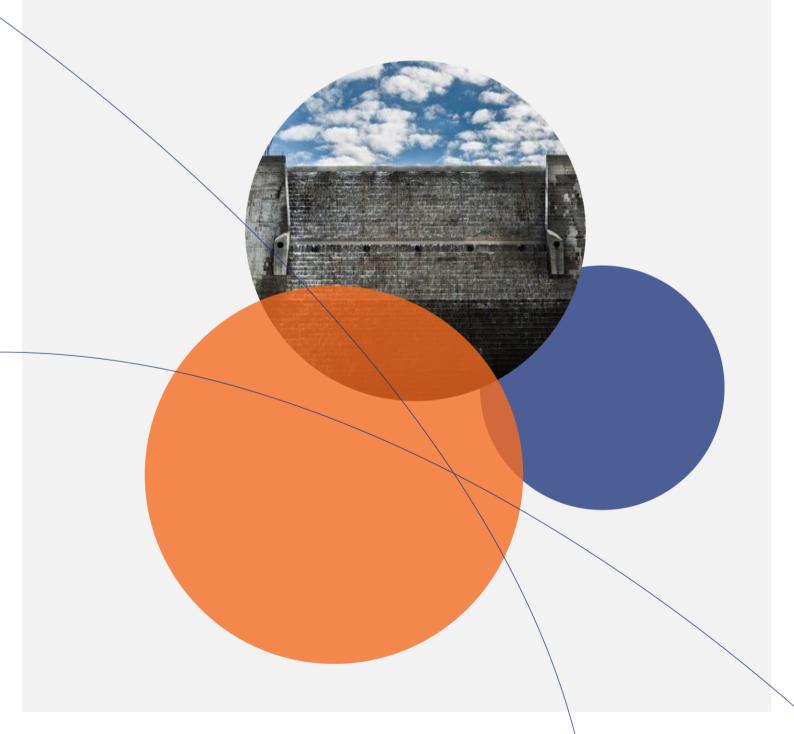


Regulated water and sewerage services: 2022–23 price adjustment

Report 4 of 2022, June 2022



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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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1. Executive summary

Under our *Price Direction for Regulated Water and Sewerage Services 1 July 2018 to 30 June 2023* (the price direction), we make an annual price adjustment to account for changes in the consumer price index and cost of debt, and to include approved pass-through amounts such as changes in the ACT Government's water abstraction charge (WAC), utilities network facilities tax (UNFT) and Commonwealth subvention payments (ICRC Report 2, 2018).

This report sets out the maximum prices that Icon Water can charge for regulated water, sewerage, and miscellaneous services in 2022–23, in line with the price direction.

1.1 Maximum water and sewerage prices for 2022–23

Maximum water and sewerage charges for 2022-23 will decline for both residential and non-residential customers. As shown in Table 1.1, maximum water prices for 2022–23 will be \$2.28 per kL for the Tier 1 usage charge (8.1% decrease compared to maximum prices in 2021–22), \$4.58 per kL for the Tier 2 usage charge (8.2% decrease) and \$200 per year for the fixed supply charge (an increase of \$20 as set out in the price direction).

The maximum sewerage prices for 2022–23 will be \$502.18 per year for the supply charge (0.8% decrease). There is an additional annual charge of \$491.13 per flushable fixture (0.8% decrease) for non-residential customers with more than two flushable fixtures. This is discussed in more detail in chapter 2.

These changes translate to a 2.2% decrease or a saving of \$26 per annum for a residential customer consuming 200kl of water. A mid-level non-residential customer consuming 5,000kL per annum with 50 flushable fixtures will see a saving of \$2,186 in their annual bills (a reduction of 4.5%).

Table 1.1. Summary of maximum annual price changes, 2021–22 to 2022–23 (current \$)

	2021–22	2022–23	Change (%)	Change (\$)
Water Supply Charge (\$/year)	180	200	11.1	20.00
Water Tier 1 (0-200 kL/a) (\$/kL)	2.48	2.28	-8.1	-0.20
Water Tier 2 (200kL/a+) (\$/kL)	4.99	4.58	-8.2	-0.41
Sewerage Supply Charge (\$/year)	506.30	502.18	-0.8	-4.12
Sewerage Flushable Fixture Charge: Non-residential Customers (\$/year)	495.16	491.13	-0.8	-4.03

Key drivers of the change in maximum prices

The significant decrease in the Tier 1 and Tier 2 water usage charges reflects a lower cost of debt, lower than forecast costs associated with WAC, and an adjustment to account for an over-recovery of the 2019–20 WAC pass-through, which taken together more than offset the price inflation.

The slight decline in the sewerage charges reflects a lower cost of debt which more than offset the price inflation. This is discussed in more detail in chapter 3.

1.2 Impact on customer bills

Table 1.2 shows the change from 2021–22 to 2022–23 in the combined water and sewerage services bill for residential customers. As noted above, an average residential customer consuming 200kL per annum will see a saving of \$26 in their annual water and sewerage services bill (a decrease of 2.2%).

Table 1.2. Change in annual combined water and sewerage services bill for residential customers from 2021–22 to 2022–23 (current \$)

Annual water consumption (kL)	Annual 2021–22 combined bill (\$)	Annual 2022–23 combined bill (\$)	Change in combined bill (%)	Change in combined bill (\$)
0	686	702	2.3%	16
50	810	816	0.7%	6
100	934	930	-0.4%	-4
150	1,058	1,044	-1.3%	-14
200	1,203	1,177	-2.2%	-26
250	1,432	1,387	-3.1%	-45
300	1,681	1,616	-3.9%	-65
350	1,931	1,845	-4.4%	-86
400	2,180	2,074	-4.9%	-106
500	2,679	2,532	-5.5%	-147
750	3,927	3,677	-6.4%	-250

Table 1.3 shows that non-residential customers will see their combined annual bill decrease by \$384 to \$4,437, depending on water consumption and the number flushable fixtures installed. As noted above, a mid-level non-residential customer consuming 5,000kL per annum with 50 flushable fixtures will see a saving of \$2,186 in their annual bills (a reduction of 4.5%).

Table 1.3. Change in annual combined water and sewerage services bill for non-residential customers from 2021-22 to 2022–23 (current \$)

Annual water consumption (kL)	Number of fixtures (#)	Annual 2021–22 combined bill (\$)	Annual 2022–23 combined bill (\$)	Change in combined bill (%)	Change in combined bill (\$)
1,000	10	9,136	8,751	-4.2%	-384
	50	28,942	28,396	-1.9%	-546
	100	53,700	52,953	-1.4%	-747
2,000	10	14,126	13,331	-5.6%	-794
	50	33,932	32,976	-2.8%	-956
	100	58,690	57,533	-2.0%	-1,157
5,000	10	29,096	27,071	-7.0%	-2,024
	50	48,902	46,716	-4.5%	-2,186
	100	73,660	71,273	-3.2%	-2,387
10,000	10	54,046	49,971	-7.5%	-4,074
	50	73,852	69,616	-5.7%	-4,236
	100	98,610	94,173	-4.5%	-4,437

1.3 Capital contributions charge and precinct map

We have approved changes to the precinct map and precinct charge that are used to calculate the Class 2 infrastructure charge for developments within a precinct under the Utilities (Water and Sewerage Capital Contribution Code) Determination 2017. The Precinct Charge for 2022–23 will be set at \$1,094 (a decrease of \$106 from 2021–22). This is discussed in more detail in chapter 3.

Icon Water has proposed 9 changes to the Precinct Map across 3 suburbs (see Appendix 1 for the full Precinct Map).

1.4 Structure of this report

The remainder of the report is structured as follows:

- Chapter 2 illustrates the impact of the 2022–23 price adjustments on ACT customers' annual bills for water and sewerage services.
- Chapter 3 describes the price adjustment calculations and sets out the adjusted maximum prices to apply from 1 July 2022.
- Appendix 1 presents the detailed schedule of maximum water, sewerage, and miscellaneous service charges for 2022–23, along with the Precinct Map.

2. Customer bill impacts

In this chapter, we have estimated the financial impacts on ACT consumers of the adjustments to maximum water and sewerage service prices that will apply for 2022–23. We have calculated changes in annual water charges, sewerage charges and combined water and sewerage services bills for households and business customers using different amounts of water and sewerage services.

2.1 Combined water and sewerage bills

Table 2.1 shows the change from 2021–22 to 2022–23 in the combined water and sewerage services bill for residential customers.

A typical customer consuming 200kL of water per year will see a decrease in their combined annual bill of 2.2% or \$26. This is the opposite of the 2.0% increase that was forecast in the final report on regulated water and sewerage services prices 2018–2023 (ICRC Report 1, 2018). It is primarily due to lower than forecast costs associated with WAC and UNFT, a lower cost of debt and an adjustment to account for an over-recovery of the 2019–20 WAC pass-through, which more than offset higher than forecast inflation. The decrease in the maximum combined bill in 2022–23 follows a slight increase of 0.4% in the maximum allowed bill in 2021–22.

Table 2.1. Change in annual combined water and sewerage services bill for residential customers from 2021–22 to 2022–23 (current \$)

Annual water consumption (kL)	Annual 2021–22 combined bill (\$)	Annual 2022–23 combined bill (\$)	Change in combined bill (%)	Change in combined bill (\$)
0	686	702	2.3%	16
50	810	816	0.7%	6
100	934	930	-0.4%	-4
150	1,058	1,044	-1.3%	-14
200	1,203	1,177	-2.2%	-26
250	1,432	1,387	-3.1%	-45
300	1,681	1,616	-3.9%	-65
350	1,931	1,845	-4.4%	-86
400	2,180	2,074	-4.9%	-106
500	2,679	2,532	-5.5%	-147
750	3,927	3,677	-6.4%	-250

Table 2.2 shows the change from 2021–22 to 2022–23 in the combined annual water and sewerage services bill for non-residential customers. Annual bill for non-residential customers will decrease by \$384 to \$4,437. The bill decreases are larger for non-residential customers with higher water consumption; this is because of the significant drop (over 8%) in water usage charges this year.

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Table 2.2. Change in annual combined water and sewerage services bill for non-residential customers from 2021-22 to 2022–23 (current \$)

Annual water consumption (kL)	Number of fixtures (#)	Annual 2021–22 combined bill (\$)	Annual 2022–23 combined bill (\$)	Change in combined bill (%)	Change in combined bill (\$)
1,000	10	9,136	8,751	-4.2%	-384
	50	28,942	28,396	-1.9%	-546
	100	53,700	52,953	-1.4%	-747
2,000	10	14,126	13,331	-5.6%	-794
	50	33,932	32,976	-2.8%	-956
	100	58,690	57,533	-2.0%	-1,157
5,000	10	29,096	27,071	-7.0%	-2,024
	50	48,902	46,716	-4.5%	-2,186
	100	73,660	71,273	-3.2%	-2,387
10,000	10	54,046	49,971	-7.5%	-4,074
	50	73,852	69,616	-5.7%	-4,236
	100	98,610	94,173	-4.5%	-4,437

2.2 Water charges

This section estimates only water charges, which feed into the figures provided in Section 2.1.

Table 2.3 shows the change in annual water charges from 2021–22 to 2022–23 for residential customers with different consumption levels. It shows that the annual water bill for a typical customer consuming 200kL per year will decrease by about 3.1% or \$22.1

Table 2.3. Change in annual water charges for residential customers from 2021–22 to 2022–23 (current \$)

Annual water consumption (kL)	Annual 2021–22 water charge (\$)	Annual 2022–23 water charge (\$)	Change in water charge (%)	Change in water charge (\$)
0	180	200	11.1%	20
50	304	314	3.3%	10
100	428	428	0.0%	0
150	552	542	-1.8%	-10
200	697	675	-3.1%	-22
250	926	885	-4.4%	-40
300	1,175	1,114	-5.2%	-61
350	1,425	1,343	-5.7%	-82
400	1,674	1,572	-6.1%	-102
500	2,173	2,030	-6.6%	-143
750	3,421	3,175	-7.2%	-246

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¹ The calculations include the application of daily pricing consistent with historical water use in each quarter. This means that customers using 200kL per year pay for a small amount of water at the Tier 2 price in some quarters.

Table 2.4 shows the change in annual water charges for non-residential customers. It shows that annual water charges will decrease by between 7.5% and 8.1% for non-residential customers, with decreases ranging from \$348 to \$4038 per year, depending on consumption level.

Table 2.4. Change in annual water charges for non-residential customers from 2021–22 to 2022–23 (current\$)

Annual water consumption (kL)	Annual 2021–22 water charge (\$)	Annual 2022–23 water charge (\$)		Change in water charge (\$)
1,000	4,668	4,320	-7.5%	-348
2,000	9,658	8,900	-7.8%	-758
5,000	24,628	22,640	-8.1%	-1,988
10,000	49,578	45,540	-8.1%	-4,038

2.3 Sewerage charges

Table 2.5 shows that the annual sewerage service charge for a residential customer in 2022-23 will decrease by 0.8% or \$4.12. The charge per flushable fixture for non-residential customers will decrease by almost the same amount.

Table 2.5. Sewerage services prices, 2021–22 to 2022–23 (current \$)

	2021–22	2022–23	Change (%)	Change (\$)
Supply charge (\$/year)	506.30	502.18	-0.8%	-4.12
Fixture charge non-residential customers (\$/year)	495.16	491.13	-0.8%	-4.03

3. 2022-23 price adjustment

This chapter describes the price adjustment calculations that have been made in accordance with the price direction and sets out the adjusted maximum prices to apply from 1 July 2022.

3.1 Consumer price index adjustment

We are required by clause 5.1 of the price direction to calculate the maximum prices for regulated water, sewerage and miscellaneous services for each regulatory year. This is set out in clauses 6, 7 and 8 of the price direction. We must give Icon Water notice of the adjusted prices on or before 31 May each year. We must also give Icon Water details of our calculations for the adjusted prices, including the values of the change in the CPI used in the calculations.

The CPI adjustment formula used, as set out in clause 6 of the price direction, is 2:

$$P_{t} = P_{t-1} \times \left(\frac{CPI_{June(t-2)} + CPI_{Sept(t-1)} + CPI_{Dec(t-1)} + CPI_{March(t-1)}}{CPI_{June(t-3)} + CPI_{Sept(t-2)} + CPI_{Dec(t-2)} + CPI_{March(t-2)}} \right)$$

The CPI adjustment for 2022-23 is:

$$CPI_{2022-23} = \frac{118.8 + 119.7 + 121.3 + 123.9}{114.4 + 116.2 + 117.2 + 117.9} - 1 = 3.865149\%$$

3.2 Cost of debt and smoothing factor update

Our final report for regulated water and sewerage services from 1 July 2018 to 30 June 2023 included an annual update to the smoothing factor that is used to smooth price changes over the regulatory period. This smoothing factor is adjusted annually to account for an update of the weighted average cost of capital (WACC) to reflect an update to the trailing average cost of debt.

As discussed in the final report, the trailing average cost of debt is calculated by re-pricing 10% of the cost of debt each year (ICRC Report 1, 2018). The annual cost of debt increased in 2022–23 because of an increase in corporate borrowing rates over the last 12 months (as measured by Australian Corporate Bond yields). However, this increased cost of debt (3.54%) which gets a 10% weight is still smaller than the cost of debt of 2018–19 (4.62%) which gets 10% less weight for the 2022–23 trailing average cost of debt. Thus, the re-pricing of 10% of the cost of debt for 2022–23 has resulted in a slight reduction in the cost of debt for 2022–23. This reduction has resulted in the smoothing factor being updated from -3.29 in 2021–22, to -4.11 in 2022–23 for water services, and from -3.54 in 2021–22, to -4.12 in 2022–23 for sewerage services.

The CPI adjustment for 2022–23 prices is not a forecast of inflation in that year but rather is based on historical changes in the CPI up to March 2022 from June 2020 based on quarterly figures, using the 'four quarter on four quarter' approach. The CPI data (weighted average of eight capital cities) are available from the Australian Bureau of Statistics website at <a href="https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australiahttps://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australiahttps://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-indexes-and-

3.3 Pass-through adjustment

General provisions

Clauses 9 and 10 of the price direction set out the process for incorporating the effect of any approved pass-through events on Icon Water's costs in prices for the following year.

The price direction allows for seven pass-through events, three of which have been triggered for the 2022–23 price adjustment. These are changes in the ACT Government's Water Abstraction Charge (WAC), Utilities Network Facilities Tax (UNFT), and Commonwealth subvention payments.

Clause 10.2 of the price direction provides for Icon Water to submit a pass-through application. Icon Water must make the submission by 1 May each year of the regulatory period, after which we must decide and tell Icon Water by 31 May. If Icon Water does not lodge a submission, Clause 10.2.4 of the price direction allows us to initiate a pass-through adjustment.

Pass-through adjustments for 2022–23 prices

Icon Water submission

Icon Water submitted a pass-through application on 29 April 2022 (Icon Water 2022a). Icon Water sought to incorporate six pass-through amounts in its adjusted prices for 2022–23.

Five pass-through amounts are the difference between the actual amounts and the forecast amounts that were already included in the 2020–21 prices. These relate to WAC (for water), UNFT payments (one each for water and sewerage) and subvention payments (one each for water and sewerage) in 2020-21, which is the latest year for which the costs are available. The corresponding pass-through amounts are negative \$935,768 for water services, and negative \$384,962 for sewerage services (in nominal terms).

The sixth pass-through amount is a negative adjustment to account for an over-recovery of the 2019–20 WAC (for water). Icon Water's 2021–22 pricing submission over-stated the 2019–20 WAC pass-through by \$2,077,026 (in nominal terms) because it included WAC amounts from a previous year which had already been passed through to customers. Icon Water sought to make an adjustment for this over-recovery.

Thus, Icon Water asked for total pass-through amounts of negative \$3,012,794 for water and negative \$384,962 for sewerage (in nominal terms).

Our decision

In setting prices before the start of a regulatory period, we forecast the amount of the WAC and UNFT to be recovered from customers by Icon Water and paid to the ACT Government in each year of the regulatory period. For the Commonwealth subvention payment, we subtract forecast payment from Icon Water's revenue requirement, which reduces customer charges. Any difference between the forecast and actual amounts is then subject to an annual pass-through adjustment, which can be positive or negative. Positive pass-throughs raise prices while negative pass-throughs bring prices down.

The negative \$3,012,794 pass-through amount for water services is mainly driven by three factors.

First, the actual WAC amount paid by Icon Water to the ACT Government in 2020–21 was lower than forecast. This was because of lower than forecast dam abstractions due to wet weather conditions.

Second, the actual UNFT amount paid by Icon Water to the ACT Government in 2020–21 was lower than forecast. This was because of lower than forecast UNFT rates due to the ACT government freezing the UNFT rate in 2019-20 and applying a lower than forecast annual indexation in 2020-21.

Third, a WAC adjustment is included to account for an over recovery of the 2019–20 WAC pass-through.

The negative \$384,962 pass-through amount for sewerage services is mainly due to a lower than forecast UNFT amount.

A breakdown of the pass-through amounts is provided in Table 3.1 (noting that these amounts are in nominal terms).

Table 3.1. Pass-through amounts to be included in water and sewerage services prices in 2022–23 (nominal \$)

	2021–22 estimate (\$)	Actual (\$)	Difference (\$)
Water			
WAC (2020–21)	31,677,240.04	31,096,500.30	-580,739.74
UNFT (2020–21)	6,385,104.00	6,030,100.00	-355,004.00
Subvention payment (2020–21)	1,172,751.13	1,172,727.27	-23.86
WAC (2019–20 adjustment)	N/A	N/A	-2,077,026.00
Total Water			-3,012,793.60
Sewerage			
UNFT (2020–21)	5,240,880.00	4,856,155.00	-384,725.00
Subvention payment (2020–21)	11,727,510.12	11,727,272.73	-237.40
Total Sewerage			-384,962.40

Source: Icon Water (2022a).

In accordance with clause 10.2 of the price direction, our decision is that the pass-through events specified in the submission occurred and fall within the scope of clause 9 and the pass-through amounts proposed by Icon Water are therefore approved.

We have accounted for the time value of money (using the weighted average cost of capital) and its effect on the return to shareholders (tax equivalent payments and imputation credits) in calculating the pass-through price adjustment, in line with the post-tax model used to calculate the price path in the price direction.

The price adjustment for the pass-through amounts takes into account updates to CPI and the smoothing factor. The calculation is consistent with our approach for determining adjusted prices in 2021–22 and based on the post-tax model used to calculate the price path in the price direction.³ The calculation has resulted in the following pass-through adjustments:

- Negative 3.0323% for water.
- Negative 0.4016% for sewerage.

³ The methodology is described in ICRC Report 1 and 2 (2018).

3.4 2022-23 maximum water prices

We have used the following formula to update volumetric charges for CPI, pass-through adjustments and the updated smoothing factor (X):

$$P_{2022-23} = P_{2021-22} \times (1 + CPI_{2022-23}) \times (1 + X_{2022-23}) \times (1 + PT \text{ adj water}_{2022-23})$$

We rounded prices to the nearest cent.

Table 3.2 shows the maximum water prices for 2022–23. The fixed supply charge has increased in line with the price direction. The volumetric charges have decreased by approximately 8% from 2021–22. This decrease reflects the negative pass-through amount set out in section 3.3 which combined with the lower cost of debt more than offset the increase in the CPI.

Table 3.2. Water prices, 2021–22 to 2022–23 (current \$)

	2021–22	2022–23	Change (%)
Fixed (\$/year)	180	200	11.1
Tier 1 (0-200kL/a) (\$/kL)	2.48	2.28	-8.1
Tier 2 (200kL/a+) (\$/kL)	4.99	4.58	-8.2

3.5 2022–23 maximum sewerage services prices

Maximum sewerage services prices for 2022–23 have been calculated to account for CPI and pass-through adjustments and the updated smoothing factor (X), using this formula:

$$P_{2022-23} = P_{2021-22} \times (1 + CPI_{2022-23}) \times (1 + X_{2022-23}) \times (1 + PT \text{ adj sewerage}_{2022-23})$$

We rounded prices to the nearest cent.

Table 3.3 shows the maximum sewerage services prices for 2022–23. Prices have decreased by 0.8% from 2021–22. This decrease reflects the negative pass-through amount set out in section 3.3 which combined with the lower cost of debt slightly offset the increase in the CPI.

Table 3.3. Sewerage services prices, 2021–22 to 2022–23 (current \$)

	2021–22	2022–23	Change (%)
Supply charge (\$/year)	506.30	502.18	-0.8
Fixture charge non-residential customers (\$/year)	495.16	491.13	-0.8

3.6 2022–23 maximum charges for miscellaneous services

Maximum charges for miscellaneous services in 2022–23 have been calculated using the following formula, with charges rounded to the nearest dollar for the GST-inclusive price:

$$P_{2022-23} = P_{2021-22} \times (1 + CPI_{2022-23})$$

The full list of calculated maximum miscellaneous services charges for 2022–23 is in Appendix 1.

3.7 Class 2 Infrastructure Charge – inside a Precinct

General provisions

Clause 11 of the price direction sets out the process for updating the Precinct Charge and Precinct Map that are used to calculate the Class 2 infrastructure charge for developments within a precinct under the Utilities (Water and Sewerage Capital Contribution Code) Determination 2017.

The Class 2 Infrastructure Charge (C2IC) payable for a Development inside a Precinct is calculated as the product of the net increase in Equivalent Population (EP) and Precinct Charge (C), in accordance with the formula:⁴

$$C2IC = (net increase in EP) \times C$$

Precinct Charge for 2022–23

Icon Water submission

On 29 April 2022, Icon Water submitted its proposed Precinct Charge, along with the financial model used in estimating the charge (Icon Water 2022b). It also submitted an updated Precinct Map to incorporate recently connected developments for 2022–23.

Icon Water proposed a Precinct Charge for 2022–23 of \$1094 per equivalent population.

Icon Water revised its growth service plans in 2022. Because of this revision, the 2022–23 financial model includes updates to the equivalent population projection and the capital expenditure forecast.

Icon Water said its review of the growth service plans every 5 years could trigger step changes in the charge estimated by the financial model. To minimise price volatility, Icon Water proposed setting the Precinct Charge using a 5-year moving average approach instead of the \$100 rounding mechanism that was used in previous years.

⁴ The methodology is described in ICRC Report 10 (2017).

Our decision

Icon Water's proposed Precinct Charge of \$1,094 for 2022–23 is \$106 less than the Precinct Charge of \$1,200 for 2021–22.

As outlined below, we consider the reasons for the decrease in Precinct Charge and the proposed 5-year moving average method are reasonable. We have therefore approved a Precinct Charge for 2022–23 of \$1094 per equivalent population.

Equivalent population projections

The price direction requires Icon Water to identify any revisions to the 20-year projections of ACT population growth and capital expenditure required to augment the water and sewerage network to service this growth.

Icon Water has changed its methodology to produce the 20-year projections of equivalent population. This was done for three reasons.

- 1. To incorporate the higher level of infill proposed in the 2018 ACT Planning Strategy—delivering up to 70% of new housing within existing urban development, up from 50%.
- 2. To use population projections prepared by the Australian Government Centre for Population that account for the impact of the COVD-19 pandemic.
- 3. To use multiple input data sources that are regularly updated. The previous equivalent population projections used ACT Treasury's dwelling count input dataset which is not frequently updated.

The change has resulted in a significant shift in the infill growth—from 65,000 to 102,000 increase in equivalent population over the next 20 years. This shift has significantly reduced the charge estimated by the financial model.

We have reviewed Icon Water's methodology and consider it is sound.

Capital projects

Icon Water has updated its capital expenditure projects to service the infill growth. This year's precinct charge is based on capital projects over the 20-year period between 2022 and 2042. There are several changes across both water and sewerage services projects due to the revised growth service plans. They are presented in Appendix 2.

The changes in the capital projects increase planned sewerage services capital expenditure by \$25 million and decrease planned water services capital expenditure by \$10 million, over the next 20 years. The changes in the capital projects have put some upward pressure on the charge estimated by the financial model.

We will review Icon Water's capital expenditure and projects associated with the calculation of the precinct charge during the ongoing 2023–28 water and sewerage services price investigation. We will also account for any contributions received to ensure that projects funded by the Capital Contribution Code are not funded again through the water and sewerage services tariffs.

Moving average approach to minimise price volatility

Price stability is a relevant consideration in determining the Precinct Charge because this can improve certainty for developers.

⁵ Icon Water sources input data from ACT Government, Transport Canberra and City Service, Australian Bureau of Statistics, Australian Centre for Population and its own operations.

This year's updates result in a significant drop in the charge estimated by the financial model driven by the significant shift in the infill growth projection. Given Icon Water's intention to review its growth service plans every 5-year, such step changes in the estimated charge could occur in future.

We consider the approach to calculating the Precinct Charge based on a 5-year moving average of the charges estimated by the model is better than the existing approach of rounding to the nearest \$100. The 5-year moving average approach will ensure any step change in price is absorbed over a number of years and will provide more stability than the rounding approach.

Precinct map

Icon Water has proposed 9 changes to the precinct map across 3 suburbs. We consider that these proposed changes are reasonable with regard to the *Utilities* (*Water and Sewerage Capital Contribution Code*)

Approval 2017.

The updated Precinct Map is in Appendix 1 and once approved will be made available on our website.

Appendix 1: Water, sewerage, and miscellaneous service charges 2022–23

Icon Water has split the schedule of charges into two sub-schedules to differentiate the charges that are covered by the Standard Customer Contract (SCC) and those that are not covered.

- Schedule A: Standard water and sewerage services charges this schedule contains the standard water and sewerage charges, Class 1 through Class 6 land category charges (except for the metered hydrant standpipe water charge) and items 1 and 2 from the current miscellaneous charges schedule.
- **Schedule B: Miscellaneous fees and charges** this schedule contains the metered hydrant standpipe water charge and the remainder of the miscellaneous charges.

In addition, Icon Water has submitted an updated Precinct Map. The schedules below represent the charges included in Schedule A and Schedule B. The map below is the updated Precinct Map, which is also available on our website.

A. Standard Water and Sewerage Services Charges, Icon Water 2022-23

The following charges apply from 1 July 2022 for, or in connection with, the provision of water services and sewerage services.

This schedule includes other fees and charges associated with these services.

Where water services are provided to any class of land in a meter reading period that ends after 30 June:

- the supply charge will be the charge applicable at the date of the account; and
- water consumption charges are determined based on average daily usage. The 2022-23 charges will apply to average consumption on and from 1 July 2022. The 2021-22 charges will apply to average consumption prior to 1 July 2022.

GST does not apply to water services and sewerage services unless otherwise stated.

In this Schedule of Charges:

- a "flushing fixture" means a flushing cistern or flush valve.
- a "parcel of land" includes leased and unleased parcels of National land and Territory land.
- a "subsidiary building" means a building that is only used for purposes connected with the use of the main building.

Standard Charges

Standard Water Charges		
	2021-22	2022-23
The standard water charge is:		
 the Standard Water Supply Charge - a supply charge to each parcel of land; plus 	\$180.00	\$200.00
The Standard Water Consumption Charge, being:		
 consumption charge for the first 0.548 kilolitres supplied on average per day of the billing period; plus 	\$2.48 per kL	\$2.28 per kL
o for all water supplied in excess of 0.548 kilolitres on average per day of the billing period.	\$4.99 per kL	\$4.58 per kL

Standard Sewerage Charge

	2021-22	2022-23
The Standard Sewerage Charge is:	\$506.30	\$502.18

Charges for categories of land

Class 1 – Single residential

This class applies to a parcel of land:

- (a) with a single residential dwelling (with or without a granny flat) and no other building is erected on the land; or
- (b) with more than one building on the land if one is a single residential dwelling (or a single residential dwelling and granny flat) and any other buildings are subsidiary buildings.

Charges	2021-22	2022-23
Water charge (where the parcel of land is connected to the water network and metered):		
· water supply charge; plus	Standard Water Supply Charge	Standard Water Supply Charge
· water consumption charge.	Standard Water Consumption Charge	Standard Water Consumption Charge
Sewerage charge (where the parcel of land is connected to the sewerage network):		
Sewerage supply charge	Standard Sewerage Charge	Standard Sewerage Charge

Class 2 - Multiple residential (not unit title or community title)

This class applies to a parcel of land:

(a) with more than one residential dwelling (for example, flats, dual occupancy or multiple residential buildings), and no other building is erected on the land other than subsidiary buildings,

but excludes:

- (b) any parcel of land included in Class 1 Single residential; and
- (c) any parcel of land included in Class 3 Unit title or community title.

Charges	2021-22 2022-2	
Water charge (where the parcel of land is connected to the water network and metered):		
	Standard Water Supply Charge (calculated based	Standard Water Supply Charge (calculated based
· water supply charge; plus	on the number of residential dwellings – see	on the number of residential dwellings – see
	below)	below)
	Standard Water Consumption Charge (calculated	Standard Water Consumption Charge (calculated
· water consumption charge.	based on the number of residential dwellings –	based on the number of residential dwellings -
	see below)	see below)
Sewerage charge (where the parcel of land is connected to the sewerage network):		
anners and anners and anners	Standard Sewerage Charge (calculated based on	Standard Sewerage Charge (calculated based on
· sewerage supply charge.	the number of residential dwellings – see below)	the number of residential dwellings – see below)

Note:

• For a complex in this class which is not sub-divided into units under unit titles legislation or is included in a community title scheme under community title legislation (for example, 'dual occupancy'): o there is a single parcel of land; and

o the water supply charge and sewerage supply charge are each calculated based on the number of residential dwellings. For example, if a complex contains 4 units the water supply charge and the sewerage supply charge are the relevant standard charge x 4; and

o in determining water consumption charges under this class, each residential dwelling is given a daily allowance in relation to the volume of water supplied at the lower consumption charge rate. For example, if a complex contains 4 units the daily allowance would be 0.548 kilolitres x 4, being charged at the lower rate with any consumption in excess of that being charged at the higher rate.

Class 3 – Unit title or community title

Where a parcel of land is sub-divided into units under unit titles legislation or is included in a community title scheme under community title legislation:

- each unit or community title lot (which is not common property) is a separate parcel of land in this class; and
- (b) each common property is a separate parcel of land in this class.

Charges	2021-22	2022-23
Water charge for each parcel which is a unit or community title lot:		
water supply charge (including for a parcel of land for which services are available but		
the parcel is not connected to the water network); plus	Standard Water Supply Charge	Standard Water Supply Charge
water consumption charge (where the parcel of land is connected to the water	Charles A.W. A. Charles Charles	C11W-1C
network and separately metered).	Standard Water Consumption Charge	Standard Water Consumption Charge
Water charge for each parcel which is common property:		
· water supply charge; plus	Nil	Nil
water consumption charge (where the parcel of land is connected to the water		
network and separately metered) and the units or community title lots are each separately	Standard Water Consumption Charge	Standard Water Consumption Charge
metered; or		
· water consumption charge (where the parcel of land is connected to the water	Standard Water Consumption Charge (calculated	Standard Water Consumption Charge (calculated
network and separately metered) and the units or community title lots are not each	based on the number of residential dwellings –	based on the number of residential dwellings -
separately metered.	see below)	see below)
Sewerage charge for each parcel which is a unit or community title lot (where the parcel of land is		
connected to the sewerage network):		
· sewerage supply charge; plus	Standard Sewerage Charge	Standard Sewerage Charge
· (where the parcel of land permits any use other than residential purposes only)	\$495.16	\$491.13
charge for each flushing fixture in excess of two flushing fixtures.	3493.10	3491.13
Sewerage charge for each parcel which is common property:		
 sewerage supply charge for any common property parcel where there is no flushing 	Nil	Nil
fixture; or	Nii	Nii
· sewerage supply charge for all other parcels of land in this class which are common	Standard Sewerage Charge	Standard Sewerage Charge
property; plus	Standard Sewerage Charge	Standard Sewerage Charge
 charge for each flushing fixture in excess of two flushing fixtures. 	\$495.16	\$491.13

Note:

• In determining water consumption charges under this category, each unit is given a daily allowance in relation to the volume of water supplied at the lower consumption charge rate. For example, if a complex contains 4 units and a common property the daily allowance would be 0.548 kilolitres x 5, being charged at the lower rate with any consumption in excess of that being charged at the higher

Class 4 - Community institutions

This class applies to a parcel of land:
(a) with a building used for the purpose of a church or other religious establishment, hospital, benevolent institution or charitable institution, and no other building is erected on the land other than

(b) that is occupied by or used in connection with a school that is registered (or provisionally registered) under the Education Act 2004 (ACT) including grounds belonging to or used in connection with such a school.

Charges	2021-22	2022-23
Water charge (where the parcel of land is connected to the water network and metered):		
· water supply charge; plus	Standard Water Supply Charge	Standard Water Supply Charge
· Water consumption charge for a parcel of land used for:		
o the purpose of a church or other religious establishment under paragraph (a)	40.00	ć2 20ld
above; or	\$2.48 per kL	\$2.28 per kL
o a school under paragraph (b) above; or		
· water consumption charge for all other parcels of land in this class.	Standard Water Consumption Charge	Standard Water Consumption Charge
Sewerage charge (where the parcel of land is connected to the sewerage network):		
· sewerage supply charge; plus	Standard Sewerage Charge	Standard Sewerage Charge
 charge for each flushing fixture in excess of two flushing fixtures. 	\$247.52	\$245.57

Class 5 – Commercial and other non-residential

This class applies to all other parcels of land which are not covered by Classes 1-4 above, including but not limited to:

- (a) the Australian National University; and
- commercial and retail premises. (b)

Charges	2021-22	2022-23
Water charges (where the parcel of land is connected to the water network and metered):		
· water supply charge; plus	Standard Water Supply Charge	Standard Water Supply Charge
· water consumption charge.	Standard Water Consumption Charge	Standard Water Consumption Charge
Sewerage charge (where the parcel of land is connected to the sewerage network):		
· sewerage supply charge; plus	Standard Sewerage Charge	Standard Sewerage Charge
· charge for each flushing fixture in excess of two flushing fixtures.	\$495.16	\$491.13

Class 6 - Unmetered, unconnected and metered standpipe charges

Unmetered water charges

This charge applies to a parcel of land that is connected to the water supply network, but which is not metered. This charge does not apply to a parcel of land in Class 3 Unit title or community title.

Charges	2021-22	2022-23
Water supply charge	\$609.92	\$633.49

Unconnected Water & Sewerage Charges

This charge applies to a parcel of land that is not connected to:

- the water network but water supply infrastructure has been installed and is available to the land; and/or
- (b) the sewerage network, but sewerage supply infrastructure has been installed and is available to the land,

including but not limited to a vacant parcel of land or carpark.

This charge does not apply to a parcel of land in Class 3 Unit title or community title which is common property.

Charges	2021-22	2022-23
Water supply charge (where the parcel of land is not connected to the water network)	Standard Water Supply Charge	Standard Water Supply Charge
Sewerage supply charge (where the parcel of land is not connected to the sewerage network)	Standard Sewerage Charge	Standard Sewerage Charge
Other fees and charges	2021-22	2022-23
Special reading of a water meter	\$44.00	\$46.00
Testing a standard 20 mm water meter	\$283.00	\$294.00
Notes: 1. Testing fees for meters larger than 20mm are by individual quote.		
2. Meter testing fees are refundable where a test shows a meter to be defective as defined in the		
Water Metering Code.		
Fee payable upon request for a certificate showing the amount of charges payable in respect of a	\$40.00	\$42.00
quantity of water or of a parcel of land.		
Attendance (debt collection or disconnection / restriction):		
first visit in a 12 month period (in office hours)	\$67.00	\$70.00
within a year of a previous visit (in office hours).	\$94.00	\$98.00
Reconnection fee (following disconnection / restriction for non-payment).	\$63.00	\$65.00
Dishonoured cheque and credit card reversal (admin charge). The greater of:	\$15.00 per account or	\$16.00 per account or
	\$41.00 per cheque for multiple accounts	\$43.00 per cheque for multiple accounts
Direct debit reject	\$8.00 per reject	\$8.00 per reject

Payments

Account payments

Annual charges for water services and sewerage services are billed quarterly, unless agreed otherwise with you.

The due date for payments is the date shown in the account issued to you.

Interest

Where you fail to pay by the due date, and the amount remains unpaid for a further 14 days, Icon Water may levy interest at the prescribed rate on the amount outstanding for each month or part of a month that the amount remains unpaid, calculated from the day on which the payment became due.

The amount of interest calculated and levied will be included on the next account issued to you.

Payment assistance

Icon Water offers a range of flexible payment options. If you would like information on these or if you need payment assistance, please call us on 02 6248 3111. If you are having difficulty paying your account and we are unable to assist, you may also apply to the ACT Civil and Administrative Tribunal (ACAT) for assistance by calling (02) 6207 7740.

B. Miscellaneous Fees and Charges, Icon Water 2022-23

The following fees and charges apply from 1 July 2022 for miscellaneous services associated with water and sewerage services.

Drawings	2019-20	2020-21	2021-22	2022-23
1. Work-as-executed drawings				
Work-as-executed drawings resubmission fee (for the third and any subsequent	\$659.00	\$671.00	\$675.00	\$701.00
submission of drawings that have already been rejected twice as incorrect or not compliant				
with standards).				
Work-as-executed drawings non-compliance fee (for drawings that are submitted and do	\$331.00	\$337.00	\$339.00	\$352.00
not comply with Icon Water electronic file standards).	-			
· ·	•	,	•	
Water main connections	2019-20	2020-21	2021-22	2022-23
2. Tapping into water main				
100mm diameter main				
20mm main cock	\$792.00	\$806.00	\$811.00	\$842.00
25mm main cock	\$903.00	\$919.00	\$924.00	\$960.00
32mm main cock	\$949.00	\$966.00	\$972.00	\$1,010.00
40mm main cock	\$971.00	\$989.00	\$995.00	\$1,033.00
50mm main cock	\$1,015.00	\$1,034.00	\$1,040.00	\$1,080.00
150mm diameter main	72,020.00	7-,00	7 = / 2 10 10 10	7-,
20mm main cock	\$810.00	\$825.00	\$830.00	\$862.00
25mm main cock	\$924.00	\$941.00	\$946.00	\$983.00
32mm main cock	\$981.00	\$999.00	\$1,005.00	\$1,044.00
40mm main cock	\$1,002.00	\$1,020.00	\$1,026.00	\$1,066.00
50mm main cock	\$1,041.00	\$1,060.00	\$1,066.00	\$1,107.00
225mm diameter main	Ψ1,0 11.00	<i>\$2,000.00</i>	ψ2)000.00	V 2/207100
20mm main cock	\$876.00	\$892.00	\$897.00	\$932.00
25mm main cock	\$936.00	\$953.00	\$959.00	\$996.00
32mm main cock	\$988.00	\$1,006.00	\$1,012.00	\$1,051.00
40mm main cock	\$1,002.00	\$1,020.00	\$1,026.00	\$1,066.00
50mm main cock	\$1,055.00	\$1,074.00	\$1,080.00	\$1,122.00
300mm diameter main	71,033.00	\$1,07 4.00	71,000.00	γ1,122.00
20mm main cock	\$947.00	\$964.00	\$970.00	\$1,007.00
25mm main cock	\$964.00	\$982.00	\$988.00	\$1,026.00
32mm main cock	\$1,015.00	\$1,034.00	\$1,040.00	\$1,080.00
40mm main cock	\$1,015.00	\$1,055.00	\$1,061.00	\$1,102.00
50mm main cock	\$1,036.00	\$1,096.00	\$1,102.00	\$1,102.00 \$1,145.00
	71,070.00	71,050.00	71,102.00	71,143.00
3. Temporary Water Connection The price for a temporary water connection will include connection disconnection and	Duguete	Duranata	Duguete	Duranaka
The price for a temporary water connection will include connection, disconnection and surveillance costs.	By quote	By quote	By quote	By quote
Where insertion of hydrant tee is required ("standard" main depth)	62.704.00	62.752.00	ć2.7C0.00	ć2 07C 00
100mm diameter tee	\$2,704.00	\$2,753.00	\$2,769.00	\$2,876.00
150mm diameter tee	\$2,899.00	\$2,952.00	\$2,969.00	\$3,084.00
225mm diameter tee	\$3,294.00	\$3,354.00	\$3,374.00	\$3,504.00
300mm diameter tee	\$4,140.00	\$4,216.00	\$4,241.00	\$4,405.00
Note 1: Where the main exceeds the "standard" depth, additional risers are to be supplied				
Note 2: Hydrant covers and indicators etc, are to be supplied and fixed by the contractor.				
Installation of a hydrant from an existing tee connection	\$1,557.00	\$1,585.00	\$1,594.00	\$1,656.00

5. Raise or lower hydrant	\$1,402.00	\$1,456.00
6. Remove hydrant / endcap and connect main		
100mm main	\$1,617.00	\$1,679.00
150mm main	\$2,066.00	\$2,146.00
225mm main	\$2,905.00	\$3,017.00
300mm main	\$3,645.00	\$3,786.00
7. Cut in stop valve		
100mm main	\$2,133.00	\$2,215.00
150mm main	\$2,230.00	\$2,316.00
225mm main	\$3,337.00	\$3,466.00
300mm main	by quote	by quote
8. Supply and fix stop valve locking cover		
This charge includes the installation and removal at a later date	\$688.00	\$715.00
9. Disconnection of water service		
Service 20mm to 32mm diameter (cap main cock)	\$730.00	\$758.00
Service 40mm to 150mm diameter (cap main cock / blank flanged tee)	\$959.00	\$996.00
10. Relocation of 20mm and 25mm stop cock and meter		
Where no shutdown is required	\$754.00	\$783.00
Where additional excavation is required	\$1,066.00	\$1,107.00
Where shutdown of main is required	\$1,810.00	\$1,880.00
11. Sewer main connections	2021-22	2022-23
100mm diameter junction into 150mm diameter main	\$1,822.00	\$1,892.00
100mm diameter junction into 225mm diameter main	\$1,969.00	\$2,045.00
100mm diameter junction into 300mm diameter main	\$2,122.00	\$2,204.00
Break out existing 150mm, 225mm or 300mm diameter main to a new manhole	\$1,525.00	\$1,584.00
Connection to existing standard manhole without drop, 100mm, 150mm or 225mm	\$3,053.00	\$3,171.00
diameter		
150mm connection to existing standard manhole including external drop of up to 2 metres	\$8,034.00	\$8,345.00
Charge for each additional metre of drop	\$290.00	\$301.00
225mm connection to existing standard manhole including external drop of up to 2 metres	\$8,034.00	\$8,345.00
Charge for each additional metre of drop	\$290.00	\$301.00
Provide 100mm or 150mm diameter collar out of existing standard sewer manhole for	\$3,320.00	\$3,448.00
house connection without drop		,
Connecting main to end of existing main or collar out of existing manhole, 150mm or	\$2,497.00	\$2,594.00
225mm		
100mm diameter PVC temporary connection to standard sewer manhole including removal	\$2,497.00	\$2,594.00
of PVC pipe from manhole at completion of project		
Alterations to height of manhole. Raise or lower manhole up to 300mm where the only	\$1,114.00	\$1,157.00
alteration is to the neck of the manhole and the total length of neck and ring does not		
Supply and fit "gatic" type cover to an existing manhole	\$1,416.00	\$1,471.00
Disconnection (temporary cap off) of sewer tie for non-compliance	\$995.00	\$1,033.00
Permanent disconnection of sewer connection to a main 150 or 225 mm	\$995.00	\$1,033.00
Note: This price does not include excavation works which are commonly carried out by the	Ç333.00	71,000.00
project contractor (or by Icon Water at a negotiated price).		
Rebuild sewer manhole	\$7,361.00	\$7,646.00
Gatic (if required)	\$562.00	\$584.00
Sans (n. 1 oquil sa)	7302.00	7507.00

12.	Hydrants (metered standpipes)	2021-22	2022-23
32m	m hydrant (metered standpipe):		
•	annual hire	\$418.00	\$434.00
•	quarterly hire	\$150.00	\$156.00
•	short-term hire (14 days maximum)	\$80.00	\$83.00
65mm hydrant (metered standpipe):			
•	annual hire	\$569.00	\$591.00
	quarterly hire	\$190.00	\$197.00
•	short-term hire (14 days maximum)	\$80.00	\$83.00
Metered standpipe water charges			
	er consumption charge for consumption of water through a metered hydrant dpipe	\$4.99 per kL	\$4.58 per kL

Note:

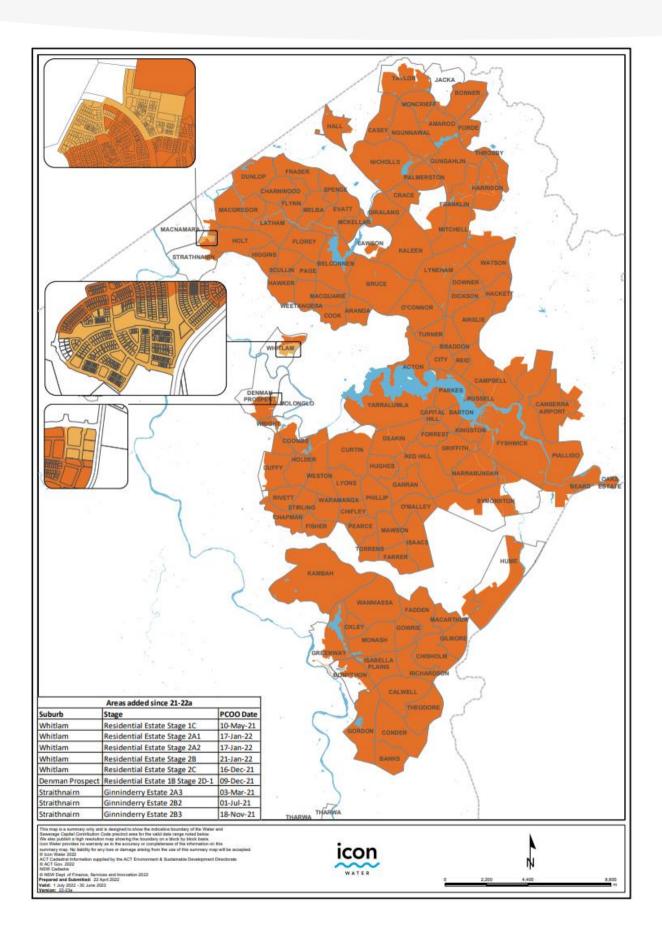
- The above charges relating to (non-contestable) water main connections, hydrants and sewer main connections apply to basic installations only. Additional charges will apply to non-standard components, work of unusual complexity or work that is necessary outside of normal business hours. Estimates can be supplied on request.
- Only property owners or their authorised agents are entitled to apply to Icon Water for the (non-contestable) works listed in this schedule.
- It is the responsibility of the lease owner (or authorised agent) to meet the costs of Icon Water charges together with all internal and external works which may be necessary to carry out a connection or disconnection to Icon Water's water and sewerage network.
- Where the site is not ready at the nominated time to allow Icon Water to commence work, additional charges will apply for rescheduled works.

Payments

Interest

Where you fail to pay by the due date, and the amount remains unpaid for a further 14 days, Icon Water may levy interest at the prescribed rate on the amount outstanding for each month or part of a month that the amount remains unpaid, calculated from the day on which the payment became due.

The amount of interest calculated and levied will be included on the next account issued to you.



Appendix 2. Details of capital projects in Icon Water's 2022–23 submission

Project	Estimated project timeframe	Change
Water projects		
Tralee St water main upgrade	2029-32	New
Distribution main from Gungahlin to Downer/Watson	2023	Cashflow updated
Campbell and Ainslie Water Storage		Removed
Elmgrove Reservoir 2 & Pump Station		Removed
Sewerage projects		
Dairy Road Sewer Augmentation	2023-25	New
Red Hill Sewer Augmentation	2028-29	New
Jerrabomberra Sewer Augmentation	2027-28	New
Section 57 Turner Sewer Augmentation	2023-24	New
Kippax Sewer Augmentation	2028	New
Watson - Cap Cons	2024-25	New
ANU Sewer Augmentation	2028	New
City Walk Sewer Augmentation	2030	New
Lyneham Sewer Augmentation	2029	New
Jerrabomberra Sewer Pump Station Augmentation	2025-26	New
Woden Valley Sewer Augmentation	2033-38	Timeline deferred
North Canberra Sewer Augmentation Stage 1	2024-29	Timeline deferred
North Canberra Sewer Augmentation Stage 2	2037-42	Timeline deferred
North Canberra Sewer Augmentation Stage 3	2030-34	Timeline brought forward
Constitution Avenue Sewer Upgrade	2025-26	Cost estimate revised
Antill St, Dickson sewer upgrade	2023-26	Cost estimate revised
Fyshwick SPS Augmentation	2024-25	Cashflow updated
Franklin Sewerage Storage Tank	2040-44	Renamed

The total value of water projects over the 20 years from 2023 to 2042 is \$4,947,284 (2022-23\$). The corresponding value of sewerage projects is \$175,664,494 (2022-23\$).

Abbreviations and acronyms

Commission Independent Competition and Regulatory Commission

CPI Consumer price index

GST Goods and services tax

ICRC Independent Competition and Regulatory Commission

ICRC Act Independent Competition and Regulatory Commission Act 1997

(ACT)

kL kilolitre

price direction Price Direction for Water and Sewerage Services 1 July 2018 to 30

June 2023

SCC Standard customer contract

UNFT Utilities Network Facilities Tax

WAC Water abstraction charge

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