

MEDIA RELEASE

Water and sewerage prices to increase due to inflation and Icon Water's large capital renewal program

The Independent Competition and Regulatory Commission today released its final decision and price direction for regulated water and sewerage services prices. This final decision determines the amount of revenue Icon Water can earn, and what prices it can charge, over the period 1 July 2023 to 30 June 2028.

"The commission's decision will result in a rise in the prices ACT consumers will pay for water and sewerage services for the 2023-28 regulatory period." Senior Commissioner Joe Dimasi said.

The combined water and sewerage services bill for an average household consuming 200kL a year would increase by 6.1% per year on average over the regulatory period.

"Under our final decision, an average residential customer will pay \$1,249 for its annual combined bill in 2023-24, an increase of \$72 (or 6.1%) compared to 2022-23." Mr Dimasi said.

"However, despite this increase, the combined water and sewerage services bills for residential consumers in the ACT will be around the average of comparable jurisdictions."

"An average non-residential customer consuming 5,000kL per year with 50 flushable fixtures installed will see an increase of \$2,951 (or 6.2%) in its annual bill in 2023-24."

The price increase compares to the current inflation rate in the ACT of 6.2% (12 months to March 2023). In real terms (excluding inflation) the combined bill is expected to increase at an annual average of 3.1% over the 5 year regulatory period. The prices for 2024-25 to 2027-28 presented in Table 1 are for indicative purposes, and will be updated annually for actual inflation, changes to financing costs and any approved pass-through.

The primary drivers of the price increase are the recent high levels of inflation, higher expected financing costs for Icon Water's investments in the 2023-28 regulatory period and a significant increase in proposed capital spending by Icon Water. This is nearly \$270 million more than the current period and includes:

- Lower Molonglo Secondary Treatment Bioreactors Upgrade (\$212.2 million)
- Lower Molonglo Biosolids Management Renewal (\$73.4 million)
- Sewer Mains Renewal Program (\$67.8 million)
- Cotter Pump Station Upgrade (\$25.3 million)

These factors have been partially offset by the growth in Canberra's population and the ability to spread these increased costs across a broader customer base.

The final price increase of 6.1% determined by the commission is higher than the price increase estimated in the draft report (4.2%). This mainly reflects the movement in actual and expected inflation since October 2022, additional claims by Icon Water for operating expenditure and increased financing costs.

However, under our final decision, prices are around 2 percentage points lower than Icon Water's December 2022 proposal. The difference reflects our decision to reduce Icon Water's allowed revenue requirement by 5.1% or \$102 million and to seek greater efficiencies.

"The commission appreciates Icon Water's cooperative approach and constructive engagement throughout the price investigation. We also recognise the value of submissions from consumers and community groups in reaching this decision." Mr Dimasi said.

A copy of the final report and price direction are available on the Commission's website at www.icrc.act.gov.au.

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Contact

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Attachment

Table 1. Final decision on water and sewerage services tariffs, 2023-28 (\$, nominal)

	2022-23 ^a	2023-24	2024-25	2025-26	2026-27	2027-28
Water prices						
Water supply charge (\$/year/connection)	\$200.00	\$211.25	\$223.13	\$235.67	\$248.93	\$262.93
Tier 1 charge (0–200kL/year) (\$/kL)	\$2.28	\$2.41	\$2.54	\$2.69	\$2.84	\$3.00
Tier 2 charge (more than 200kL/year) (\$/kL)	\$4.58	\$4.84	\$5.11	\$5.40	\$5.70	\$6.02
Sewerage prices						
Sewerage supply charge (\$/year/connection)	\$502.18	\$535.79	\$571.66	\$609.92	\$650.75	\$694.31
Sewerage fixtures charge (\$/year/fixture)	\$491.13	\$524.00	\$559.08	\$596.50	\$636.43	\$679.03

Notes: ^a Data for 2022–23 (last year of the current regulatory period) are presented for comparison purposes.

Maximum prices from 2024–25 to 2027–28 could differ from the indicative prices in this table if actual inflation differs from forecast inflation, if the cost pass-through mechanism is triggered, or depending on the annual updates to the cost of debt. Sewerage fixtures charge applies only to non-residential customers for each flushing fixture more than two.

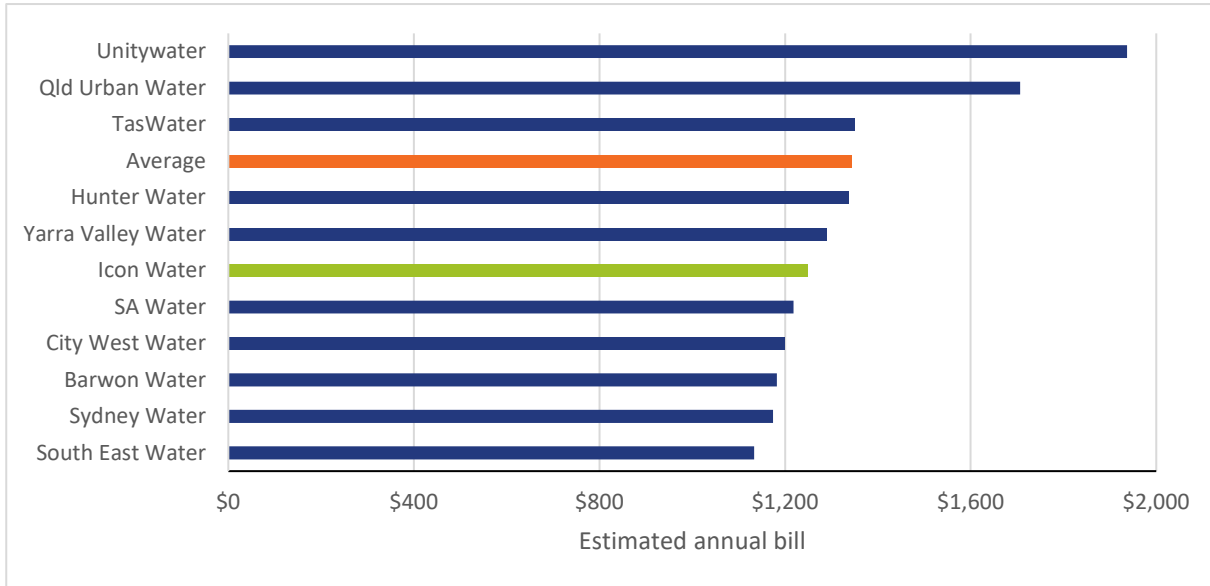
Table 2. Indicative impacts on annual combined water and sewerage services bill for residential customers from 2022–23 to 2023–24 (\$nominal)

Annual water consumption (kL)	Annual 2022–23 combined bill (\$)	Annual 2023–24 combined bill (\$)	Change in combined bill (%)	Change in combined bill (\$)
50	816	867	6.3%	51
100	930	988	6.2%	58
150	1,044	1,108	6.1%	64
200	1,177	1,249	6.1%	72
250	1,387	1,471	6.0%	83
300	1,616	1,712	6.0%	96
350	1,845	1,954	5.9%	109
400	2,074	2,196	5.9%	122
500	2,532	2,680	5.8%	148
750	3,677	3,889	5.8%	212

Table 3. Indicative impacts on annual combined water and sewerage services bill for non-residential customers from 2022–23 to 2023–24 (\$nominal)

Annual water consumption (kL)	Number of fixtures (#)	Annual 2022–23 combined bill (\$)	Annual 2023–24 combined bill (\$)	Change in combined bill (%)	Change in combined bill (\$)
1,000	10	9,733	10,339	6.2%	606
	50	29,397	31,299	6.5%	1,902
	100	53,935	57,499	6.6%	3,564
2,500	10	16,603	17,595	6.0%	992
	50	36,249	38,555	6.4%	2,307
	100	60,805	64,756	6.5%	3,950
5,000	10	28,053	29,689	5.8%	1,636
	50	47,699	50,649	6.2%	2,951
	100	72,255	76,849	6.4%	4,594
15,000	10	73,853	78,065	5.7%	4,211
	50	93,499	99,025	5.9%	5,526
	100	118,055	125,225	6.1%	7,170

Figure 1. Comparison of estimated water and sewerage services bills of Australian water utilities for 2023-24, assuming residential consumer with 200kL a year consumption (\$, nominal)



Notes: For City West Water, South East Water and Yarra Valley Water, Victoria Government waterways and drainage charge and parks charge are not applied; Bills updated to reflect decreases in water usage charges from October 2022 due to the remaining 2022-23 desalination water order for Melbourne ceasing; For Sydney Water, City West Water, SA Water (Adelaide), Hunter Water, Yarra Valley Water, Queensland Urban Utilities and Unitywater – Moreton Bay, prices indexed assuming annual inflation of 2.92% from 2022-23; For Barwon Water and South East Water, prices based on utilities’ price submission for 2023-24 and ESC’s draft decision; For TasWater, prices based on OTTER’s 2022-26 determination.