Icon Water's proposed and actual capital expenditure over the previous regulatory period.

Specifically:

- At the beginning of the regulatory period, following a prudence and efficiency assessment, we approve a proposed capital expenditure allowance by Icon Water to be included in the regulatory asset base. Icon Water earns a return on and a return of this capital allowance.
- During the assessment for the next regulatory period, we review the actual capital expenditure incurred by Icon Water over the current regulatory period for its prudence and efficiency. We use the findings from this review in determining the value of the regulatory asset base for the next regulatory period.

As a result of these reviews, Icon Water has incentives over the regulatory period to find capital expenditure efficiencies. This is because Icon Water earns a return on and depreciation of the capital expenditure allowance rather than on its actual capital expenditure during the regulatory period. If Icon Water finds efficiencies in its capital program and spends less than the allowance, it will gain from those efficiencies.

Service standards

We require Icon Water to deliver services to certain guaranteed service levels imposed through the Consumer Protection Code. Rebates are payable when Icon Water does not meet these service levels. Paying rebates gives Icon Water incentives to meet the standards and recognises that, in some instances, certain customers did not receive services at the expected level of quality, safety or reliability.

5.3 How we structure prices to encourage efficient use of water

ACT consumers pay an annual fixed supply charge, and a lower price (Tier 1) for the first 200 kilolitres (kL) of water use and a higher price (Tier 2) for water use above that level.

The water tariff structure balances multiple objectives including incentivising customers to use water efficiently, ensuring that some amount of water is available at a lower charge to meet essential needs, and giving Icon Water the ability to recover its efficient costs.

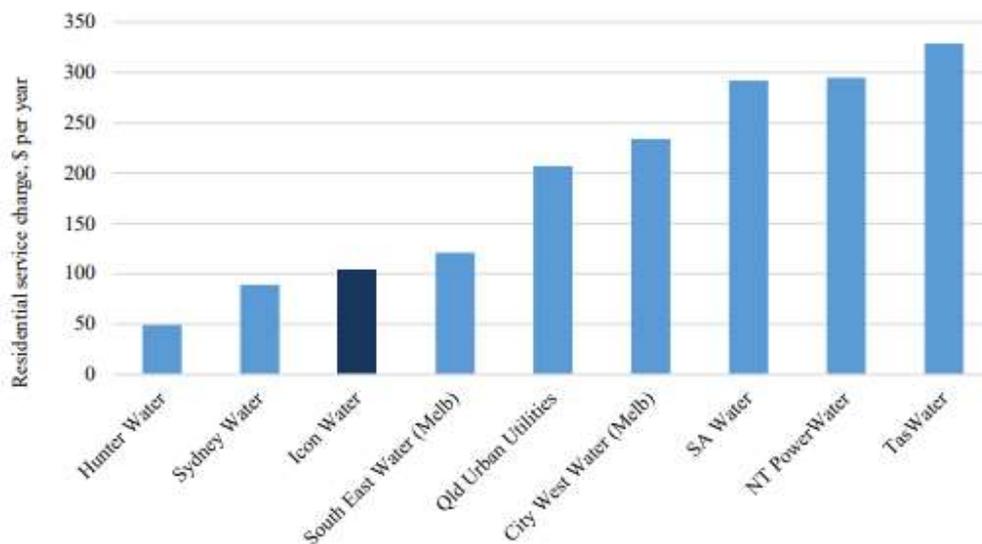
We completed a detailed review of the water tariff structure in 2017. During the 2018 water price investigation, we retained the structure but rebalanced its components by gradually increasing the fixed

supply charge (\$20 per year), which had the effect of proportionally reducing the two usage-based charges. To arrive at this decision, we considered the following factors:

- the ACT was more water secure because of increased storage capacity due to the enlarged Cotter Dam and lower average water consumption
- the two usage-based charges were the highest in the country and the fixed supply charge was one of the lowest (Figure 4)
- the increase in the fixed supply charge would better align the water tariff structure with Icon Water’s cost structure, which is predominantly made of fixed costs.

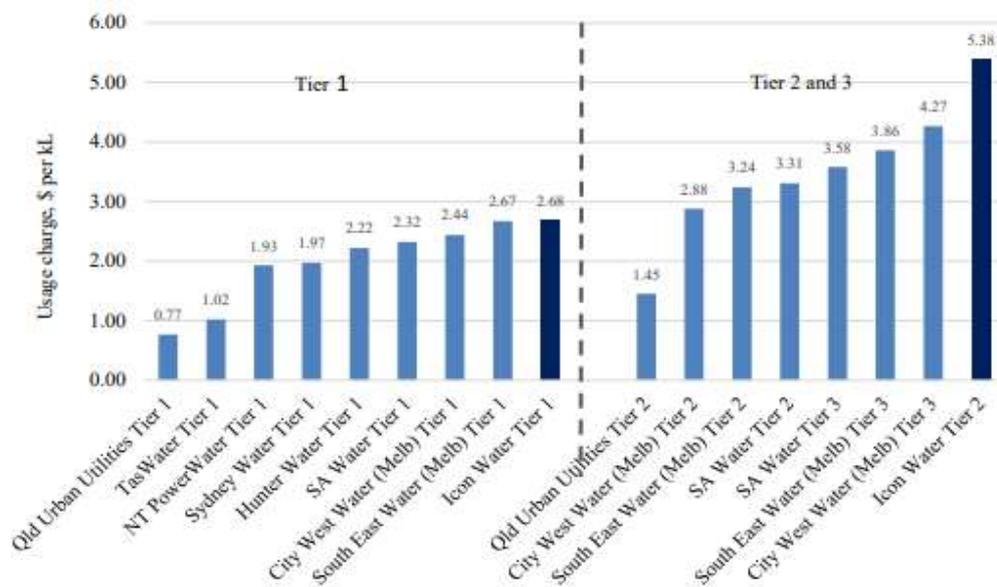
The below figures show a comparison of the ACT’s water charges with the other Australian water utilities in 2018.

Figure 4. ACT fixed charge among lowest in 2017–18 (\$ per year)



Sources: Hunter Water (2017); Sydney Water (2017); Icon Water (2017b); ESC (2017a); Queensland Urban Utilities (2017); SA Water (2017); NT PowerWater (2017); and TasWater (2015).

Figure 5. ACT usage-based charges are highest in 2017–18 (\$ per year)



Sources: Hunter Water (2017); Sydney Water (2017); Icon Water (2017b); ESC (2017a); Queensland Urban Utilities (2017); SA Water (2017); NT PowerWater (2017); and TasWater (2015).

Tariff rebalancing efforts in the 2018–23 regulatory period have brought the ACT’s tier 1 and fixed charges in line with charges in other jurisdictions. But the tier 2 charge remains the highest in the country. The sharp drop in the dam storage level in 2019-20 shows the ACT water supply is susceptible to extreme weather events. Also, as an inland territory, the ACT does not have the supply option of desalination that coastal cities in Australia have. Therefore, it is important that our tariff structure promotes the efficient use of water by ACT consumers and recognises the water supply circumstances of the ACT.

The below figures compare the ACT’s water charges with the other Australian water utilities now.

Figure 6. Australian utilities’ fixed supply water charge, 2021–22 (\$ per year)

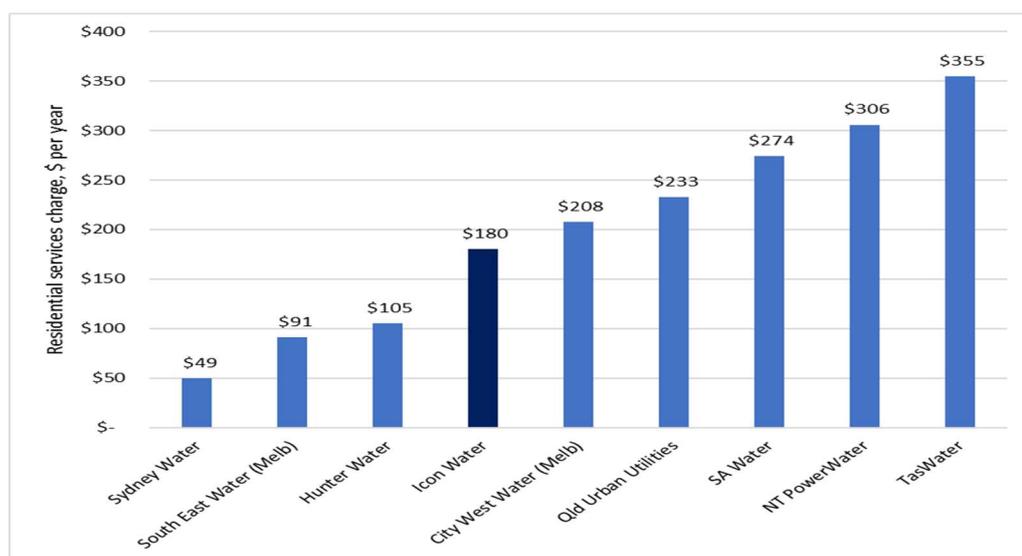
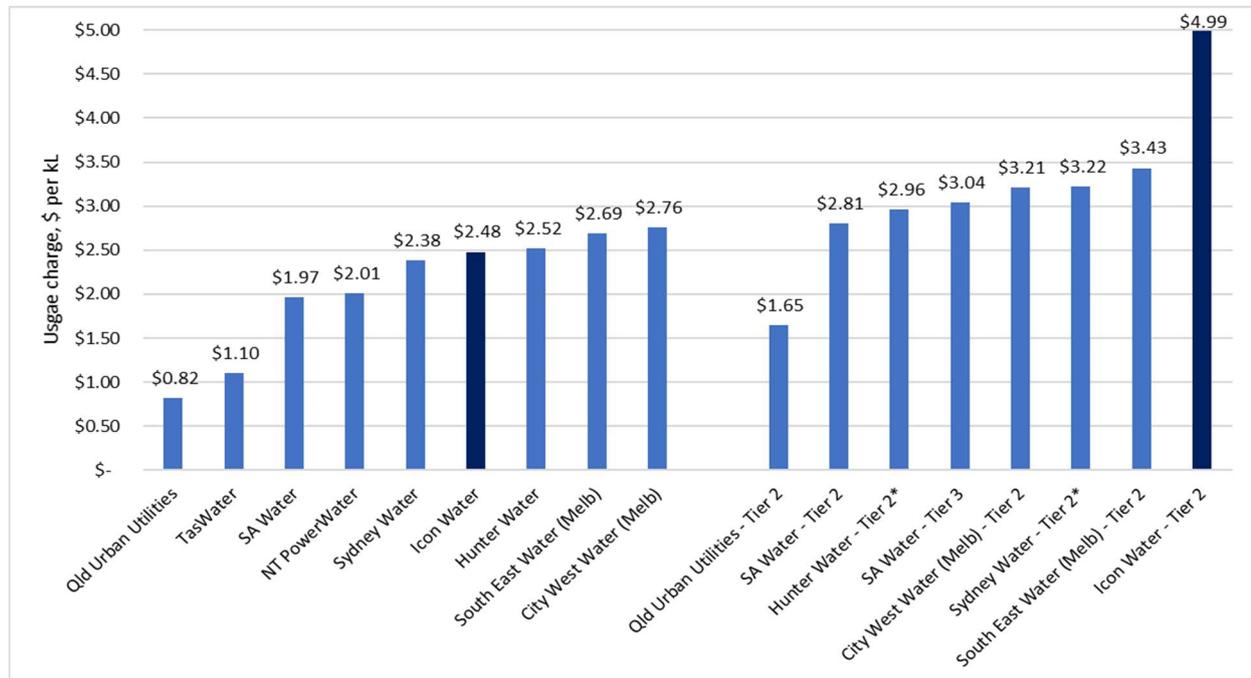


Figure 7. Australian utilities' water tariff tiers, 2021–22 (\$ per kL)



Sources: City West Water (2021), Hunter Water (2021), ICRC (2021), PowerWater (2021), Urban Utilities (2021), SA Water (2021), South East Water (2021), Sydney Water (2021); and TasWater (2021)

Note: * NSW water providers' drought prices are denoted as tier 2 prices (Hunter Water and Sydney Water)

Question 6

Do you consider the current water tariff structure remains appropriate or is there scope for further rebalancing?

6. Consolidated list of questions

1. How do we balance the trade-offs between affordability and price stability on one side, and Icon Water's ability to raise enough revenue to maintain service standards, protect water security and manage the impacts of climate change on the other?
2. Are there other issues relating to the price and quality of water and sewerage services supplied by Icon Water that we should consider during the price investigation?
3. We welcome any comments on the pricing principles that we intend to use in addressing and balancing economic, social and environmental objectives.
4. Do you have any comments on our proposed approach to assessing Icon Water's revenue requirement for the next regulatory period?
5. Do you have any comments on our proposed process for reviewing the prudence and efficiency of capital and operating expenditure proposed by Icon Water?
6. Do you consider the current water tariff structure remains appropriate or is there scope for further rebalancing?

Appendix 1 Terms of reference

Independent Competition and Regulatory Commission (Regulated Water and Sewerage Services) Terms of Reference Determination 2021

Disallowable instrument DI2021-

made under the

Independent Competition and Regulatory Commission Act 1997,
s 15 (Nature of industry references) and s 16 (Terms of industry references).

1 Name of instrument

This instrument is the *Independent Competition and Regulatory Commission (Regulated Water and Sewerage Services) Terms of Reference Determination 2021*.

2 Commencement

This instrument commences on the day after it is notified.

3 Reference for investigation under s 15

Pursuant to subsection 15 (1) (a) of the Act, I refer to the Independent Competition and Regulatory Commission (the 'Commission') the matter of an investigation into, and the making of a price direction for regulated water and sewerage services provided by Icon Water Limited.

The price direction will be for the period of 1 July 2023 to 30 June 2028.

4 Terms of Reference for investigation under s 16

1. The Commission must consider:

- a. the objectives of the Commission outlined within section 7 of the Act;
- b. the objective related to price directions outlined in section 19L of the Act;
- c. the legislative requirements outlined in section 20 (2) of the Act;
- d. the policies of the ACT Government as they relate to the supply and use of water and sewerage services, including the *ACT Water Strategy - Striking the Balance 2014-2044*;
- e. the National Water Initiative, Murray-Darling Basin Plan commitments

and associated policies and agreements; and

f. any other matters considered to be directly relevant to the pricing investigation.

2. The Commission should consider:

a. continuing to use the current regulatory model, and, where identified, implement improvements to aspects of the methodology, including improvements identified in reviews undertaken in accordance with the reset principles in clause 13 of the Price Direction for Regulated Water and Sewerage Services 1 July 2018 to 30 June 2023; and

b. minimising the potential for significant price fluctuations during the regulatory period, while ensuring the recovery of the prudent and efficient costs of Icon Water Limited.

3. As part of its investigation, the Commission should outline its intended approach to achieving its various regulatory objectives within its decision making process.

4. The Commission should identify, in the draft and final reports of the investigation, the incremental impact on prices associated with:

a. any changes to the total allowed revenue for Icon Water Limited;

b. any changes to the water demand forecasts used in the regulatory model; and

c. any changes to the structure of Icon Water Limited's regulated water and sewerage services tariffs.

5. In accordance with subsection 16 (2) (d) of the Act, the Commission must make available a draft report for public inspection within the period of 1 September 2022 to 12 December 2022.

6. In accordance with subsection 16 (2) (a) of the Act, the Commission must submit its final report to the referring authority within the period of 1 March 2023 to 1 May 2023.



Andrew Barr MLA
Treasurer
9 December 2021

Appendix 2: Our roles and objectives

Under the ICRC Act, we have the following objectives as set out in sections 7 and 19L of the ICRC Act (box 1.1).

Box 1.1 Sections 7 and 19L: Commission objectives

Section 7:

- (a) to promote effective competition in the interests of consumers;
- (b) to facilitate an appropriate balance between efficiency and environmental and social considerations;
- (c) to ensure non-discriminatory access to monopoly and near-monopoly infrastructure.

Section 19L:

To promote the efficient investment in, and efficient operation and use of regulated services for the long-term interests of consumers in relation to the price, quality, safety, reliability and security of the service.

When making a price direction, in addition to the terms of reference and legislative objectives, we need to consider the provisions set out in section 20(2) of the ICRC Act (box 1.2).

Box 1.2 Section 20(2): Commission's considerations

- (a) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies (including policies relating to the level or structure of prices for services) and standard of regulated services; and
- (b) standards of quality, reliability and safety of the regulated services; and
- (c) the need for greater efficiency in the provision of regulated services to reduce costs to consumers and taxpayers; and
- (d) an appropriate rate of return on any investment in the regulated industry; and
- (e) the cost of providing the regulated services; and
- (f) the principles of ecologically sustainable development mentioned in subsection (5);
- (g) the social impacts of the decision; and
- (h) considerations of demand management and least cost planning; and
- (i) the borrowing, capital and cash flow requirements of people providing regulated services and the need to renew or increase relevant assets in the regulated industry; and
- (j) the effect on general price inflation over the medium term; and
- (k) any arrangements that a person providing regulated services has entered into for the exercise of its functions by some other person.

Appendix 3: Explanation of pricing principles

An explanation of the principles

Pricing principle 1: Economic efficiency in use

Regulated prices should promote the economically efficient use of Icon Water's water and sewerage services infrastructure and should also encourage economically efficient use of the water resource itself.

Regulated prices should provide a price signal to customers about the efficient costs of providing the services and recognise water supply circumstances in the ACT.

In addition, this principle means that regulated prices should be set having regard to a risk of uneconomic bypass. In uneconomic bypass a large user can gain access to an alternative source of water supply and bypass the main water network at a net cost to all other users. This is due to higher social or environmental cost associated with this alternative source of supply than the efficient costs of the regulated utility.

Pricing principle 2: Economic efficiency 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.

This principle covers two aspects of economic efficiency.

First, overall revenue needs to be sufficient to finance the efficient costs of operation and investment. If this is not the case, a regulated utility may not be able to attract sufficient funds to invest in maintaining, upgrading, renewing and replacing its assets. This could have a major adverse impact on services. The finance recovery aspect of the principle is often described as ensuring revenue adequacy or financial viability.

Second, the cost of investment and operations expenditure needs to be prudent and efficient, as defined here:

- Prudent expenditure. Whether the project, program or activity would reasonably be expected of a utility operating in the circumstances that apply. Evidence considered for prudence includes substantiation of the benefits of and the need for the project, program or activity.
- Efficient expenditure. Whether the project, program or activity is delivered or proposed to be delivered with the best value for money. Evidence considered for efficiency includes exploration of alternative delivery options, assessment of lowest cost over the life cycle, and the 'deliverability' of the proposed project, program or activity.

We use expenditure reviews and incentive mechanisms as the main means of meeting this objective. However, the tariff structure and the form of regulation (in particular, the extent to which revenues are guaranteed) can also affect these aspects of economic efficiency.

Pricing principle 3: Environmental considerations

Regulated prices and complementary mechanisms should ensure that environmental objectives are effectively accounted for.

Environmental objectives are typically imposed by specific legislated and government policy requirements. This includes giving priority to designated environmental flows and various permanent and temporary water conservation measures or restrictions. Therefore, regulated prices can reflect some costs associated with consideration of environmental impacts.

Pricing principle 4: Community impact – gradual adjustment

Any change to prices or other regulatory arrangements that will have substantial consumer impacts should be phased in over a transition period to allow reasonable time for consumers to adjust to the change.

Consumers typically prefer price stability in the overall bills they face as it helps them manage their budgets. An adequate transition period for any material changes in prices can ease adjustment costs.

Pricing principle 5: Community impact – fair outcomes for low-income households

Adverse impacts on households with low incomes need to be limited or moderated by phasing and other compensating mechanisms or limits on changes to regulated prices or other regulatory arrangements.

In implementing a set of pricing principles for water and sewerage services, we need to consider the impacts on households with low incomes. Identifying the impacts on all households with low income and forming a judgement about equity and fairness is a challenging task. We will carefully consider the likely impact of price changes on households with low incomes and apply relevant mechanisms to address or moderate any adverse impacts.

Pricing principle 6: Regulatory governance – simplicity

Regulated prices and their form should be simple for consumers to understand and straightforward for the utility to implement.

Consumers generally prefer regulated prices and regulatory arrangements that are easy to understand. Easy to understand tariff structures have the added benefit of being easier and cheaper for the utility to implement.

Pricing principle 7: Regulatory governance – transparency

Regulated prices should be set using a transparent methodology and be subject to public consultation and scrutiny.

This principle relates to good regulatory governance. Promoting community confidence in the regulatory arrangements requires a good understanding in the community of how regulated prices for water and sewerage services are decided. This also requires an adequate opportunity for community involvement in the regulatory process. The ICRC Act requires us to hold a public hearing and make draft decisions available for public scrutiny. In addition, we released this issues paper and will hold a community consultation forum.

Our open consultation process helps us understand the views and priorities of consumers and broader community. We recognise that stakeholders need confidence that their input will be considered in our decision-making and that the regulatory process can deliver outcomes that reflect their needs and interests. Our reports explain how stakeholder input (such as submissions) was considered and how it informed the outcome of the decision.

Glossary

ABS	The Australian Bureau of Statistics is the independent statutory agency of the Australian Government responsible for statistical collection and analysis, and for giving evidence-based advice to federal, state and territory governments.
AER	The Australian Energy Regulator is the regulator of the wholesale electricity and gas markets in Australia. It operates under the <i>Competition and Consumer Act 2010</i> and enforces the rules established by the Australian Energy Market Commission.
Base year	In the calculation of an index, the base year is the year against which the values from other years are compared.
BoM	The Bureau of Meteorology is an agency of the Australian Government that provides weather services to Australia and surrounding areas.
Building blocks	A building block model is a tool for calculating the expenditure that a regulated business is allowed to recover over time.
CPI	The Consumer Price Index measures the total price of a weighted average market basket of consumer goods and services purchased by a typical household. It is often used to measure inflation.
Deadband	A mechanism for managing demand volatility. A 6% deadband implies that the firm bears the risk of any revenue impacts arising from differences between forecast and actual demand of 6% or below. Consumers bear the risk when the difference exceeds 6%.
ESC	The Essential Services Commission of Victoria is an independent regulator that promotes the long-term interests of Victorian consumers with respect to the price, quality and reliability of essential services.
ESCOSA	The Essential Services Commission of South Australia is the independent economic regulator established by the State Government of South Australia to regulate prescribed essential utility services supplied by the electricity, gas, water, ports and rail industries.
GL	Gigalitre
ICRC	The Independent Competition and Regulatory Commission is a statutory body set up to regulate prices, access to infrastructure services and other matters in relation to regulated industries and to investigate competitive neutrality complaints and government-regulated activities in the ACT.
IPART	The Independent Pricing and Regulatory Tribunal is the economic regulator of NSW.
kL	Kilolitres

MDBA	The Murray–Darling Basin Authority is the principal government agency responsible for managing the Murray–Darling basin in an integrated and sustainable manner.
ML	Megalitres
MRP	The Market Risk Premium is the difference between the expected return on a market portfolio and the risk-free rate.
NARCLiM	NSW and ACT Regional Climate Modelling is an NSW Government led initiative that generates detailed climate projections and data for NSW and the ACT.
QCA	The Queensland Competition Authority is an independent statutory authority that promotes competition as the basis for enhancing efficiency and growth in the Queensland economy.
RAB	The Regulatory Asset Base is the accumulated value of investments that a service provider has made in its network over time.
SDL	Sustainable diversion limits are how much water, on average, can be used in the Basin by towns, communities, industries, and farmers.
WACC	The Weighted Average Cost of Capital is the rate that a company is expected to pay on average to all its security holders to finance its assets.



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