

**ACTEW'S WATER CHARGES FOR
1999/2000 TO 2003/2004**

**PASS THROUGH OF THE WATER
ABSTRACTION CHARGE**

DRAFT PRICE DIRECTION

JANUARY 2000



INDEPENDENT PRICING AND REGULATORY COMMISSION

FOREWORD

The Independent Pricing and Regulatory Commission (IPARC) has the task of providing independent oversight of prices for the regulated component of water services in the ACT. This is a draft report by the Commission into the issue of the pass through of the water abstraction charge to ACT customers of ACTEW. The water abstraction charge was introduced by the ACT Government in its 1999/2000 budget. The rate of the water abstraction charge set by the Government was 10 cents per kilolitre to be passed on by ACTEW to water users in the ACT through the charges made by ACTEW.

Under the provisions of Section 48 of the *Energy and Water Act 1998* (WRA) ACTEW can not pass this charge through to water consumers without a formal direction from IPARC. To meet the requirements of the *Independent Pricing and Regulatory Commission Act 1997* (IPARC Act), the Commission is required to issue a direction to ACTEW which effectively implements the intentions of the Government's decision to introduce the water abstraction charge. In the Price Direction issued by the Commission in May 1999, the Commission had anticipated the possibility of a water abstraction charge being introduced and had recommended that 'ACTEW treat the water abstraction charge as a pass through cost and show the charge separately on the water bill'¹.

This Draft Direction addresses the issues associated with the introduction of the water abstraction charge and the pass through of that charge in the water prices used by ACTEW. The Draft Direction does not re-open the five year price path set by the Commission's May 1999 Direction, and issues associated with that Direction other than those directly relating to the water abstraction charge, have not been addressed in this Draft Report.

Paul Baxter
Commissioner
27 January 2000

¹ IPARC ACTEW's *Electricity, Water and Sewerage charges for 1999/2000 to 2003/2004, Price Direction*, May 1999, p60.

CONTENTS

FOREWORD.....	i
1. INTRODUCTION.....	1
2. INVESTIGATION PROCESS	2
3. SUMMARY OF DRAFT PRICE DIRECTION.....	3
4. STATUTORY REQUIREMENTS AND REGULATED SERVICES.....	4
5. DISCUSSION OF ISSUES	5
5.1 Unmetered Consumption	5
5.2 Discounted Rates	7
5.3 First Kिलilitre Free Usage	7
5.4 Side Constraints	8
5.5 General Price Inflation	8
5.6 Financial Considerations	8
5.7 Timing of Implementation	9
Schedule 1: Draft Price Direction for the Implementation of the Water Abstraction Charge.....	11
Attachment 1: Terms Of Reference	12

1. INTRODUCTION

The Independent Pricing and Regulatory Commission (IPARC) has conducted an inquiry into the pass through to ACT customers of ACTEW, of the water abstraction charge introduced by the ACT Government in its 1999/2000 Budget. The Commission reported on the concept of a water abstraction charge as part of its May 1999 Prices Direction covering water prices for the period 1999/2000 to 2003/2004². The terms of reference for the current report are included as Attachment 1.

The terms of reference establish the tasks to be undertaken by the Commission for this current investigation and the various matters that the Commission is to consider in making the pricing direction. Under the terms of reference issued by the Treasurer, the Commission is required to provide:

directions about the application of the license fee to abstract water (the water abstraction charge) to regulated water services supplied by ACTEW Corporation Limited in the ACT ("ACTEW water charges") from 11 December 1999.

Specific matters that the Commission is required to address are:

the amount of the charge to be passed through by ACTEW to its ACT customers at the customer's metering point; and

the implementation date and the application charge on a pro rata, or other basis, from the date of implementation.

²

ibid p58 to 62.

2. INVESTIGATION PROCESS

The release of this Draft Direction represents the first stage in a process which is established under the provisions of the *Independent Pricing and Regulatory Commission Act 1997*. Public comment is invited on the Draft Direction prior to the bringing down of a Final Direction. The timing for the public comment stage and the finalisation of the Direction is:

Activity	Date
Release of draft pricing direction	27 January 2000
Public submissions received	24 February 2000
Release of final report	28 February 2000

All communication with the Commission in relation to this investigation should be directed to:

Independent Pricing and Regulatory Commission
GPO Box 447
Canberra ACT 2601

Telephone: (02) 6273 0655

Facsimile: (02) 6273 0654

E-mail: paul.baxter@au.pwcglobal.com

3. SUMMARY OF DRAFT PRICE DIRECTION

The Draft Direction provides for the pass through of the full water abstraction charge as established by the Government and announced in its 1999/2000 Budget. The pass through of the water abstraction charge should apply from 11 December 1999 or from the date that this Draft Direction takes effect, whichever is the later. The date that this Direction will take effect is expected to be 28 February 2000.

In respect of any meter reading period commencing before the start date for the charge and ending after the start date, the charges payable in accordance with this Draft Direction are to be ascertained by application of a pro-rata daily usage water rate as though the water used throughout that meter reading period was used in equal quantities on each day within that period.

To the extent that a 50% discount is currently applied to water charges above the top price step applying to schools, churches (other than churches in perpetuity) and ecclesiastical properties, and subject to the Government confirming that it wishes this discount to apply to the water abstraction charge paid by these institutions, a similar discount should be applied to the water abstraction charge, with the difference to be included in the CSO that the Government currently pays to ACTEW for the provision of water and sewerage services to these establishments.

The provision of free water services to churches and the first kilolitre of water to each customer should not attract the water abstraction charge while current legislation relating to the free provision of the first kilolitre of water continues to apply. The pass through to the ACT Government of the revenue collected from the charge should reflect the fact that the charge would not apply to these free services.

For property class 5.2 which covers multiple domestic dwellings such as flats, ACTEW currently meters the block but not the individual flats. For each dwelling, a consumption rate of 175 kilolitres is deemed and a fixed charge is made. The water abstraction charge should be calculated on the deemed usage. At the next full inquiry into ACTEW's prices the Commission intends to examine further the issue of whether or not individual meters should be provided for such dwellings as a means of accurately measuring water consumption.

Unmetered (class 5.6) properties are also charged a fixed charge reflecting a deemed consumption of 175 kilolitres. For purposes of the water abstraction charge, the charge of 10 cents per kilolitre should be applied to the deemed amount as no metered usage information is available.

For unconnected properties (class 5.7), a water abstraction charge would not apply.

As recommended in the 1999 Price Direction released by the Commission, the water abstraction charge should be separately shown in bills issued by ACTEW.

4. STATUTORY REQUIREMENTS AND REGULATED SERVICES

Under the IPARC Act 1997, the Commission is required to have regard to a number of issues in making a price direction. These include:

- *the protection of consumers from the abuse of monopoly power....*
- *standards of quality, reliability and safety....*
- *the need for greater efficiency....*
- *an appropriate rate of return....*
- *the cost of providing the regulated services....*
- *the principles of ecological sustainable development....*
- *the social impacts of the decision....*
- *considerations of demand management and least cost planning....*
- *the borrowing, capital and cashflow requirements....*
- *the effect on general price inflation over the medium term; and*
- *any arrangements that a person providing regulated services has entered into for the exercise of its functions by some other person³.*

In addition, the terms of reference require the Commission to advise on the implementation date and the application of the charge on a pro rata basis, or other basis, from the date of implementation.

The Commission has examined the issues of the appropriate price path to apply to water services provided by ACTEW in its Final Direction released in May 1999. It is not intended as part of this current inquiry to review or re-evaluate matters that have been addressed in the May 1999 Direction. Rather, the approach that has been adopted is to consider the implications of the pass through of the water abstraction charge to ACT customers and the implications for different customer classes. To the extent that the Draft Direction impacts upon issues to which S20 of the IPART Act relates, these have been discussed as part of the general comments on the flow through of the water abstraction charge.

³

Australian Capital Territory, *Independent Pricing and Regulatory Commission Act, 1997, S20(2)*.

5. DISCUSSION OF ISSUES

On 30 August 1999, the ACT Government determined under section 78 of the *Water Resources Act 1988* that the licence to take water in the ACT (the water abstraction charge) be set at 10 cents per kilolitre and be calculated on the basis of :

- in the case of water supplied through the water supply network, water delivered to users; and
- in all other cases, water taken from surface water or groundwater.

The Government had previously sought advice from the Commission on what would be an appropriate approach to establish a water abstraction charge that reflected sound economic and environmental principles as well as advice on the structure and level of charges that should apply if the proposed approach were adopted. The Commission recommended that the water abstraction charge should be of the order of 10 cents per kilolitre. Furthermore, the Commission recommended that ACTEW treat the water abstraction charge as a pass through cost and show the charge separately on the water bill.

In recommending that the charge should be passed through to final users, the Commission was conscious of the need to ensure that the appropriate pricing signals be sent to these consumers. For the water abstraction charge to have the desired effect in terms of signalling the scarcity value of water and the environmental costs associated with its use, the Commission considered that it was desirable that there be a pass through of the charge in a manner such that final consumers could both identify the cost involved and were required to pay that cost.

With these objectives in mind, the Commission is still of the view that the application of the water abstraction charge should be such that there is a clear application of the charge to final users. It is for this reason that the Commission recommended that the charge be shown as a discrete cost in bills issued by ACTEW and that there be a full flow through of the charge.

The Commission remains of the view that the water abstraction charge should be a direct flow through to final users. There has been no evidence to indicate that this principle should not be applied now that the water abstraction charge has been formally determined by the Government.

In these circumstances the water abstraction charge would normally be applied on the basis of the actual water usage by the customer, and the charge determined at the relevant rate of 10 cents per kilolitre for each kilolitre consumed.

5.1 Unmetered Consumption

Not all water consumption in the ACT is metered, or if it is metered, the charges made by ACTEW are not based directly on the metered amount. For example, legislation requires that ACTEW charge a fixed fee to multiple domestic properties (flats). Section 7 of the *Water Rates Act* says the charge for a block of flats shall be the charge per flat determined under Section 48 of the *Energy and Water Rate Act*.

In order to meet this legislative requirement, under property class 5.2 which covers multiple domestics (flats), ACTEW currently meters the block of units, but not the individual flats. For standard water pricing purposes, each flat is charged a deemed consumption of 175 kilolitres. This deemed usage is charged as part of the fixed charge per flat of \$191.50. The standard fixed charge is \$125, which implies a usage charge of \$66.50 per flat.

ACTEW collects usage information from each block of flats, but does not use this information in determining the deemed water usage or the charge to be made. Thus, ACTEW would have available to it the actual consumption levels for each block of flats.

The Commission is aware of concern expressed at earlier hearings regarding the charging of a fixed rate for flats and similar types of domestics where there is no provision for individual metering of individual dwellings. The objective of the water abstraction charge is to send an appropriate pricing signal to users concerning their consumption of water and to encourage an appropriate usage pattern reflecting the scarcity value of water and the environmental costs. Currently there is no direct linkage between consumption in flats and the price that is determined either through the regulatory price setting process or through the setting of the water abstraction charge.

In order for ACTEW to charge individual flats for their actual water usage, each flat and unit would need to be separately metered, and ACTEW would be required to read these meters both as part of the normal collection of metered usage information, and at other times when there is a change in the occupancy of the flat. The extra cost required to install meters and undertake meter reading would need to be balanced against the benefit of sending a usage pricing signal to the consumers involved.

The Commission has some concern about the likelihood of the extra cost involved being outweighed by the benefits. Water consumption by flat dwellers is largely non discretionary in that a certain minimum level of water usage is required for cooking, washing, drinking, and general hygiene purposes. Flat dwellers do not generally have the option of discretionary water consumption for outdoor purposes such as watering a garden or maintaining a swimming pool. In this sense, the signals sent by water prices and the inclusion of a water abstraction charge in these prices will not have as much an effect as other forms of more direct behavioural persuasion. For example, in these circumstances it may be more appropriate to rely upon more general marketing and advertising programs which are designed to encourage consumers to conserve water through appropriate consumption patterns than to rely upon direct pricing signals.

The Commission has yet to reach a final decision on this matter, and will be addressing the issue further in its next major five year review of water prices in the ACT. However, it is clear that there would be some extra cost that would need to be borne by ACTEW and ultimately by all users should it be decided to move to full metering of all domestics. The Commission is not convinced that this is required simply for the application of the water abstraction charge.

Nevertheless, the water abstraction charge should still apply to usage by domestics who at this time are not individually metered. In these circumstances it is the Commission's view that the water abstraction charge for unmetered domestics should be based on the deemed consumption. As this charge is a flow through, the extra revenue collected should be passed through to the ACT Government regardless of the actual consumption of water by blocks of flats that fall into this category of unmetered domestics. This means that ACTEW will need to differentiate between water consumption that applies to metered users who are paying the water charge based on their actual usage, and the water abstraction charge that is collected from unmetered users for whom a deemed water usage arrangement applies.

Other forms of unmetered customers of ACTEW are class 5.6 (unmetered) and class 5.7 (unconnected) properties. The principle of pass through of the water abstraction charge on the basis of the deemed consumption outlined above should apply to these properties to the extent that they have deemed usage for purposes of ACTEW's current billing arrangements. Unmetered properties fall into this category, where again ACTEW applies a deemed usage arrangement based on a direct consumption of 175 kilolitres. The water abstraction charge should be applied to the deemed water usage and the revenue collected passed directly through to the ACT Government regardless of the actual consumption that has occurred.

For unconnected properties there is currently no water usage charge made by ACTEW. Consistent with the principle that has been applied above, and in recognition of the fact that

by definition no consumption has occurred, no water abstraction charge would apply to these users.

5.2 Discounted Rates

Under a CSO arrangement with the ACT Government, ACTEW provides water services to schools, churches (other than designated churches in perpetuity – CHIP), and ecclesiastical properties at a discount of 50% on the normal price for water consumption above the top price step. ACTEW is compensated for this discount.

Conceptually the full water abstraction charge should be applied to these customers. If the Government wishes to subsidise the cost of water services used by these customers as it appears that it does, then the additional cost of the water abstraction charge (or part thereof if this is the Government's intention) should be reimbursed to the schools, churches, etc directly by the Government. For convenience purposes, the Government may elect to pay the CSO directly to ACTEW, in which case ACTEW would only apply as much of the water abstraction charge to these customers as is not covered by the CSO. To facilitate this process, the Commission proposes to allow the full recovery of the water abstraction charge from these customers based upon usage, and that ACTEW has the opportunity to reduce this flow through of the charge to the extent that an explicit CSO from the Government compensates for this cost.

Churches in perpetuity (which are a limited number of designated church properties in the ACT) are exempt from water and sewerage charges under the Government's existing policies. To the extent that these organisations are exempt from a charge for water and sewerage, then there should be no pass through of the water abstraction charge based on their usage. Should the Government decide to reverse its policy in relation to these bodies and require them to pay normal charges for water based on usage, then the water abstraction charge should apply as a pass through cost along similar lines as for the majority of other users. The actual quantum of consumption involved is understood to be minimal. However, ACTEW will need to ensure that the consumption from these or other consumers who are exempt from the water abstraction charge is not included in the total kilolitre consumption figures provided by ACTEW and upon which the collection of the water abstraction charge payment by ACTEW will be determined.

5.3 First Kilolitre Free Usage

Under the current legislative requirements relating to the setting of tariffs for all customers of ACTEW (with the exception of those not paying for water usage), the first kilolitre of water is free. The cost of providing this first kilolitre is effectively incorporated into the total costs of ACTEW and recovered through the tariff arrangement that applies to all but the first kilolitre.

It would be inappropriate and unmanageable to incorporate the water abstraction charge that applies to the first kilolitre of water into the rate to apply to all subsequent consumption. For example, this would effectively mean that the rate to apply on the second and subsequent kilolitres of consumption would be greater than the 10 cents per kilolitre announced by the Government.

To avoid this complexity, but to meet the intentions of the Government that the water abstraction charge should apply to all water usage, it would be appropriate for the water abstraction charge to apply to the first kilolitre of water at the full rate of 10 cents per kilolitre. However, given the current legislative arrangements, this would be inappropriate and unnecessarily administratively complex. Thus, the first kilolitre should be free of the water abstraction charge, and the water abstraction charge at the rate of 10 cents per kilolitre be applied to the second and all subsequent kilolitres of consumption.

5.4 Side Constraints

It is not intended that side constraints be used in the application of the water abstraction charge. It is the intention of the water abstraction charge that the cost be fully passed through to consumers and that with the exception of special provisions as discussed above where the Government currently provides a free or discounted service for a certain limited group of customers, the water abstraction charge should be applied to all users.

Thus, it is the Commission's intention to modify the side constraint applying to water charges as announced in its May 1999 Direction to make it clear that the provision that no domestic household bill (for the same level and pattern of consumption of water) is to increase by more than 6 percent real , is to apply outside of the inclusion of the water abstraction charge.

5.5 General Price Inflation

The water abstraction charge is a direct charge imposed by the Government. As such, it is the Commission's intention that this charge should in general, pass directly through to customers of ACTEW's water service. For an average household consumption level of 280 kilolitres, the inclusion of the water abstraction charge will increase the annual water bill by nearly 12%, from \$233.27 currently to \$261.17. The Commission's Price Direction for ACTEW which took effect from 1 July 1999, had a negligible effect on the general inflation level in the ACT. The application of the water abstraction charge will mean that household water bills when fully adjusted for the charge, will increase in the current year at a rate above the general inflation rate. However, while the significance of water charges differs between households depending upon their particular circumstances, the overall effect of the proposed cost increase as a result of the introduction of the water abstraction charge will on average be negligible. Nevertheless, the Commission draws the Government's attention to the needs of certain groups within the community for whom the increase in cost proposed, and the limited ability to alter consumption patterns, may mean that there is a need for some form of direct assistance under existing support services programs.

5.6 Financial Considerations

The water abstraction charge is to be a pass through of the cost to ACTEW of this impost. Thus, from an overall financial outcomes perspective, the water abstraction charge should have a revenue neutral effect on ACTEW. The Commission does not intend to alter any part of its previous determination for ACTEW to provide any additional revenue for ACTEW to cover the cost of the collection of this charge, or the inability of ACTEW to recover the charge from customers. Rather, it should be a matter to be resolved between the Government and ACTEW as to whether there is an implementation cost and how this should be recovered from the Government if this is considered to be appropriate. Similarly, to the extent that ACTEW can not fully recover the charge (for example, as a result of bad debts), it should be a matter to be resolved between the Government and ACTEW as to how these short falls are to be met and the resulting cash flow implications are to be resolved. While ACTEW is wholly Government owned and controlled, it may be appropriate that the Government accept a lower dividend return in recognition of ACTEW's role in collecting the tax. However, should this ownership arrangement change, some form of direct recovery from the Government may be required.

It is open to debate as to whether ACTEW is acting on behalf of the Government in collecting the charge, or whether it is simply seeking to recover the charge from customers. If ACTEW is acting for the Government, then there is an argument for a recovery of implementation and collection costs from the Government and a pass through of the amount collected rather than the amount that should be collected but has not been fully recovered because of bad debts, etc. However, if ACTEW is simply seeking to recover a charge imposed on it by the Government, then the onus is on ACTEW to recover that charge.

The Commission does not have before it any evidence to support a pass through of the collection cost or recovery from all users of any under recovery of the charge. To the extent that there is any under recovery of the water abstraction charge, the debt would under existing legislation, be tied to the land in question. Thus, there would always be the opportunity for recovery of the debt at some future time on the sale of the land. However, that may raise cash flow issues for ACTEW.

At this time, the Commission does not propose to allow any extra costs to be recovered by ACTEW, but rather that the charge be treated simply as a pass through.

5.7 Timing of Implementation

The terms of reference for this inquiry require the Commission to consider the issue of the timing of the implementation of the collection of the water abstraction charge. In addition, to the extent that the water abstraction charge is applied from a date between meter readings, the Commission is to determine the basis on which the water abstraction charge is to apply in the intervening period.

The water abstraction charge took effect from 11 December 1999. However, without the issuing of a Direction from IPARC, ACTEW was prevented by the provisions of its legislation from implementing the pass through of the charge. In these circumstances, the introduction of the charge must await the formal release of a Final Direction on the matter by the Commission. The Commission is unable to issue a retrospective determination, and thus the implementation date will be determined by the date on which the Commission's Final Direction takes effect.

Under the provisions of s20(5) of the IPARC Act, a Final Direction of the Commission comes into effect on a date to be determined by the Commission, or 14 days after the date on which the Direction is tabled in the Legislative Assembly. It is the Commission's intention to determine a date for this Direction to come into effect, and the date will be 28 February 2000 unless otherwise revised in the Final Direction.

The application of the water abstraction charge to those users who will have had their meters read prior to the date on which the Direction takes effect needs consideration. It is clearly the intention of the Government that the water abstraction charge should apply to the majority of users and should take effect as soon as possible. The purpose of the water abstraction charge and the rate at which it will apply has been announced by the Government and included in the budget for the current year. Thus, consumers have had forewarning that the water abstraction charge will apply in the current year.

Options that could be applied by the Commission include holding over the charge until the beginning of the next meter reading period for each customer, applying the charge from the date of the Direction taking effect, but determining the charge on the basis of some formula which attempts to determine the variability in consumption over the remaining period from the date of implementation and the next meter reading date (for example, by using some form of climate based modelling of consumption patterns of the relevant period, and thus attempt to approximate the actual usage in that period), or apply a pro rata arrangement over the period from the last meter reading to the next meter reading with daily consumption assumed to be on average the same across the whole period.

The Commission believes that the water abstraction charge should be implemented at the earliest possible time. The Commission would not favour any approach which effectively delayed the introduction of the charge. Thus, the Commission believes that the charge should take effect from the day that the Final Direction from the Commission takes effect.

This leaves the question of how the period between the last meter reading and the next reading under the new water abstraction charge regime is to be treated. It is the Commission's view that whatever approach is adopted, it needs to be relatively simple and

easy to apply. While the community in general has been forewarned of the impending implementation of the water abstraction charge, the likely impact of this charge on the consumption behaviour of the community will take a little time to be realised. That is not to suggest that the proposed rate of 10 cents per kilolitre will go unnoticed by consumers. Rather, it is anticipated that the introduction of the new charge using a relatively simple pro rata mechanism will not detract from the purpose and intention of the charge. Nor will it be likely to result in any noticeable anomalies in terms of the actual charges that will be made in the period from the time the new charge is introduced and the next meter reading for individual customers.

Thus, it is the Commission's view that a pro rata arrangement should apply in the period between the introduction of the new charge and the next meter reading such that the consumption pattern over the period which straddles the introduction of the water abstraction charge by way of the implementation of the Price Direction, will be applied on an average daily consumption basis over the whole period, and the water abstraction charge will apply to that part of the consumption so determined that falls on and/or after the date that the Direction takes effect.

Schedule 1: Draft Price Direction for the Implementation of the Water Abstraction Charge

This price direction applies to the implementation of the water abstraction charge by ACTEW as announced by the Government in August 1999.

The Commission directs that:

1. the charges per kilolitre of water consumed determined by ACTEW for the following property categories as listed in the ACT Special Gazette (No. S32) of 15 June 1999 and ACTEW's schedule of charges for water supply 1999/2000 as 5.1, 5.3, 5.4, 5.5, 5.8, 5.9, and 5.10 shall each be increased by 10 cents per kilolitre with the exception of the first kilolitre which will be exempt from such charge while required by legislation;
2. the charge per kilolitre of water deemed to be consumed by ACTEW for the following property categories as listed in the ACT Special Gazette (No. S32) of 15 June 1999 and ACTEW's schedule of charges for water supply 1999/2000 as 5.2, and 5.6 shall each be increased by 10 cents per kilolitre on the deemed consumption amount after the first kilolitre which will be exempt from such charge while required by legislation;
3. the charge per kilolitre of water for property category 5.7 be exempt from the water abstraction charge;
4. churches in perpetuity (CHIP) covered by a special legislative exemption from water charges and not included above, be exempt from payment of the water abstraction charge while required by legislation;
5. the water abstraction charge applicable to schools, churches, and other ecclesiastical properties other than those designated as CHIP, where a Government subsidy is provided such that only 50% of the water charge applies above the top price step be set at 10 cents per kilolitre or that lesser proportion as may be directed by the Government with the water abstraction charge to apply to all but the first kilolitre of water consumed while required by legislation;
6. the side constraints on the application of price increases per household made as part of the May 1999 Price Direction released by the Commission do not apply to the price inclusive of the water abstraction charge, but remain in force for the water prices to apply under the approved price path exclusive of the water abstraction charge;
7. the water abstraction charge is to be treated as a pass through of a Government charge, and consistent with its purpose is to be separately identified in bills issued by ACTEW.

This Draft Direction is to take effect from 28 February 2000 or a date to be otherwise announced by the Commission. In respect of any meter reading period commencing before the start date for the charge and ending after the start date, the charges payable in accordance with this Draft Direction are to be ascertained by application of a pro-rata daily usage water rate as though the water used throughout that meter reading period was used in equal quantities on each day within that period.

Attachment 1: Terms Of Reference

INQUIRY UNDER SECTION 15 OF THE *INDEPENDENT PRICING AND REGULATORY COMMISSION ACT 1997* IN RESPECT TO THE APPLICATION OF A WATER ABSTRACTION CHARGE IN THE ACT

Subsections 15(1)(c) and 15(1)(f) of the *Independent Pricing and Regulatory Commission Act 1997* (IPARC Act) provide that a regulatory authority may issue a terms of reference to the Independent Pricing and Regulatory Commission (IPARC) in relation to a regulated industry and any matter provided for by law of the Territory. As Treasurer and Minister responsible for the IPARC Act, I hereby issue a terms of reference for the provision of directions about the application of the license fee to abstract water (the water abstraction charge) to regulated water service supplied by ACTEW Corporation Limited in the ACT ("ACTEW water charges") from 11 December 1999.

Subsection 15(3) of the IPARC Act provides for limits to be placed on the scope of investigations and reports. In relation to this inquiry the Commission's directions will cover charges for water services determined under section 48 (1) of the *Energy and Water Act 1988*.

In this inquiry there are specific matters that the IPARC should address. The Commission is to provide a direction on the amount of the charge to be passed through by ACTEW to its ACT customers at the customer's metering point, including the implementation date and the application of the charges on a pro rata, or other basis, from the date of implementation.

In forming the Commission's view I would expect that IPARC will consult with ACTEW Corporation and relevant government departments.

Gary Humphries MLA
Treasurer
16 November 1999