ICRC
independent competition and regulatory commission

SELECT COMMITTEE ON ESTIMATES 2018-19—HEARING 18 JUNE 2018 AT 3.45pm

BRIEFING NOTES

Location

Committee Room 1, Ground Floor, ACT Legislative Assembly building

Select Committee members

Mr Andrew Wall (chair), Ms Tara Cheyne (deputy chair), Ms Caroline Le Couteur, Ms Elizabeth Lee, Ms Suzanne Orr

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Final program of hearings for Day 2 (Monday 18 June)

INDEPENDENT COMPETITION AND REGULATORY COMMISSION – STATEMENT OF INTENT

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

This Statement of Intent for 2018-19 has been prepared in accordance with Section 61 of the *Financial Management Act 1996.*

The responsible Minister, Mr Andrew Barr MLA, was consulted during the preparation of the Statement of Intent.

The Statement of Intent, which focuses on the 2018-19 Budget year, has been developed in the context of a four year forward planning horizon to be incorporated, as far as practicable, into the Independent Competition and Regulatory Commission's strategic and business planning processes.

The Independent Competition and Regulatory Commission 2018-19 Statement of Intent has been agreed between:

Joe Dimasi

Senior Commissioner

Andrew Barr MLA

Treasurer

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

As a result of the 2015 amendments to the *Financial Management Act 1996* (FMA), the budget statement for the Commission is its Statement of Intent.

Purpose

The Commission has responsibilities for a broad range of regulatory and utility administrative matters. The Commission is responsible under the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act) for regulating and advising government about pricing and other matters for monopoly, near-monopoly and ministerially declared regulated industries, providing advice on competitive neutrality complaints and government-regulated activities, and arbitrating infrastructure access disputes under the ICRC Act.

The Commission's objectives are set out in sections 7 and 19L of the ICRC Act and section 3 of the *Utilities Act 2000* (Utilities Act). Those objectives are:

- promoting effective competition in the interests of consumers;
- facilitating an appropriate balance between efficiency, environmental and social considerations;
- ensuring non-discriminatory access to monopoly and near-monopoly infrastructure; and
- when making a price direction in a regulated industry, to promote the efficient investment in, and efficient operation and use of regulated services for the long term interests of consumers in relation to price, quality, safety, reliability and security of the service.

The Utilities Act provides for the licensing of electricity, natural gas, water and sewerage utility services. In discharging responsibilities under this legislation, the Commission's objectives are to:

- encourage the provision of safe, reliable, efficient and high-quality utility services at reasonable prices;
- minimise the potential for misuse of monopoly power and promote competition in the provision of utility services;
- encourage long term investment, growth and employment in utility services; and
- protect the interests of consumers.

Nature and scope of activities

General activities

In discharging its responsibilities under its enabling legislation the Commission conducts the following activities:

- Water and sewerage services pricing arrangements
  - As a regulated industry under the ICRC Act, prices for water and sewerage services in the ACT are determined by the Commission, or if reviewed and determined by an Industry Panel, are implemented by the Commission.
  - The Treasurer tabled in the Legislative Assembly on 13 December 2016 the terms of reference for the making of a price direction for regulated water and sewerage services for the period 1 July 2018 to 30 June 2023. A draft decision was issued on 12 December 2017 and the final report was released on 1 May 2018.
- Retail electricity pricing arrangements
  - From 1 July 2012 a number of responsibilities for regulating retail electricity were transferred to the Australian Energy Regulator (AER), but responsibility for technical regulation, complaints handling and retail electricity pricing remained with state and territory governments. The Commission will, pursuant to ACT government policy, continue to determine retail prices for franchise electricity customers. The Commission released its final decision on retail electricity prices for small customers on standard offer contracts on 7 June 2017. That decision set the average annual increase in retail prices of electricity supplied to small customers on standard retail contracts for the period 1 July 2017 to 30 June 2020, subject to an annual adjustment for any pass-through events.
  - The Commission will make a decision in June 2018 on any adjustment relating to the 2018-19 regulated retail electricity prices due to pass-through events. It will make a decision in June 2019 on any adjustment to 2019-20 prices due to pass-through events.
  - During the 2017-20 regulatory period, the Commission will review its pricing model and methodology to ensure the method used in arriving at a price direction remains current, accurate and consistent with the Commission's obligations under the ICRC Act. Any changes to the model will be implemented in the regulatory period after 30 June 2020.
- Competition policy
  - In April 2018 the Minister for Transport Canberra and City Services requested the Commission to monitor and report on the impact on ACT beverage prices and competition in the beverage industry of the introduction of the ACT Container Deposit Scheme on 30 June 2018. The Commission will release a progress report in February 2019 and provide a final report in July 2019.

- In 2018-19 the Commission will respond to the ACT Government's requirements for advice on competition policy matters.
- In 2018-19 the Commission will also continue its role in handling competitive neutrality complaints, as described in the National Competition Policy Agreements and the ACT Competitive Neutrality Statement.

- Utilities regulatory regime
  - The Commission has a statutory responsibility to ensure that utilities authorised to provide services in the Territory comply with their obligations in and arising from licence conditions and industry and technical codes made under the Utilities Act. During 2018-19, the ACT licensing regime will continue to apply to electricity and gas distribution activities and water and sewerage services. The Commission will continue to assess licence applications, maintain the licensing regime, and monitor and report on retail utilities' compliance with licence conditions.
  - On 8 December 2017, the Commission released its final determination on the application by Icon Water for an industry code covering capital contributions for water and sewerage infrastructure upgrades. The code took effect from 1 January 2018, with an 18 month transition period for properties purchased before that date.
  - In 2018-19 the Commission will continue its work on updating utilities licences, codes and guidelines, including the provisions of the utilities consumer protection code.

Risks

Effective risk management is one of the keys to achieving the Commission's purpose. Managing risk is a fundamental activity, performed across the Commission.

The Commission has developed an enterprise-wide risk management approach to identifying, managing or mitigating risks. Specific areas of risk include:

- Operational risk
  - Operational risk can arise from internal factors such as people or from inadequate internal processes or systems. Risks can also arise from external events such as non-performance under contracts. The Commission has instituted policies and procedures that manage third-party risk through the evaluation of risk factors, including the performance evaluation of contractors. The Commission is also implementing approaches to mitigate the risks arising from the cyclical nature of the Commission's work, which creates particular challenges in managing workload and pressure on staff, given the deadlines associated with the Commission's decision making responsibilities.
  - Organisational risk arises due to the sustainability of corporate knowledge and the Commission's small but specialised staff. The Commission faces the ongoing challenge associated with the risk of loss of organisational capacity and knowledge when staff are absent or take up opportunities elsewhere.

- Financial risk
  - Financial risk arises from inadequate cash reserves to meet the Commission's financial commitments. The Commission has appropriate risk management procedures to identify and manage financial risk, including actively monitoring credit risk in areas such as cash and other receivables appropriate to its nature, scale and size.

2018-19 priorities and next three financial years

The Commission's strategic and operational priorities for 2018-19 include:

- Approving the annual adjustment to the regulated price for water and sewerage services for 2019-20 in accordance with the price direction;
- Overseeing the annual adjustment to the pricing determination for retail electricity for small customers on standard retail contracts for 2019-20;
- Reviewing the retail electricity pricing model and methodology that will be used in making a pricing determination for retail electricity for small customers on standard retail contracts in the regulatory period after 30 June 2020;
- Overseeing the regulatory regime established under the Utilities Act, including licensing, industry code development, a redraft of the consumer protection code and compliance monitoring and reporting on utility compliance and performance;
- Recovering annual utility licence fees and administering the annual energy industry levy;
- Monitoring and reporting on the impact of the introduction of the ACT Container Deposit Scheme on beverage prices and competition in the ACT beverage industry and advising the Minister on any unfair or unjustified behaviour or market outcomes; and
- Responding to the Government's requirements for advice on competition policy matters, and discharging the Commission's statutory role in competitive neutrality complaints handling.

The strategic and operational issues to be pursued in the following three financial years include:

- Undertaking the annual adjustment to regulated water and sewerage services prices for the financial years 2020-21, 2021-22 and 2022-23;
- Undertaking the necessary research and analysis in respect of the regulatory reset principles in relation to water demand forecasting, incentives mechanisms and the method for calculating the allowed rate of return on investments well in advance of the next price investigation into regulated water and sewerage prices;
- Responding to any terms of references issued by the Government in relation to undertaking a pricing investigation for the determination of the price of electricity for small customers for the regulatory period applying from 1 July 2020;

- Overseeing any annual adjustments, including pass-through events, required by a pricing determination for retail electricity for small customers on standard contracts that is made in response to a terms of reference issued by the Government;
- Overseeing the regulatory regime established under the Utilities Act, including licensing, amending existing licences to take account of legislative changes, industry code development, administration of the energy levy and compliance monitoring, and reporting on utility compliance and performance; and
- Responding to the Government's requests for advice on competition policy matters, and discharging the Commission's statutory role in competitive neutrality complaints handling.

Estimated employment level

Table 1: Estimated employment level

1.	2016-17 Actual Outcome[1]	2017-18 Budget	2017-18 Estimated Outcome[1]	2018-19 Budget
2. Staffing (FTE)	10	9[2]	10[2]	11[3]

Note(s):

1. These figures relate to 30 June staffing levels.
2. The variation between the 2017-18 Budget and the 2017-18 Estimated Outcome is due to the Commission recruiting additional staff to monitor and report on the impact on ACT beverage prices and competition in the beverage industry following the introduction of the ACT Container Deposit Scheme on 30 June 2018.
3. The variation between the 2017-18 Estimated Outcome and the 2018-19 Budget is due to the recruitment of additional staff to review the Commission's pricing model and methodology to ensure the method used in arriving at a price direction remains current, accurate and consistent with the Commission's obligations under its Act.

Key performance indicators for 2018-19 to 2021-2022

Table 2: Key performance indicators for 2017-18 and 2020-21

Item	Measure	
	2018-19	**2019-20 to 2021-22**
Water and sewerage services pricing	Undertaking reviews of matters identified as reset principles. Annual price adjustments.	Undertaking reviews of matters identified as reset principles. Annual price adjustments.
Retail electricity pricing	Price adjustment for 2019-20.	Price determination for regulatory period from 1 July 2020 (subject to terms of reference from Government), and any required price adjustments for the regulatory period. Undertaking reviews of any matters identified as reset principles.
Utilities compliance and performance	1 report.	Annual reports.
Utility licence fees (water, sewerage services, and energy sector utilities not subject to energy industry levy)	Licence fees determination and collection.	Annual licence fee determinations as required and annual collection of licence fee.
Utility levies (energy sector)	3 determinations.	Annual levy determinations as required.
Container Deposit Scheme—price and competition monitoring	1 progress report.	Final report and any advice required on market outcomes or behaviour. Further monitoring if required.
Advice on any additional referred matters	Subject to receipt of references.	Subject to receipt of references.

Assessment of performance against 2017-18 objectives

Table 3: Comparison of estimated performance at 30 June 2017 and the Statement of Intent for 2016-17

Item	Measure	Estimated performance
Water and sewerage services pricing.	Price adjustments, tariff review and seeking new terms of reference.	Completed price adjustment. Release of water tariff review issues paper and final report. Release of issues paper on price investigation, following the receipt of terms of reference.
Retail electricity pricing.	Price determination.	Release of an issues paper and draft and final reports into the price investigation. Completed 1 price determination.
Utilities compliance and performance.	1 report[1].	Completed 1 report.
Utility licence fees (water, sewerage services, and energy sector utilities not subject to energy industry levy).	1 determination.	Completed 1 determination.
Utility levies (energy sector).	3 determinations.	Completed 3 determinations.
Advice on referred matters.	Subject to receipt of references.	No additional references were received in 2016-17.

Note(s):
In addition to the performance measures included in the Statement of Intent for 2017-18, the Commission:

- made a determination on the application by Icon Water for an industry code covering capital contributions for water and sewerage infrastructure upgrades; and
- revised the levy model to reflect legislative changes to the Utilities Act.

Changes to Appropriation

Table 4: Changes to appropriation – Controlled Recurrent Payments

	2017-18 Estimated Outcome $'000	2018-19 Budget $'000	2019-20 Estimate $'000	2020-21 Estimate $'000	2021-22 Estimate $'000
2017-18 Budget	350	352	354	360	360
2018-19 Budget Policy Decisions					
More jobs for our growing city – Electricity Pricing Review	0	525	181	0	0
2018-19 Budget Technical Adjustments					
Revised Superannuation Guarantee Rate	0	1	1	2	2
Revised Indexation Parameters	0	0	0	0	6
Revised Wage Parameters	0	2	4	7	10
Revised Superannuation Parameters	0	13	16	14	14
2018-19 Budget	**350**	**893**	**556**	**383**	**392**

Table 5: Changes to appropriation – Capital Injections, Controlled

	2017-18 Estimated Outcome $'000	2018-19 Budget $'000	2019-20 Estimate $'000	2020-21 Estimate $'000	2021-22 Estimate $'000
2017-18 Budget	0	0	0	0	0
2018-19 Budget Technical Adjustments					
Revised Wage Parameters	0	1	0	0	0
2018-19 Budget	**0**	**1**	**0**	**0**	**0**

Monitoring and reporting

The Commission will satisfy the requirements of the Chief Minister's Annual Reports Directions. The Commission's Annual Report will, amongst other things, report against the requirements of this Statement of Intent.

The FMA authorises the Treasurer to obtain financial and other statements from the Commission for a stated period including annual, quarterly and monthly reporting.

Annual reporting

As part of preparations for end of year reporting, the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) will advise the dates when the following documents are required at the CMTEDD and at the Auditor-General's Office:

- Certified financial statements.
- Management discussion and analysis.
- A full and accurate set of audited financial records for the preceding financial year in the form requested.
- Consolidation packs relating to the annual financial statements, draft and final.

Financial Statements – Controlled (GGS)

Table 6: Independent Competition and Regulatory Commission: Operating Statement

2017-18 Budget $'000		2017-18 Estimated Outcome $'000	2018-19 Budget $'000	Var %	2019-20 Estimate $'000	2020-21 Estimate $'000	2021-22 Estimate $'000
	Income						
	Revenue						
350	Controlled Recurrent Payments[1]	350	893	155	556	383	392
374	Taxes, Fees and Fines	377	344	-9	723	731	757
1,798	User Charges	1,602	721	-55	431	442	445
28	Interest	22	22	-	23	24	24
2,550	**Total Revenue**	**2,351**	**1,980**	**-16**	**1,733**	**1,580**	**1,618**
	Expenses						
1,274	Employee Expenses[2]	1,336	1,368	2	812	687	705
129	Superannuation Expenses	141	173	23	166	163	166
1,068	Supplies and Services	817	547	-33	683	658	675
51	Depreciation and Amortisation	64	64	-	51	1	1
2,522	**Total Expenses**	**2,358**	**2,152**	**-9**	**1,712**	**1,509**	**1,547**
28	**Operating Result**	**-7**	**-172**	**#**	**21**	**71**	**71**

Notes(s):

1. The increase in controlled recurrent payments of $0.543 million (155 percent) in the 2018-19 Budget from the 2017-18 estimated outcome is mainly due to the Commission receiving additional funding to review its electricity pricing model and methodology to ensure retail electricity prices are not higher than reasonably justified.

2. The reduction in employee expenses between the 2018-19 Budget and the forward estimates mainly relates to the uncertainty of future work flow because the Commission is dependent on the receipt of references from the Government.

Table 7: Independent Competition and Regulatory Commission: Balance Sheet

Budget at 30/6/18 $'000		2017-18 Estimated Outcome $'000	Budget at 30/6/19 $'000	Var %	Estimate at 30/6/20 $'000	Estimate at 30/6/21 $'000	Estimate at 30/6/22 $'000
	Current Assets						
1,034	Cash and Cash Equivalents	967	1,299	34	1,145	1,461	1,530
431	Receivables	665	229	-66	466	235	253
1,465	**Total Current Assets**	**1,632**	**1,528**	**-6**	**1,611**	**1,696**	**1,783**
	Non Current Assets						
197	Property, Plant and Equipment	113	50	-56	0	0	0
197	**Total Non Current Assets**	**113**	**50**	**-56**	**0**	**0**	**0**
1,662	**TOTAL ASSETS**	**1,745**	**1,578**	**-10**	**1,611**	**1,696**	**1,783**
	Current Liabilities						
105	Payables	182	183	1	184	185	186
128	Employee Benefits	71	68	-4	73	80	89
233	**Total Current Liabilities**	**253**	**251**	**-1**	**257**	**265**	**275**
	Non Current Liabilities						
21	Employee Benefits	41	46	12	51	56	61
67	Other Liabilities	68	69	1	70	71	72
88	**Total Non Current Liabilities**	**109**	**115**	**6**	**121**	**127**	**133**
321	**TOTAL LIABILITIES**	**362**	**366**	**1**	**378**	**392**	**408**
1,341	**NET ASSETS**	**1,383**	**1,212**	**-12**	**1,233**	**1,304**	**1,375**
	REPRESENTED BY FUNDS EMPLOYED						
1,341	Accumulated Funds	1,383	1,212	-12	1,233	1,304	1,375
1,341	**TOTAL FUNDS EMPLOYED**	**1,383**	**1,212**	**-12**	**1,233**	**1,304**	**1,375**

Table 8: Independent Competition and Regulatory Commission: Statement of Changes in Equity

Budget at 30/6/18 $'000		2017-18 Estimated Outcome $'000	Budget at 30/6/19 $'000	Var %	Estimate at 30/6/20 $'000	Estimate at 30/6/21 $'000	Estimate at 30/6/22 $'000
	Opening Equity						
1,313	Opening Accumulated Funds	1,390	1,383	-1	1,212	1,233	1,304
1,313	**Balance at the Start of the Reporting Period**	**1,390**	**1,383**	**-1**	**1,212**	**1,233**	**1,304**
	Comprehensive Income						
28	Operating Result - Including Economic Flows	-7	-172	#	21	71	71
28	**Total Comprehensive Income**	**-7**	**-172**	**#**	**21**	**71**	**71**
	Closing Equity						
1,341	Closing Accumulated Funds	1,383	1,212	-12	1,233	1,304	1,375
1,341	**Balance at the end of the Reporting Period**	**1,383**	**1,212**	**-12**	**1,233**	**1,304**	**1,375**

Table 9: Independent Competition and Regulatory Commission: Cash Flow Statement

2017-18 Budget $'000		2017-18 Estimated Outcome $'000	2018-19 Budget $'000	Var %	2019-20 Estimate $'000	2020-21 Estimate $'000	2021-22 Estimate $'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
350	Controlled Recurrent Payments	350	893	155	556	383	392
384	Taxes, Fees and Fines	392	348	-11	723	978	757
1,928	User Charges	1,728	1,157	-33	431	442	445
28	Interest Received	22	22	-	23	24	24
51	Other	45	48	7	44	45	45
2,741	**Operating Receipts**	**2,537**	**2,468**	**-3**	**1,777**	**1,872**	**1,663**
	Payments						
1,274	Employee	1,330	1,372	3	1,044	691	709
131	Superannuation	142	176	24	171	167	170
1,250	Supplies and Services	999	589	-41	716	698	715
2,655	**Operating Payments**	**2,471**	**2,137**	**-14**	**1,931**	**1,556**	**1,594**
86	**NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**	**66**	**331**	**402**	**-154**	**316**	**69**
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
0	Capital Injections	0	1	#	0	0	0
0	**Financing Receipts**	**0**	**1**	**#**	**0**	**0**	**0**
	Payments						
0	**Financing Payments**	**0**	**0**	**-**	**0**	**0**	**0**
0	**NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES**	**0**	**1**	**#**	**0**	**0**	**0**
86	**NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS**	**66**	**332**	**403**	**-154**	**316**	**69**
948	**CASH AT THE BEGINNING OF REPORTING PERIOD**	**901**	**967**	**7**	**1,299**	**1,145**	**1,461**
1,034	**CASH AT THE END OF REPORTING PERIOD**	**967**	**1,299**	**34**	**1,145**	**1,461**	**1,530**

Notes to the Controlled Budget Statements

Significant variations are as follows:

Operating Statement

- controlled recurrent payments:

  the increase of $0.543 million (155 percent) in the 2018-19 Budget from the 2017-18 estimated outcome is mainly due to the Commission receiving additional funding to review its electricity pricing model and methodology to ensure retail electricity prices are not higher than reasonably justified.

- user charges

  The decrease of $0.881 million (55 percent) in the 2018-19 Budget from the 2017-18 estimated outcome is mainly due to the investigation into, and price direction determination for, regulated water and sewerage services provided by Icon Water Limited in the ACT for the period 1 July 2018 to 30 June 2023 being completed in 2017-18. The 2018-19 Budget includes $0.300 million of funding relating to monitoring and reporting on the Container Deposit Scheme, partially offsetting the impact of the investigation into, and price direction determination for, regulated water and sewerage services being completed in 2017-18.

- supplies and services:

  the decrease of $0.251 million (24 percent) in the 2017-18 estimated outcome from the original budget is mainly due to consultancy costs for the investigation into, and price direction determination for, regulated water and sewerage services provided by Icon Water Limited in the ACT for the period 1 July 2018 to 30 June 2023 being lower than anticipated.

  the decrease of $0.270 million (33 percent) in the 2018-19 Budget from the 2017-18 estimated outcome is mainly due to reduced consultancy costs with the investigation into, and price direction determination for, regulated water and sewerage services provided by Icon Water Limited in the ACT for the period 1 July 2018 to 30 June 2023 being completed in 2017-18.

Balance Sheet

- cash and equivalents:

  the increase of $0.332 million (34 percent) in the 2018-19 Budget from the estimated outcome is mainly due the recovery of accrued costs relating to the investigation into, and price direction determination for, regulated water and sewerage services provided by Icon Water Limited in the ACT for the period 1 July 2018 to 30 June 2023.

- receivables:

  the decrease of $0.436 million (66 percent) in the 2018-19 Budget from the estimated outcome is mainly due the recovery of accrued costs relating to the investigation into, and price direction determination for, regulated water and sewerage services provided by Icon Water Limited in the ACT for the period 1 July 2018 to 30 June 2023.

Statement of Changes in Equity

Variations in the Statement are explained in the notes above.

Cash Flow Statement

Variations in the Statement are explained in the notes above.

1. Commission's 2018-19 budget estimates, main projects and priorities (continued)

Possible Q&As

Q: Why is the Commission expecting an operating deficit for 2018-19?

A: Over time, the Commission has accumulated a number of small surpluses, which has resulted in a balance of $1.38m for 2017-18 (shown in Table 8 of the Statement of Intent, first column). These accumulated funds are, in part, intended to allow the Commission to upgrade or replace assets as required.

In 2018-19, the Commission plans to upgrade the software used for its retail electricity pricing model. This upgrade will allow the Commission to undertake its modelling work more efficiently by moving to more up-to-date technology and will complement the Commission's work on reviewing the model and methodology used in estimating retail electricity prices.

The expecting operating deficit of $172,000 for 2018-19 largely reflects the use of some of the Commission's accumulated funds to upgrade the modelling software.

Q: What is the reason for the large increase in the controlled recurrent payments in 2018-19 and large fall in these payments in subsequent years?

The increase of $543,000 (155 per cent) in the 2018-19 budget from the 2017-18 estimated outcome mainly reflects the Commission receiving additional funding in 2018-19 and in 2019-20 ($181,000) to review its electricity pricing model and methodology to ensure retail electricity prices are not higher than reasonably justified.

Q: What is the reason for the large estimated fall in employee expenses in the years after 2018-19?

The estimated fall mainly relates to the uncertainty of future work flow because the Commission is dependent on the receipt of references from the Government.

1. Commission's 2018-19 budget estimates, main projects and priorities (continued)

Extract from Budget Paper No. 3—Expenditure Initiative—Electricity pricing review

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

Better Government – Electricity Pricing Review

	2018-19 $'000	2019-20 $'000	2020-21 $'000	2021-22 $'000	**Total $'000**
Expenses	525	181	0	0	**706**
Offset – Expense	-525	-181	0	0	**-706**
Net Expenses	**0**	**0**	**0**	**0**	**0**

The Commission will review its retail electricity pricing model and methodology to ensure retail electricity prices are not higher than reasonably justified. The cost of the review will be recovered as a cost of regulation under the *Utilities Act 2000.*

2. Retail electricity annual price recalibration

Media Release

COMMISSION UPDATES 2018-19 REGULATED ELECTRICITY PRICES FOR SMALL CUSTOMERS

The Independent Competition and Regulatory Commission today released its annual update of regulated retail electricity prices for the financial year beginning 1 July 2018.

The Commission's decision sets the maximum average nominal increase in ActewAGL Retail's basket of regulated tariffs for 2018-19 at 14.29 per cent. This is a real increase (excluding inflation) of 12.16 per cent.

If ActewAGL Retail increases prices by the full 14.29 per cent, this would translate to an increase of up to $299 in the annual bills (or about $5.73 a week) for a typical Canberra household consuming about 8,000 kWh per year.

"The large increases in Australian wholesale electricity prices that occurred in 2016 and 2017 are still pushing up ACT electricity prices. While wholesale prices have fallen slightly over the past few months, they are still 50 per cent higher than in May 2016," Senior Commissioner Joe Dimasi said.

"The Commission's method of smoothing out large changes in wholesale prices means that ACT retail prices have not increased as much as in other parts of Australia. But there is now a 'catch-up' in retail prices in the ACT as the wholesale price increases that happened in 2017 continue to flow through into retail prices."

Higher wholesale electricity purchase costs contribute more than half of the total retail price increase (7.80 percentage points of the total 14.29 per cent increase).

The national green schemes administered by the Clean Energy Regulator have been the other major contributor to the increase in retail prices in 2018-19. These green scheme costs contribute more than a third of the total retail price increase (4.12 percentage points). Higher costs for these schemes are mainly due to greater than expected take-up of residential solar energy.

Around 87 per cent of total costs are determined outside of ActewAGL Retail's control and are therefore not subject to the Commission's oversight. These include electricity purchase costs, green scheme costs and network costs.

ActewAGL's retail operating costs will fall by 4.42 per cent in 2018-19.

ActewAGL Retail requested an increase in its total retail costs to account for complying with the Australian Energy Market Commission's 'Power of Choice' regulatory changes. These changes encourage competition in the provision of metering services, and required retailers to update their billing systems and procedures. The Commission did not accept ActewAGL Retail's request to pass-through their full costs in 2018-19. The Commission has decided that the capital costs of investing in upgrading systems should be recovered over their asset life of five years, consistent with established regulatory practice.

The Commission's decision on passing through these costs means that they add 0.47 percentage points to retail prices in 2018-19, rather than the 2.14 percentage point impact implied by ActewAGL Retail's request.

Despite the increase in regulated retail prices in 2018-19, electricity bills for ACT residential customers will remain among the lowest in Australia.

"I recognise that the large increase in retail prices in 2018-19 will place financial pressure on ACT residential and small business consumers," Mr Dimasi said. "However, it should be noted that these are maximum price increases and I encourage consumers to talk to their retailer about whether they are on the right electricity plan for their circumstances and to seek assistance if they need it."

For example, the ACT Government has a number of programs to help consumers reduce their electricity bills and assist consumers in financial difficulties. ActewAGL offers support to customers struggling to pay their energy bills, including vouchers to customers in need and funding for counsellor assistance through Care Financial Counselling Services.

ENDS

To contact the Commission, please visit www.icrc.act.gov.au.

Information for consumers and details about assistance programs are available at:

https://www.energymadeeasy.gov.au/

https://www.actsmart.act.gov.au/__data/assets/pdf_file/0005/1175153/How-can-I-understand-my-household-energy-use-and-reduce-my-bill_ACCESS.pdf

https://www.actsmart.act.gov.au/energy-saving/rebatessubsidies

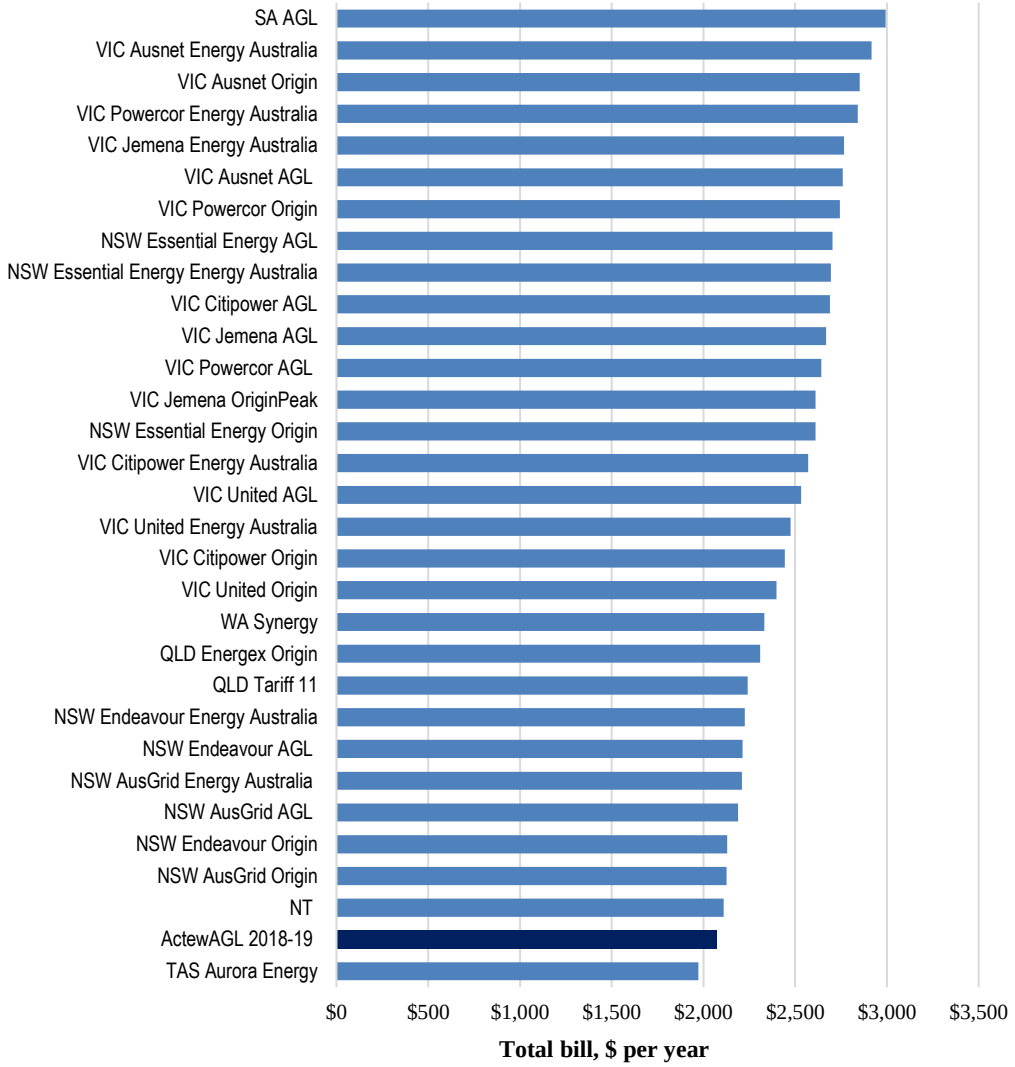
https://www.actewagl.com.au/helpingyou

For media enquiries, please contact:

Fiona Plazter
Tel: 02 6205 0799
Email: icrc@act.gov.au

Attachment A

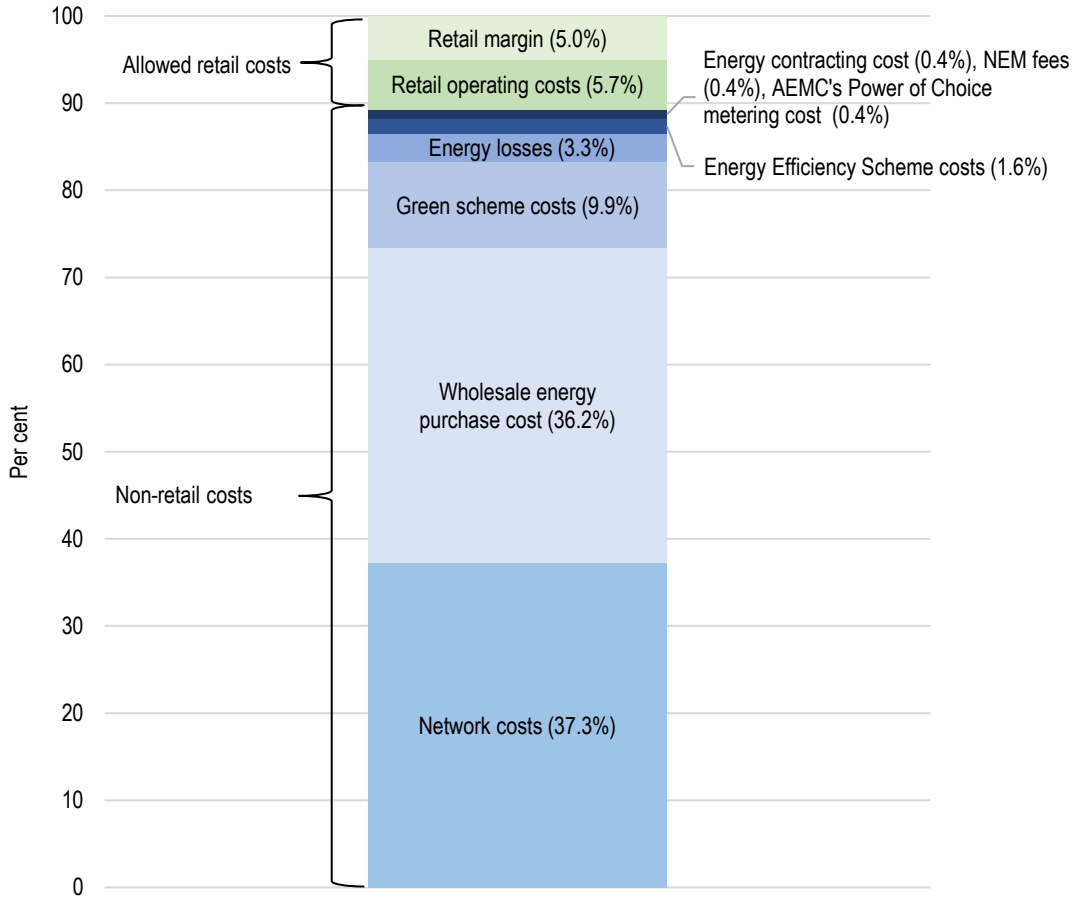
Figure 1 Comparison of residential standing offer electricity bills across jurisdictions based on annual consumption of 7,500 kWh



Notes: All prices as at 1 June 2018. Refer to OTTER (2018) for further information on the calculation method. The average ActewAGL 2018–19 bill is based on the Commission's assumption that all retail prices in the regulated basket of tariffs are increased by 14.29 per cent.

Source: OTTER (2018) and Commission's calculations.

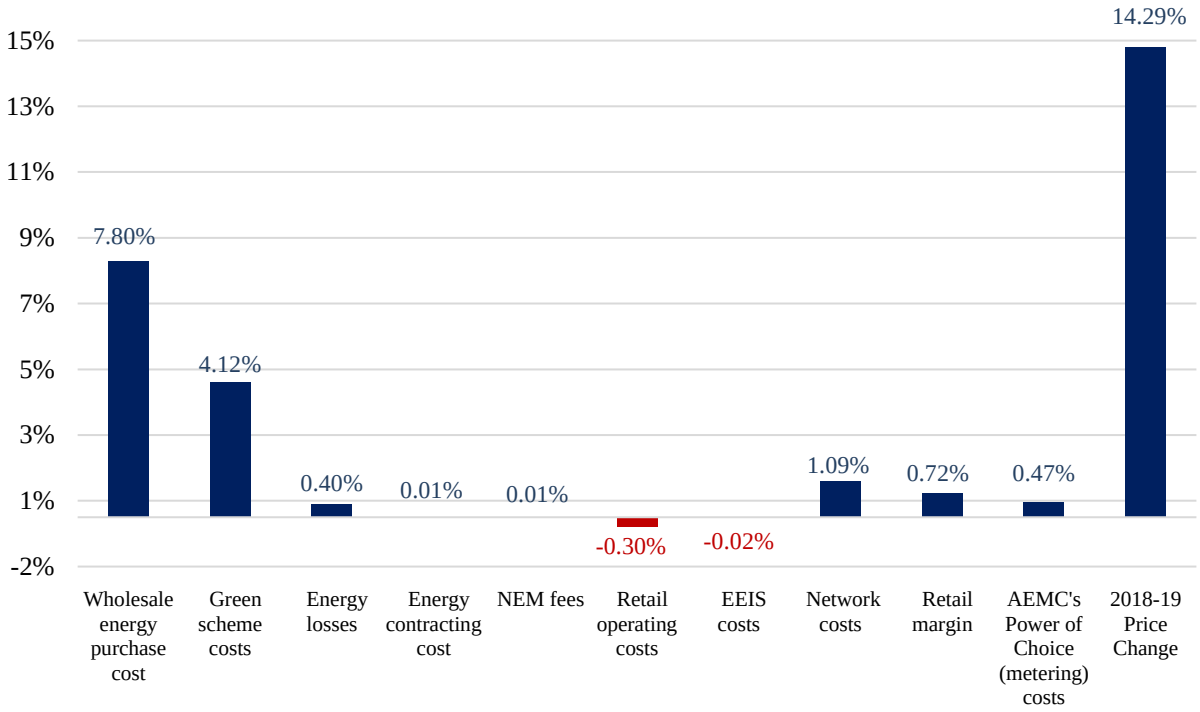
Figure 2 Cost components as a share of total cost 2018–19



Source: Commission's calculations

Note: For ease of comparison with other components of the model, the Commission has calculated implied Feed-in tariff (FiT) costs based on the assumption that FiT costs as a percentage of total jurisdictional costs do not vary with customer type, regulated and non-regulated, using data as reported in Evoenergy (2018).

Figure 3 Components of the change in regulated retail electricity prices from 2017–18 to 2018–19



Source: Commission's calculations.

Figure 4 ASX futures market data for wholesale electricity July 2016 to May 2018

Source: Commission's calculations based on ASX data

2. Retail electricity annual price recalibration (continued)

Briefing notes on components of price change

The Commission's decision on standing offer prices for the supply of electricity to small customers in 2018–19

On 22 June 2016, the Treasurer gave the Commission Terms of Reference for a price direction for the supply of electricity by ActewAGL Retail to customers on its regulated retail tariffs for the period 1 July 2017 to 30 June 2020. On 7 June 2017, the Commission released its price direction.

The price direction requires the Commission to undertake an annual recalibration to determine the maximum prices that ActewAGL Retail can charge for its regulated retail tariffs for 2018–19.

The Commission will release its recalibration decision on Thursday 7 June 2018.

Recalibrated prices for 2018–19

The Commission's decision sets the maximum average nominal increase in ActewAGL Retail's basket of regulated tariffs for 2018–19 at 14.29 per cent. This is a real increase (excluding inflation) in the regulated retail price of 12.16 per cent.

If ActewAGL Retail increases prices by the full 14.29 per cent, this would translate to an increase of up to $299 in the annual bills (or about $5.73 a week) for a typical Canberra household consuming about 8,000 kWh per year.

The increase in a typical annual electricity bill for an average non-residential customer using 25,000kWh is $1,035.

The actual impact on individual households and businesses will depend on their consumption pattern and on ActewAGL Retail's decisions on increasing individual tariffs in the basket within the average price cap.

Main drivers of the price increase

The key drivers of the price increase are higher wholesale electricity purchase costs and increases in the costs of complying with the Australian Government's green schemes.

Wholesale electricity purchase costs

The wholesale electricity purchase cost accounts for nearly 36 per cent of the total cost base for 2018–19, and contributes 7.80 percentage points of the total price increase of 14.29 per cent.

While wholesale electricity prices have fallen slightly from January to May of 2018, they remain 50 per cent higher than in May 2016.

> The Commission's pricing methodology uses a 23-month rolling average in passing through movements in wholesale electricity prices. This smooths out the impact on retail prices of price spikes in wholesale markets and reflects typical retailer practices in purchasing wholesale electricity under two year contracts. The lag in passing-through the large increases in wholesale prices means that ACT consumers did not experience the rapid price rises in 2017 experienced by consumers in other jurisdictions.

However, it means that there is now a ‘catch-up’ in ACT retail prices due to the continuing flow-through of the large cost increases that occurred over 2017. This flow-through of 2017 wholesale electricity price rises will have been completed by the next annual price recalibration (for 2019–20).

National green scheme costs

The Australian Government’s green scheme costs account for nearly 10 percent of the total cost base, and contribute 4.12 percentage points of the total change of 14.29 per cent.

These green scheme costs are administered by the Clean Energy Regulator, and increased primarily due to the higher than expected creation of 7.2 million small-scale renewable energy certificates in 2017, largely driven by a substantial demand for residential solar photovoltaic systems. The small-scale renewable energy target for 2018 is 17.08 per cent, which is a 112 per cent increase from the estimated target.

The Commission’s pricing methodology and changes in other cost components

In doing the annual price recalibration, the Commission applies the methodology determined in the price direction for 1 July 2017 to 30 June 2020, using updated cost inputs.

The Commission’s pricing model determines the maximum average percentage change that ActewAGL Retail can apply to its regulated retail tariffs based on three main cost categories:

- Wholesale electricity costs, which comprise energy purchase costs, the Australian Government’s green scheme costs (the Large-scale Renewable Energy Target and the Small-scale Renewable Energy Scheme costs), energy losses, energy contracting costs and National Electricity Market fees.
- Network costs, which include transmission, distribution and jurisdictional scheme costs.
- Retail costs, which comprise retail operating costs, the ACT Government’s Energy Efficiency Improvement Scheme costs and a retail margin.

Around 87 per cent of total costs are determined outside of ActewAGL Retail’s control and therefore the Commission's oversight. These include green scheme costs, electricity purchase costs and network costs.

Network costs

Only a small part of the 2018–19 price increase is due to network costs. Network costs for 2018–19 have been updated according to the enforceable undertaking agreed between the Australian Energy Regulator and Evoenergy. The undertaking allows a large proportion of network costs to increase by the Consumer Price Index until the Australian Energy Regulator remakes its determinations for ACT Distribution Network Service Providers.

There will be implications flowing from the Federal Court decision to uphold the Competition Tribunal's decision that maintained the proposals from the ACT Distribution Network Service Providers. While the full impacts are unknown as of June 2018, the remade decision is likely to result in higher network costs from 1 July 2019. It is anticipated that any required adjustments will be spread over a number of years to moderate the price impacts.

Power of Choice (metering) cost pass-through

The Commission's decision incorporates an increase of $1.04 per MWh in 2018-19 to account for costs associated with implementing the national 'Power of Choice' regulatory changes. These changes were initiated by the Australian Energy Market Commission to encourage competition in the provision of metering services. The PoC changes required retailers to make a number of changes to the existing billing systems and procedures for small customers.

The Commission did not accept ActewAGL Retail's request to pass-through all Power of Choice-related costs in 2018-19, as most of the costs are capital expenditures. The Commission has determined that the capital costs should be recovered over their estimated asset life of five years, consistent with established regulatory practice. The Commission deducted from the allowable pass-through amount certain costs that ActewAGL identified as related to large retail customers.

The Commission's decision on the Power of Choice pass-through adds 0.47 percentage points to the 2018-19 price increase, compared to the 2.14 percentage point increase implied by ActewAGL's submission.

Comparison across jurisdictions

Recent reports comparing retail electricity prices across Australian jurisdictions suggest that ACT customers pay considerably less for their electricity than consumers in other jurisdictions. The Office of the Tasmanian Economic Regulator's recent report comparing electricity prices across jurisdictions found that annual electricity bills for residential customers in the ACT were the lowest in Australia in 2017.

Based on the Commission's update of prices across jurisdictions, ACT consumers' bills for residential standing offer contracts are likely to remain amongst the lowest in Australia.

Attachment A

Table 1 Commission's final decision on cost elements 2018–19

	2017–18 ($/MWh)	2018–19 ($/MWh)	% Change
Wholesale energy purchase cost	75.03	92.49	23.27
Green scheme costs	15.97	25.19	57.73
Energy losses	7.54	8.44	11.91
Energy contracting cost	0.89	0.90	1.89
NEM fees	0.89	0.90	1.89
Total energy purchase cost	**100.32**	**127.93**	**27.52**
Retail operating costs	15.25	14.58	-4.42
Energy Efficiency Scheme costs	4.16	4.11	-1.14
AEMC's Power of Choice (metering) costs		1.04	
Total retail costs	**19.41**	**19.73**	**1.66**
Network costs	92.88	95.32	2.63
Total energy + retail + network costs	**212.61**	**242.98**	**14.29**
Retail margin	11.27	12.88	14.29
Total cost and Y^t	**223.88**	**255.86**	**14.29**

Notes: Green scheme costs include the costs of complying with the Australian Government's renewable energy schemes.
Source: Commission's calculations

Table 2 Estimated annual bill changes for different residential customers, 2018–19

Customer consumption type	Annual usage (kWh)	Estimated annual bill 2017–18 ($)	Estimated annual bill 2018–19 ($)	Change ($)
Large	12,000	2,962	3,385	423
Average	8,000	2,092	2,391	299
Small	4,000	1,221	1,396	175

Source: Commission's calculations

Table 3 Estimated annual bill changes for different non-residential customers, 2018–19

Customer consumption type	Annual usage (kWh)	Estimated annual bill 2017–18 ($)	Estimated annual bill 2018–19 ($)	Change ($)
Large	40,000	11,297	12,910	1,614
Average	25,000	7,244	8,279	1,035
Small	10,000	3,192	3,648	456

Source: Commission's calculations

2. Retail electricity annual price recalibration (continued)

Possible Q&As

Q: Why does Treasury's Cost of Living Statement in the Budget assume that electricity prices will increase by 12 per cent but the Commission has determined an increase of 14.29 per cent? Was the price increase higher than expected?

A: The Commission's decision was released later than the Budget Papers and used more up-to-date information, including forward wholesale prices as at 31 May 2018.

Around a third of the price increase reflects higher than expected costs of national green schemes, mainly the Small-scale Renewable Energy Scheme. The higher-than-expected costs have resulted from greater than anticipated take-up of residential solar energy.

Q: National green schemes have contributed a large part of the increase in retail electricity costs in 2018-19. Have ACT green schemes similarly contributed to the price increase?

The cost allowance for the ACT Feed-in Tariff is included in the network cost allowance. Feed-in Tariff compliance costs have fallen from $55.88m in 2017-18 (actual) to $47.56m in 2018-19 (forecast).

The Energy Efficiency Improvement Scheme costs have fallen by 1.14 per cent in 2018-19. The Commission assessed the prudency and efficiency of ActewAGL's proposed EEIS costs.

Q: Do retailers benefit from higher wholesale costs through the retail margin being applied to the full cost stack?

The Commission took this into account during its investigation to make the Price Direction for 2017-20 and reduced the retail margin from 6.04 to 5.3 per cent, which was the bottom of the range of reasonable retail margins based on a comparison of retail margins for similar utilities.

The Commission's electricity model and methodology review will ensure that retail electricity prices are not higher than reasonably justified. This will involve a review of retail margins, retail operating costs and retailer hedging strategies and costs.

Q: What impact will a second large increase in retail electricity prices have on ACT consumers?

A: The Commission recognises that the large increase in retail prices in 2018-19 will place financial pressure on ACT residential and small business consumers. However, it should be noted that these are maximum price increases and ACT prices remain among the lowest in Australia.

Consumers should talk to their retailer about whether they are on the right electricity plan for their circumstances and to seek assistance if they need it.

For example, the ACT Government has a number of programs to help consumers reduce their electricity bills and assist consumers in financial difficulties. ActewAGL offers support to customers struggling to pay their energy bills, including vouchers to customers in need and funding for counsellor assistance through Care Financial Counselling Services.

Q: What has the Commission done to keep electricity prices as low as possible?

A: The Commission has kept retail electricity costs as low as possible, but notes that around 87 per cent of total costs are determined outside of ActewAGL's control and the Commission's oversight.

Retail costs: In making the Price Direction for 2017-20, the Commission reduced the retail margin to 5.3 per cent, which was the bottom of the range of reasonable retail margins based on a comparison of retail margins for similar utilities. It did not include a 'competition allowance' as requested by ActewAGL to cover the costs of competing for customers.

ActewAGL's retail operating costs will fall by 4.42 per cent in 2018-19.

Power of Choice (metering) costs: The Commission's decision incorporates an increase of $1.04 per MWh in 2018-19 to account for costs associated with implementing the national 'Power of Choice' regulatory changes. These changes were initiated by the Australian Energy Market Commission to encourage competition in the provision of metering services. The PoC changes required retailers to make a number of changes to the existing billing systems and procedures for small customers.

The Commission did not accept ActewAGL Retail's request to pass-through all Power of Choice-related costs in 2018-19, as most of the costs are capital expenditures. The Commission has determined that the capital costs should be recovered over their estimated asset life of five years, consistent with established regulatory practice. The Commission deducted from the allowable pass-through amount certain costs that ActewAGL identified as related to large retail customers.

The Commission's decision on the Power of Choice pass-through adds 0.47 percentage points to the 2018-19 price increase, compared to the 2.14 percentage point increase implied by ActewAGL's submission.

Q: What impact will network charges have on electricity prices in future years?

Only a small part of the 2018–19 price increase is due to network costs. Network costs for 2018–19 have been updated according to the enforceable undertaking agreed between the Australian Energy Regulator and Evoenergy. The undertaking allows a large proportion of network costs to increase by the Consumer Price Index until the Australian Energy Regulator remakes its determinations for ACT Distribution Network Service Providers.

There will be implications flowing from the Federal Court decision to uphold the Competition Tribunal's decision that maintained the proposals from the ACT Distribution Network Service Providers. While the full impacts are unknown as of June 2018, the remade decision is likely to result in higher network costs from 1 July 2019. It is anticipated that any required adjustments will be spread over a number of years to moderate the price impacts.

2. Retail electricity annual price recalibration (continued)

Media commentary and responses by electricity retailers

NATIONAL ACT ELECTRICITY

ActewAGL asked to cut power prices for ACT consumers

By Daniel Burdon
11 June 2018 – 6:45pm

ACT Energy Minister Shane Rattenbury has asked ActewAGL to consider cutting power prices for the coming fiscal year, in the wake of a decision allowing it to increase prices almost 15 per cent.

Mr Rattenbury on Friday wrote to ActewAGL chief executive Michael Costello asking the ACT's main electricity provider to cut power prices, in the wake of AGL operations interstate deciding to cut their prices.

The territory's Independent Competition and Regulatory Commission last week released its price determination for 2018-19, which would allow the provider to increase power prices by a maximum 14.29 per cent in 2018-19, prompting concerns more low income Canberrans would consider disconnecting their power.

If the provider passed on the full cost of the increase to residential customers, it would equate to about a 12 per cent real increase, or $299 a

year; though the ACT's current prices are still among the lowest on the National Electricity Market.

ACT Energy Minister Shane Rattenbury says ActewAGL would have to justify electricity price increases.

Photo: Fairfax Media

But that determination reflects the rising wholesale price of electricity over the past two years, as well as rising costs of the federal Clean Energy Regulator's renewable energy programs.

Mr Rattenbury said the the current price of wholesale energy was falling, and as a result, AGL last week dropped its prices in NSW, Queensland and South Australia, and he said he wanted to know if ActewAGL could do the same in the ACT.

"Given that AGL in NSW, QLD and SA are adopting a corporate position that they are cutting their prices, I'm keen to find out what they will do," he said.

"We have seen the ICRC has allowed a 14.29 per cent price increase for next year, the question is whether they'll follow the other states."

Mr Rattenbury said at this stage he was simply posing the question, though he may face an uphill battle given the territory's largest electricity provider has usually increased prices by the full amount allowed by the commission in recent years.

But he said that if the electricity provider was considering such moves, he would be looking for the company, which is half-owned by the territory government, to justify such a move.

Mr Rattenbury also said he had talked to Chief Minister Andrew Barr about the potential to consider widening or increasing utilities concessions for some Canberrans, but first he wanted to understand if ActewAGL ameliorate the potential price rise.

"We're certainly are looking at what further measures we could take, but the first step is whether we can ameliorate the impacts of the proposed increase - if we can see a situation where ActewAGL does not pass this through to everybody," he said.

"One, we need to look at what the company is going to do, and the second part is doing a little bit of research on this, given customers won't face their first bill with these new prices until October, we've got a little bit of time to investigate the options."

An ActewAGL spokeswoman said in a statement the company knew energy prices "hit households hard" and it wanted to "provide relief that will more than offset this price rise", but that it responds to "all ministerial enquiries confidentially".

"We don't want any of our customers to go without this winter and encourage those experiencing hardship to call our bill helpline on 13 12 93," the statement read.

ELECTRICITY CANBERRA

Daniel Burdon
Daniel Burdon is a reporter for The Canberra Times

6 **'A bit Grand Designs': On site at the ANU's new $260 million precinct**

MEDIA RELEASE.

ActewAGL

ActewAGL offsets price rises with 25% off offer

Each year the Independent Competition and Regulatory Commission, (ICRC), reviews retail electricity costs, taking into account efficient costs incurred by the retailer. Today the ICRC announced their electricity price determination for 2018-19. The regulator has set ACT residential electricity increases at 14.29%.

From 1 July, ACT residential gas prices will increase by 6.8%.

In response to price rises, ActewAGL has introduced a 25% off market offer on ACT electricity and gas usage, which will more than offset these price increases.

ActewAGL CEO Michael Costello said, "We know energy prices hit households hard and we want to provide relief that will more than offset this price rise right now.

"Customers that sign up to our 25% off discount market offer for electricity and gas usage can expect to save around $850 a year. This is based on a typical Canberra household using 8,000 kWh per year for electricity and 43GJ per year for gas.

"ActewAGL supports the work being done by the ACCC and AER in ensuring that the energy market is simplified and transparent, so that customers can more easily access information that is easy to understand."

To sign up to 25% off ACT electricity and gas usage charges now, go to **actewagl.com.au**

Why are prices going up?

Wholesale prices continue to be the major contributor to electricity price rises and makes up half of this increase.

Although wholesale electricity prices have eased somewhat this year, wholesale energy purchases are made in stages in advance. In doing this customers are protected from the volatility of the energy market. As a result, prices reflect longer term trends and take time to flow through.

On the gas front, there is still strong overseas demand pushing up prices. Wholesale gas prices have stabilised following the substantial step price increase associated with the massive expansion of LNG exports from Queensland.

We're here to help Canberra

We understand energy bills can cause financial stress and significant hardship to the most vulnerable in our community. Which is why, in conjunction with the ACT Government, we have announced the continuation of the half a million dollar Energy Support Fund. At the heart of the Fund is our promise to work with all our customers to keep them connected this winter.

Through the fund, energy vouchers will be distributed through local community groups (Care Financial Counselling, Salvation Army Moneycare and St Vincent De Paul), who provide emergency relief services – providing people with direct support to help cover bills. Funds will also go to financial counselling services.

ActewAGL Retail is responsible for selling electricity, gas and other energy-related products and services in the ACT and the surrounding capital region.

MEDIA RELEASE.

ActewAGL

We don't want any of our customers to go without this winter and encourage those experiencing hardship to call our Bill Helpline on **13 12 93**.

For further media information only:

ActewAGL
Mobile: 0414 515 359

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ActewAGL Retail is responsible for selling electricity, gas and other energy-related products and services in the ACT and the surrounding capital region.

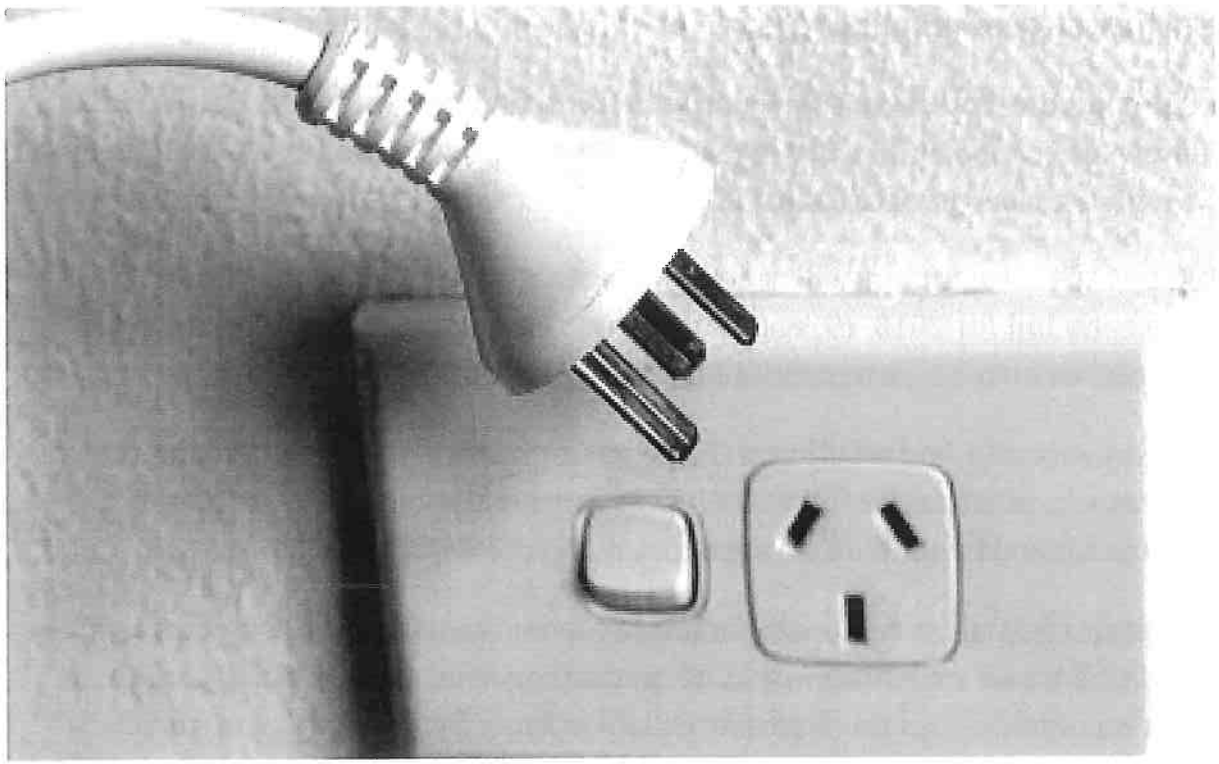
NATIONAL ACT ELECTRICITY

ActewAGL customers to face full price rise from July

By Daniel Burdon
14 June 2018 — 12:00am

The ACT's biggest electricity provider plans to pass on its maximum allowable price rise of 14.29 per cent from July, with residential customers facing a $299 increase to their annual bills, unless they take up a one-year discount offer.

ActewAGL will pass on the full price rise allowed by the Independent Competition and Regulatory Commission, after the commission decided the increase would be allowed, based largely on rising wholesale prices in the past 24 months, which have since fallen.



Canberrans face a nearly 15 per cent increase in their electricity bills from July this year.
Photo: Virginia Star

While the electricity provider has offered residential customers a 25 per cent off-market discount, that offer comes with conditions including that it only runs for one year, customers must sign up online and submit to direct debit withdrawal to pay their bills.

It comes after ACT Energy Minister Shane Rattenbury last week wrote to ActewAGL's chief executive officer, Michael Costello, urged him to explain whether the energy retailer would pass on the full costs, in the wake of price cuts by AGL in three other states on the National Electricity Market.

Mr Rattenbury said that if ActewAGL did decide to pass on the full increase to customers, he would be looking for it to justify the price rise, given the moves interstate.

But the territory's biggest energy retailer would not comment on that "ministerial correspondence" on Monday, and its spokeswoman would say only that the provider's standard retail contract were "always aligned" with the commission's determinations.

She said in a statement that the commission had explained that its decision to allow the increase reflected "the prudent and efficient costs of ActewAGL Retail supplying electricity to customers".

ActewAGL's customers will see the impacts of the price rise in their first quarterly bill for 2018-19, expected out in October, which will equate to an average of about a 12 per cent real increase, or about $5 a week.

The energy retailer has offered the 25 per cent price discount on its market offers, which, after the forecast $299 average annual increase is taken into account, would equate to an average saving of $500 a year.

As most residential customers in Canberra are on standard retail contracts, the trade off for those switching would be that the price is variable, according to market conditions, and the discount will only apply for 12 months, at which

point customers will be put on new plans and notified of any difference in the cost.

It comes as AGL's branches in NSW Queensland and South Australia make cuts to their electricity prices, and new ACT market entrant Origin Energy looks to attract new customers by freezing its price at 2017-18 levels, with no increase for the next fiscal year.

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Daniel Burdon
Daniel Burdon is a reporter for The Canberra Times

MENU 0

ALL COMMENTS 14 COMMENTS

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ALL COMMENTS SORT BY

RW 43 MINUTES AGO

Once again I'm very confused. I thought ActewAGL re-branded to EvoEnergy to avoid confusion with the former business ACTEW. Maybe the increase in the cost of electricity can be explained by this dual branding.

RESPECT REPLY

howann 1 HOUR AGO

Thanks

RESPECT REPLY

The.Minister 1 HOUR AGO

14.29 per cent now if we can only get rates to go up by that small amount the ACT would be in a much better position financially, and we could also have more overseas fact finding missions.

RESPECT REPLY

VIEW MORE COMMENTS

BUSINESS THE ECONOMY ENERGY

Energy bosses say power companies need to work together, or else

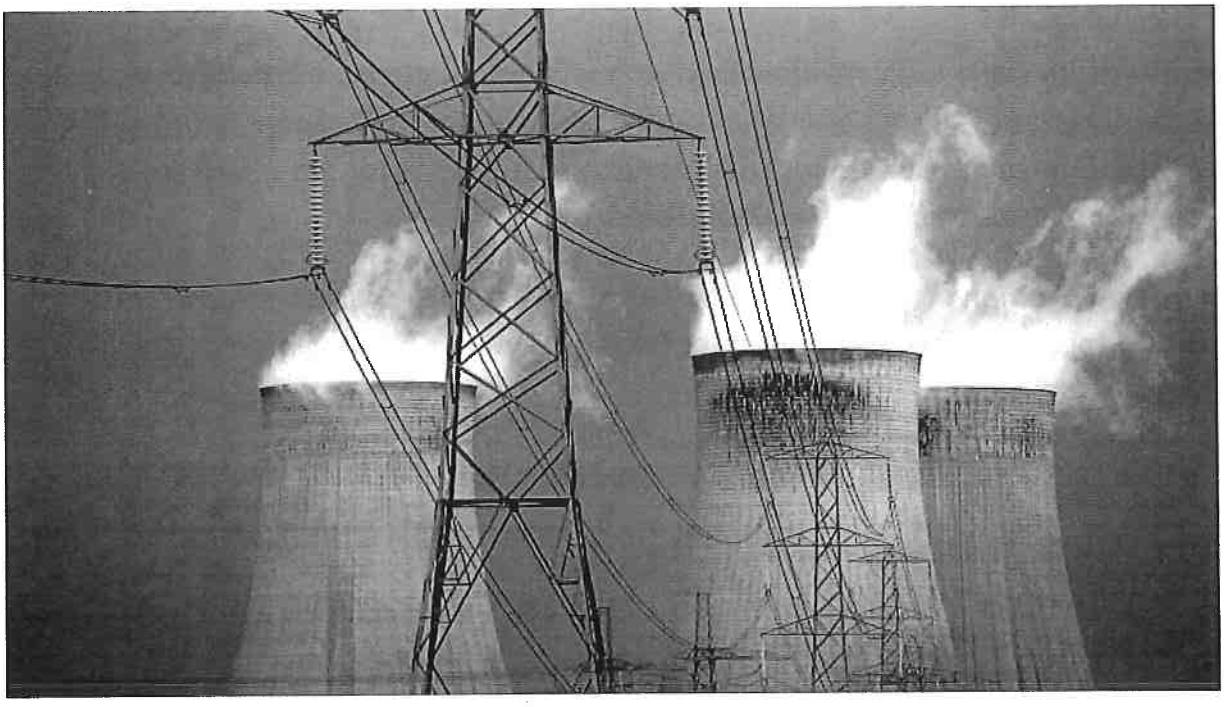
By Cole Latimer

Updated 7 June 2018 – 2:50pm, first published at 2:33pm

A A A

Energy chiefs say government intervention in the electricity sector is gaining momentum and the industry needs to work together, or face the consequences.

Heads of generators, electricity transmission and poles and wires companies on Thursday warned the industry is at risk of the government stepping in to take control of the sector if it doesn't address high prices and supply issues.



All facets of the energy industry are under government scrutiny as it looks to drive down high power prices.

Photo: Chris Ratcliffe

"The entire industry – the networks, retailers, generators and transmission – need to work together to avoid further political intervention," Meridian Energy and Powershop chief executive Ed McManus told Fairfax Media at the Energy Networks 2018 conference.

He said this intervention was driven by factors such as the record high wholesale and retail electricity and gas prices that have hit consumers, a predicted gas shortage as well as the Australian Competition and Consumer Commission's inquiry into poor customer practices and the major blackouts in New South Wales and South Australia in the past two years.

"Eventually, political patience will run out and when it does we'll see some intervention into the market," Mr McManus said. However, he stressed that this did not mean nationalisation was on the cards.

Grattan Institute energy director Tony Wood said the number of times the government has felt the need to step into the market was rising.

"There's clearly a degree of momentum in situations where the government feels it has to intervene," Mr Wood said.

Federal Energy and Environment Minister Josh Frydenberg acknowledged at the industry event that the government had intervened by threatening to trigger the Australian Domestic Gas Security Mechanism as it sought to ensure domestic gas supply and drive down power bill prices.

"As a federal government, how do we feel we can make a difference in this changing energy market to produce better outcomes for consumers?" Mr Frydenberg asked.

"One of the first things we've sought to do is intervene in the gas market.

"We've been successful in securing an additional 70 petajoules to meet the future needs of the domestic market, which has helped bring down the price of gas by 50 per cent, according to the ACCC.

RELATED ARTICLE

"The government is unambiguously focused on driving energy prices down and we are unrepentant about that," Mr Frydenberg said.

ENERGY

Former EnergyAustralia exec says electricity retailers are unethical

In Victoria, opposition leader Matthew Guy also vowed to intervene in the market, having declared a "utilities power crisis" in the state.

In addition to its intervention in the gas market, the federal government has also sought to act in the electricity market by pressuring AGL to either sell or keep open the Liddell coal-fired power plant beyond its proposed closure date of 2022.

It did so in order to stave off fears of an energy shortage caused by Liddell's closure, similar to that seen when Victoria's coal-fired power station Hazelwood closed suddenly in 2017, taking 1600 megawatts out of the system.

Mr Frydenberg persuaded rival company Alinta to make a $250 million bid for Liddell, which AGL has rejected as undervaluing the power station.

The government intervened in Liddell's closure by persuading a rival energy company to make a bid for the power station.

Photo: Janie Barrett

At a state level, the Queensland government directly pressured generator CS Energy to drop prices over the summer to address rising electricity affordability issues in the state.

Richard Gross, the head of NSW-based poles and wires business Ausgrid, said the energy sector's current transformation away from fossil-powered energy to more renewable sources could help reach closer collaboration and avoid interventions.

"We need to collaborate as an industry, we need to work together more than we currently do, and if that doesn't happen then something else we may not want could happen," Mr Gross said.

"With the new technology in energy it is easier to work together, it doesn't lend itself to trying to do it all by yourself."

Cole Latimer
Covering energy and policy at Fairfax Media.

NATIONAL ACT ENERGY

Canberrans could disconnect electricity as bills soar over winter

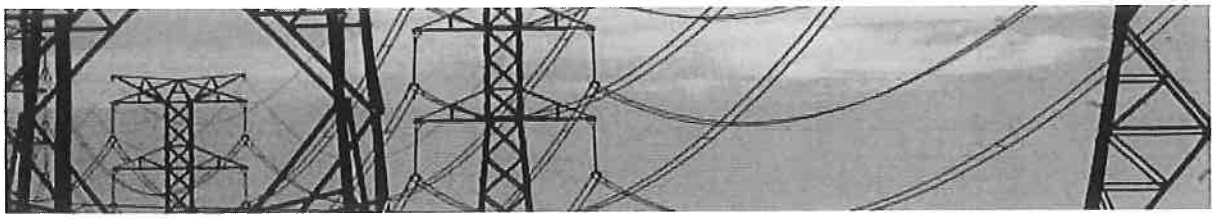
By Daniel Burdon
7 June 2018 – 2:04pm

A A A

Canberra's peak social services group has warned of an impending wave of energy disconnections as electricity bills are set to rise $299 a year from July, on the back of a rising wholesale price and national green energy schemes.

The ACT's Independent Competition and Regulatory Commission published on Thursday its annual decision on regulated retail electricity prices for the 2018-19 year, outlining a 14.29 per cent increase for households, or about $5.73 a week.

That rise follows a 17 per cent rise in electricity prices in the September quarter last year, and comes as some 35,000 Canberrans are now living below the poverty line, a recent report on poverty from the ACT Council of Social Service found.



ACT households face a $299 average increase to their electricity bills from July.
Photo: Supplied

But the increase comes amid a rising trend of disconnections for Canberra households, with more than 250 residential customers turning off their electricity, and almost 200 turning off their gas supply since last July.

Council executive director Susan Helyar said while the causes of the rising power bills was understood, the latest rise in energy costs would mean even more low income households in Canberra would resort to turning off their supply.

The latest figures from the Australian Energy Regulator show 427 Canberra residential electricity disconnections in the 2016-17 fiscal year, and 159 already this year, while there were 423 residential gas disconnections in 2016-17 and 192 in the months since.

Ms Helyar said while the council welcomed a recent $50 increase in utilities concessions, announced in February, it was not enough. The council was told the increase had "not even touched the sides" of the rising costs.

"The current trend in disconnection is still rising and it's not going down, even with investments by retailers and the ACT government in energy efficiency initiatives," she said.

"[After this increase] many household will just make the decision to turn off their heating.

"We know that will be a saving to them in the short term, but they will bear the cost of health problems over the winter and the government will bear the cost of increasing health service demand in the emergency department, especially for respiratory problems."

Commissioner Joe Dimasi said the latest retail increases were partly due to rises in the National Electricity Market's wholesale electricity prices from 2016 and

2017, and despite wholesale prices falling in recent months, they were still 50 per cent higher than in May 2016.

While the 14.29 per cent rise is the maximum increase electricity retailers are allowed to raise their prices by in the ACT, the territory's main energy supplier, ActewAGL, usually passes on the full cost to customers.

If it does, the increase equates to a 12.16 per cent rise in electricity prices for 2018-19, excluding inflation.

Despite the increase, the ACT's retail electricity price remains one of the lowest in the National Electricity Market, behind those in NSW, Queensland and Victoria, as at June 1.

But Mr Dimasi said there was now a "catch-up" in the ACT as the wholesale price rises that occurred in 2017 flowed through to Canberra consumers.

Of the 14.29 per cent increase, 7.80 percentage points were attributed to the rising wholesale price. National green schemes run by the Clean Energy Regulator made up the remainder.

Both ActewAGL and Origin Energy, one of two recent entrants to the ACT's market, have offered discounts or even freezing electricity prices for Canberra residents, particularly for customers who take up "off market" offers.

ACT energy minister Shane Rattenbury has also urged all Canberrans to shop around for the best deal they could, but he would not detail whether the government was considering further increases to the utilities concessions as a result of the price rise.

Ms Helyar said that if Canberrans were considering turning off their heating, or expecting a bill they may not be able to afford, they should get in touch with their energy retailer, which has an obligation to help people facing hardship from being disconnected.

ENERGY ELECTRICITY CANBERRA

Daniel Burdon
Daniel Burdon is a reporter for The Canberra Times

MOST VIEWED IN NATIONAL

1 It will be very cold in Canberra this weekend - and it might snow

2 Home Affairs officer without passport called in help to get on plane

3 ActewAGL customers to face full price rise from July

4 Townhouse where Joe Cinque was killed being knocked down for public housing

5 Fed-up residents call on government to act on opening of Coombs shops

6 'A bit Grand Designs': On site at the ANU's new $260 million precinct

origin

(/help-and-support.html)

(/)

5 JUNE 2018

Origin to cut electricity prices in Queensland and South Australia, freeze base tariffs in NSW and ACT

Origin has lowered its electricity prices in Queensland and South Australia, and absorbed an expected 3 per cent price rise in New South Wales to deliver modest relief from rising prices from 1 July.

Origin Executive General Manager Retail, Jon Briskin said, "Customers have felt the pinch of higher electricity prices and while this is a modest turnaround, we are glad to be delivering better news this year.

"Our prices reflect a more stable National Electricity Market overall. We've also absorbed higher green scheme and network costs in NSW and ACT turning what would have been another increase into a freeze on our base tariffs in those states."

It will be the first time since 2015 that there will be no increase to its mid-year retail electricity prices. Origin is the first retailer to announce its new prices to take effect from 1 July 2018.

The changes apply to its base tariffs and there could be further savings available for customers if they sign up to competitive market offers.

"We believe we can drive electricity prices even lower for Australian households and businesses, if we can agree on a long term energy policy to encourage timely investment in new supply to replace the nation's aging power stations.

"We encourage the industry and governments at all levels to stay the course and continue to progress the National Energy Guarantee," Mr Briskin said.

In 2017, Origin had among the lowest retail standing electricity prices and was the only retailer to announce it would freeze base tariffs for its customers in financial hardship.

Origin also introduced a special low-priced offer for concession customers in South Australia and delivered automatic savings for non-discounted and concession customers in Victoria.

Origin weighted average electricity and gas tariff changes from 1 July 2018

	Electricity (residential)	**Gas** (residential)	**Electricity** (small businesses)	**Gas** (small businesses)
New South Wales	0.0%	- 3.0%	0.0%	- 4.0%
ACT	0.0%	0.0%	0.0%	- 1.9%
SE Queensland	-1.3%	0.0%	- 4.0%	0.0%
South Australia	-1.0%	0.0%	- 1.4%	0.0%

Media

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Next Article

Doubling the commitment for a cleaner energy future 14 start-ups take on Australia's CleanTech sector

The search for cleaner, smarter and more affordable energy has received a major boost with Australia's first clean energy accelerator program, EnergyLab, more than doubling its latest intake of start-ups.

origin

(/help-and-support.html)

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Rate Freeze Terms and Conditions

Energy Plan period

The Rate Freeze Energy Plan is for 24 months from the Supply Start Date. After that, we'll still supply you with energy under our Agreement but we may vary the Charges.

Rate Freeze Benefits

We won't make any changes to the usage, supply, GreenPower or Green Gas Charges during the energy plan.

When could this Energy Plan end early?

If our Agreement to supply you with energy ends, this Energy Plan will also end - including if you move to another address.

We may also end this Energy Plan:

- if you stop being a Residential Customer; or
- if we withdraw this Energy Plan from sale - refer to the Agreement Terms for details.

What happens when this Energy Plan ends?

If we are still your retailer after this Energy Plan ends, we'll still supply you with energy under our Agreement. We may extend your current Energy Plan or set you up with a new Energy Plan – but only if we've written to you first and you haven't told us not to. If you don't hear from us, your supply will continue without Energy Plan benefits.

If you are entitled to an account credit (see the Details section to determine this) but this Energy Plan ends before it's applied to your account, then you won't receive the credit.

Return to Rate Freeze (https://www.originenergy.com.au/business/campaign/rate-freeze-sme.html)

good energy

Privacy (/privacy.html) Terms of Use (/terms-of-use.html)
Terms and Conditions (/terms-and-conditions.html) Help and Support (/help-and-support.html)

BUSINESS THE ECONOMY ENERGY

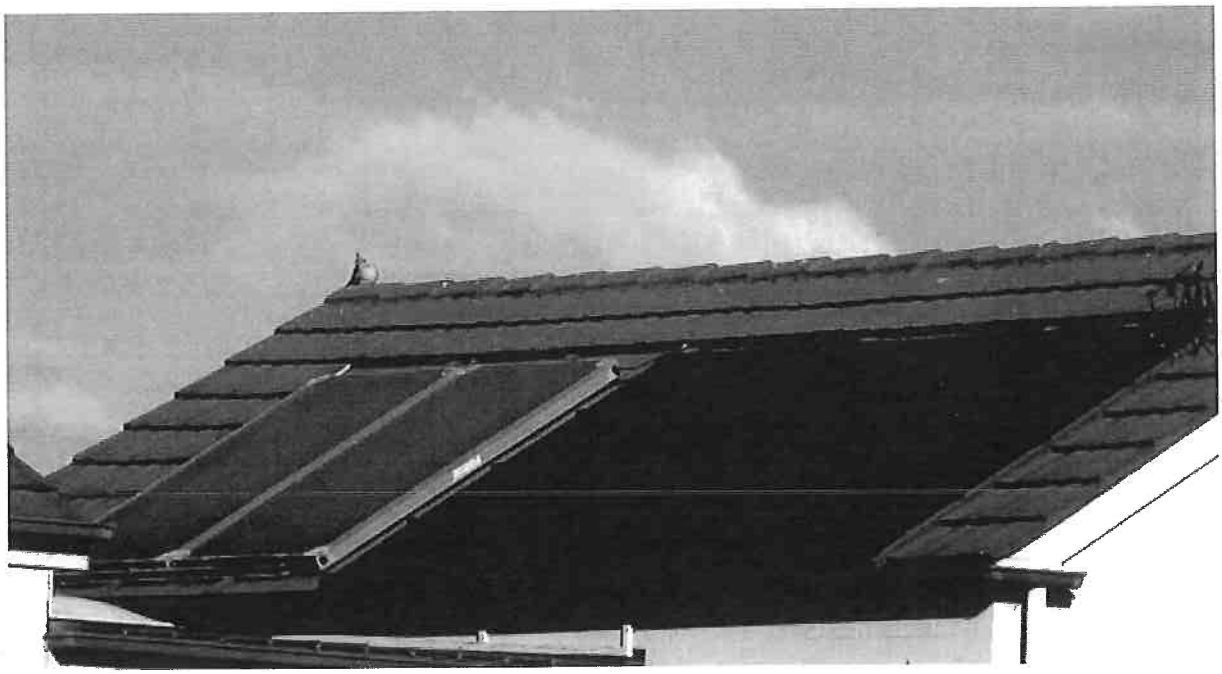
Too much of a good thing: Solar power surge is flooding the grid

By Cole Latimer
6 June 2018 — 4:42pm

A A A

The rising number of solar rooftop installations is creating concerns that too much energy is flooding into the electricity grid, and could cause blackouts as the system struggles to control the excess power.

"Solar spill", when high levels of energy are generated by rooftop installations in the middle of the day when demand is low, is becoming a problem for Australia's electricity networks, according to Andrew Dillon, the head of the grid representative body Energy Networks Australia.



The rise of rooftop solar is a boon for households but creating a headache for electricity distributors.
Photo: Michele Mossop

"If this goes badly, one of three things is going to happen," he said at an Energy Networks 2018 event on Wednesday.

"Either we get voltage and frequency issues at the local level or even localised blackouts and things tripping off."

Or rooftop solar would have to be stopped from coming into the grid or, he said, the networks would have to spend a fortune to have the capacity to deal with it.

"These are all bad outcomes and we don't want any of these to happen."

Rooftop solar may have to be turned off or curtailed if more batteries are not installed in order to stop a potential flood of energy into the grid and the market operator will need more power of control, energy service company Greensync's chief executive Phil Blythe told Fairfax Media.

"We have to soak up as much as we can but after that we'll need to curtail people's solar," Mr Blythe said.

"How do you deal with all this uncontrolled energy flooding the system? For the market operator, having control of our generation fleet is going to become essential."

Both Mr Dillon and Mr Blythe recommended an increase in energy storage technology to absorb the "solar spill" as opposed to turning off people's solar panels.

"We have to soak up the energy somehow, battery storage is an efficient way of doing this; we can get energy recoveries of around 90 per cent," Mr Blythe said.

He said the other problem is if solar panels are turned off from a central source, whose power is cut and will they still be paid for not supplying energy into the grid?

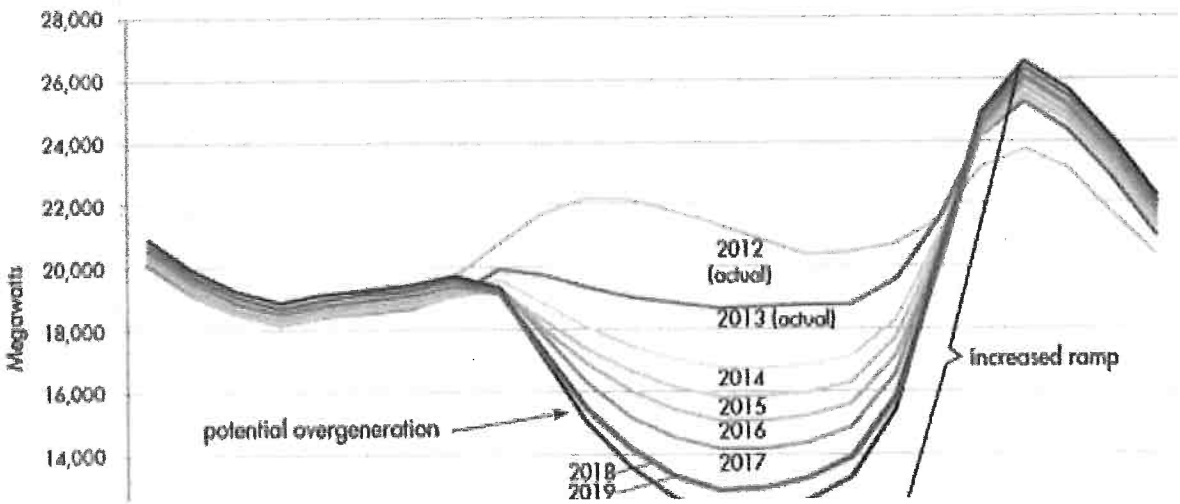
"We can open a circuit on a solar panel to stop it, the question is how do you do that fairly, whose systems get switched off during the day and how do people get recompensed for their lost output?" he asked.

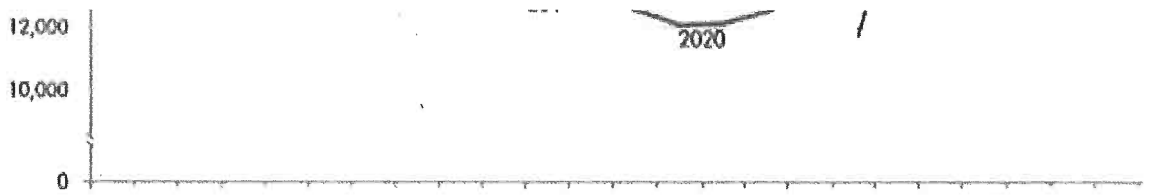
Battery storage company Fluence's Brian Perusse said solar households would be out of pocket in most markets if solar is turned off.

"As we have seen in other markets such as Hawaii, concerns over system reliability, led network operators or regulators to limit or pause rooftop solar programs," he said.

Queensland is already experimenting with this issue as network company Energex moves traditional off-peak hot water systems that were programmed to come on at night to the middle of the day.

"They are making it a solar sponge to avoid this zero or negative demand period," Mr Dillon said, "what we need to do is far more of this."





The 'duck curve' highlights growing levels of solar entering the system at a time when demand is low.
Photo: US Department of Energy

California is already facing this problem, which is known as the 'California Duck Curve', where high levels of solar generation are pushed into the system in the middle of the day when demand is low and being wasted. It also forces other generators to rapidly ramp up power to meet the growing peak demand that comes at the end of the day, as the sun sets.

In April, new rooftop solar installations reached around 109 megawatts of power, marking the seventh month in a row of more than 100 megawatts of new solar installed.

The head of the Australian Energy Market Operator, Audrey Zibelman, said the grid is "seeing the equivalent of a new power plant being built every season".

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Cole Latimer
Covering energy and policy at Fairfax Media.

3. Container Deposit Scheme price monitoring

Terms of Reference

Independent Competition and Regulatory Commission (Inquiry into beverage price impacts relating to the ACT Container Deposit Scheme) Terms of Reference Determination 2018*

Disallowable Instrument DI2018-69

Made under the *Independent Competition and Regulatory Commission Act 1997*, section 15 (nature of industry references) and section 16 (terms of industry reference)

1 Name of instrument

This instrument is the *Independent Competition and Regulatory Commission (Inquiry into beverage price impacts relating to the ACT Container Deposit Scheme) Terms of Reference Determination 2018.*

2 Commencement

This instrument commences on the day after it is notified.

3 Industry reference for investigation (Section 15)

I, Meegan Fitzharris, Minister for Transport and City Services, pursuant to Section 15(1)(e) of the *Independent Competition and Regulatory Commission Act 1997*, provide an industry reference to the Independent Competition and Regulatory Commission to investigate the impact on beverage prices and competition in the beverage industry of the ACT Container Deposit Scheme ("Scheme") to be established under Part 10A of the *Waste Management and Resource Recovery Act 2016.*

4 Terms of reference (Section 16)

I request that the Commission monitor and report on the impact on beverage prices and competition in the beverage industry of the Scheme in accordance with these terms.

(1) I request the Commission monitor:

a. the effect of the Scheme on prices of beverages supplied in a container in the Territory;

b. the performance and conduct of beverage suppliers in relation to beverage pricing in the Territory before and after the implementation of the Scheme; and

c. any other market impacts on consumers that arise from the implementation of the Scheme, for the period from 1 June 2018 to 30 June 2019 (monitoring period).

(2) The Commission is to provide a report to the Minister for Transport and City Services regarding:

a. the effect of the Scheme on prices of beverages supplied in a container in the Territory for the period from 1 June 2018 to 30 June 2019;

b. the framework for monitoring the Scheme including the behaviour of suppliers;

c. the effect of the Scheme on suppliers; and

d. any recommendations for actions by government to address any adverse effects or behaviours arising from the operation of the Scheme.

(3) In undertaking the monitoring, the Commission should have regard to: a. any changes in prices of beverages before or after 1 June 2018 that purport to be in response to the Scheme;

b. any information provided by Scheme participants and consumers;

c. the behaviour of suppliers and major retailers before and after 1 June 2018 including whether beverage prices have increased beyond the amount suppliers are charged by the Scheme Coordinator;

d. the manner in which beverage suppliers are recovering the costs imposed on them by the Scheme; and

e. any impacts on beverage prices in the Territory which could be attributed to the commencement of the NSW Container Deposit Scheme on 1 December 2017; and

f. any impacts on the cross border movement of beverage containers which could be attributed to the commencement of the Scheme and its interaction with the NSW Container Deposit Scheme; and

g. any other associated matters the Commission considers relevant.

The Commission should undertake public consultation. The Commission is requested to release a progress report in February 2019 which provides a draft framework for the review and reports on the first three months of the ACT Container Deposit Scheme.

The Commission is to provide a final report to the Minister for Transport Canberra and City Services in July 2019. The final report is to also recommend whether any further monitoring of beverage prices or any other monitoring of the impact of the container deposit scheme not included in these terms of reference is considered necessary.

At any time during the monitoring period, if the Minister or the Commission considers that any behaviour or market outcomes have arisen that appear unfair or unjustified on consumers or Scheme participants, the Commission is to:

1. Investigate the matter immediately at its own discretion or, on request from the Minister, and

2. Provide an interim report to the Minister as soon as practicable.

Definitions

Act means the *Waste Management and Resource Recovery Act 2016*.

Beverage, Container, Scheme Coordinator, Scheme participant, Supply Arrangement all have their meaning given by the Act

Container Deposit Scheme means the scheme established by Part 10A of the Act.

Supplier means a supplier, as defined in the Act, who is required under the Act to enter into a supply arrangement with the Scheme Coordinator.

Meegan Fitzharris MLA

Minister for Transport and City Services
Minister administering the *Waste Management and Resource Recovery Act 2016*
4/4/2018

Possible Q&As

Q: What approach is the Commission taking to monitoring price and competition impacts of the introduction of the CDS?

A: The Commission received an industry reference from the Minister for Transport and City Services to undertake price and competition monitoring and reporting in respect of the ACT Container Deposit Scheme (CDS), from 1 June 2018 to 30 June 2019.

In undertaking the price and competition monitoring, the Commission will adopt a proportionate approach by leveraging available data sources and focussing on the important issues for the ACT beverage industry, ACT consumers and other participants in the scheme (charities providing collection points, materials recycling facility operator).

The Commission will draw on IPART's price monitoring analysis for the NSW CDS, where relevant.

Cross border impacts are likely to be an important issue in the ACT.

The Commission expects to release an issues paper in a few weeks' time, and will release a progress report in February 2019 and a final report in July 2019 (as required by the Terms of Reference.

The Commission will seek stakeholder and public feedback by formal submissions, online comment through the Commission website, and through a public hearing planned for early 2019.

Q: How much more will ACT consumers pay for their beverages as a result of the introduction of the CDS?

The prices that the Scheme Coordinator charges the beverage manufacturer are dependent on the number of containers returned, and are updated on a quarterly basis. The more containers returned, the greater the refunds paid and therefore the higher the cost of the scheme. There is also an administrative cost and GST component for the beverage industry and retailers to recover.

The Commission will look for any evidence of excessive price increases, including considering any reports from ACT consumers. The aim of the price monitoring is to ensure that beverage suppliers and retailers are only increasing their beverage prices in line with the published ACT CDS cost.

Beverage suppliers may increase prices to recover the charges determined by the Scheme Coordinator. However, there are a number of other factors that influence the prices charged by beverage suppliers, such as beverage production costs and discounting practices, and prices will not necessarily change immediately or by the exact amount of the charges.

Not all beverage containers are included in the CDS (such as wine bottles) and their prices will not be affected by the CDS.

Q: Do you expect to find similar outcomes as found in NSW?

IPART released a progress report on its preliminary findings for the first three months of the NSW scheme.

The design of the ACT CDS differs in important respects from the NSW CDS and therefore some of the issues found by IPART in NSW are unlikely to apply in the ACT.

IPART found that beverage prices in February 2018 were around 6 cents (for juice, beer and cider) and 13 cents (for soft drinks and bottled water), which was in line with the estimated costs of the NSW scheme. The preliminary issues identified by IPART were:

- Cross border issues—these are likely to be important in the ACT
- Cost and cashflow impacts on beverage manufacturers of the $80 approval fee for each class of container—The ACT scheme will not impose separate fees as it will recognise approvals granted by Australian states
- Cashflow impacts of the payment terms for charges determined by the Scheme Coordinator—Payment terms in the ACT differ from NSW.

Q: Who is paying for the cost of monitoring by the Commission?

The ACT Government has engaged the Commission to monitor price increases resulting from the CDS and impacts on competition in the ACT beverage industry.

The Government is providing funding to the Commission for this work. The Commission understands that the cost of the monitoring will be paid for by the beverage industry from scheme funding.

4. Water and sewerage prices 2018-23

Media Release

2018–23 WATER AND SEWERAGE SERVICES PRICES

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 2018 to 30 June 2023.

"The Commission's decision will result in a fall in the prices ACT consumers pay for water and sewerage services in 2018–19," Senior Commissioner Joe Dimasi said.

"A typical Canberra household consuming 200kL per year will see a fall of 3.5 per cent (or about $42) in their annual bill in 2018–19 compared to 2017–18. Annual bills are then expected to increase by around 2 per cent each year for the rest of the regulatory period, which is roughly in line with expected inflation."

Annual bills for non-residential customers will fall by between 1.8 and 8.7 per cent in 2018–19 compared to 2017–18, depending on water usage and the number of billable fixtures. Over the 2018–23 regulatory period these bills will increase by between 0.4 per cent and 3.6 per cent.

Under the Commission's final decision, prices will be lower than initially proposed by Icon Water in June 2017. The lower prices result from efficiencies in Icon Water's planned operating and capital expenditure, lower interest rates and the Commission's decision on how to calculate the return on Icon Water's capital investments.

As a result of the Commission's final decision, the combined water and sewerage services bills payable by residential consumers in the ACT will remain lower than the average of comparable jurisdictions.

The Commission's final decision means that the amount of revenue Icon Water can earn from water and sewerage tariffs (the net revenue requirement) is $1,547 million over the five-year regulatory period. This is 3.2 per cent lower than Icon Water's initial proposal of $1,598 million.

The final decision allows for a small rebalancing of tariffs to better reflect Icon Water's underlying cost structure whilst remaining consistent with the Commission's social objectives.

In determining final prices, the Commission has undertaken extensive community consultation and has worked closely with Icon Water. The Commission thanks everyone who made submissions or attended the public hearings.

"The Commission appreciates Icon Water's cooperative approach and constructive engagement throughout the price investigation. In response to the Commission's draft decision, Icon Water sought efficiencies in planned capital expenditure that benefited ACT consumers," 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 or can be obtained by either contacting the Commission on (02) 6205 0799 or via email at icrc@act.gov.au.

Table 1 The Commission's final decision on water and sewerage service tariffs, 2018–19 to 2022–23

	2017–18[a]	2018–19	2019–20	2020–21	2021–22	2022–23
Water tariffs						
Supply charge ($/pa)	*104.21*	120	140	160	180	200
Tier 1 price ($/kL)	*2.68*	2.43	2.45	2.48	2.50	2.52
Tier 2 price ($/kL)	*5.38*	4.88	4.93	4.97	5.02	5.07
Sewerage service tariffs						
Sewerage services charge ($/pa)	*537.34*	531.19	531.20	531.20	531.21	531.21
Sewerage fixtures ($/pa)	*525.51*	519.50	519.50	519.51	519.51	519.52

Notes: [a] Data for 2017–18 (last year of the current regulatory period) are presented for comparison purposes. Actual charges payable from 2019–20 to 2022–23 could differ from the indicative charges in this table if actual inflation differs from forecast inflation or if the cost pass-through mechanism is triggered.

Table 2 Expected annual bills for typical small and large households, 2018–19 to 2022–23

Water consumption		*2017–18**	2018–19	2019–20	2020–21	2021–22	2022–23
200kL per year	Annual bill ($)	*1,200*	1,158	1,183	1,208	1,232	1,257
	$ change		-42	25	25	25	25
	Percentage change		-3.5	2.1	2.1	2.1	2.0
400kL per year	Annual bill ($)	*2,254*	2,114	2,148	2,182	2,216	2,250
	$ change		-140	34	34	34	34
	Percentage change		-6.2	1.6	1.6	1.6	1.5

Notes: *Data for 2017–18 (last year of the current regulatory period) are presented for comparison purposes. Actual bill impacts from 2019–20 to 2022–23 could differ from the indicative impacts in this table if actual inflation differs from forecast inflation or if the cost pass through mechanism is triggered.

Table 3 Comparison of combined water and sewerage services bills of Australian water utilities, assuming residential consumer with 200kL a year consumption ($, nominal)

	Actual (2017–18)	Estimates (2018–19)	Notes
Sydney Water	1,096	1,132	d
Barwon Water	1,097	1,124	a,c
Hunter Water	1,130	1,185	d
SA Water (Adelaide)	1,149	1,177	a,c
TasWater	1,166	1,214	b
Icon Water	**1,200**	**1,158**	
South East Water	1,243	1,152	a,c
City West Water	1,270	1,301	a,c
Average	**1,276**	**1,285**	
Yarra Valley Water	1,392	1,311	b,c
Queensland Urban Utilities	1,487	1,524	a
Unitywater – Moreton Bay	1,811	1,857	a

Notes: a Indexed assuming inflation of 2.5 per cent from 2017–18. b: Based on Draft Determination. c: Victorian Government rebate applied but not parks and waterways charges. d: 2018–19 figures based on IPART determination (in 2015–16 values) adjusted by the CPI by the Commission.

Sources: Commission's calculations and utility and regulator websites.

ENDS

For media enquiries, please contact:
Fiona Platzer
Tel: (02) 6205 0799
Email: icrc@act.gov.au

4. Water and sewerage prices 2018-23 (continued)

Possible Q&As

Q: What reviews will the Commission undertake during the regulatory period under the reset principles?

A: In addition to the annual price resets, the Commission will conduct three reviews during the regulatory period:

- a review of potential incentive mechanisms for the regulation of Icon Water. The incentive mechanisms may include additions to the regulatory framework to address service standards, capital expenditure or operating expenditure
- a review of calculation methodologies for the weighted average cost of capital that may be used in the next price investigation
- a review of methodologies for forecasting water demand that may be used in the next price investigation.

5. Consumer protection code review

Possible Q&As

Q: What is the Commission doing in regard to redrafting of the consumer protection code?

A: The Consumer Protection Code was last determined by the Commission in June 2012. At the time, the code was amended in anticipation of the National Energy Customer Framework coming into effect from July of the same year. The Code was amended to remove most of the provisions applicable to energy retailers as regulatory responsibility for these utilities was handed to the AER under the National Energy Retail Law. As such, the majority of provisions in the Code apply only to water and sewerage services.

The Code is an industry code established under Part 4 of the Utilities Act 2000 (the Act). The core purpose of the Code is to outline basic consumer rights and standards of service in relation to the supply of utility services.

The Commission has commenced targeted consultation with stakeholders, including consumer and community groups, to identify concerns and priority areas of focus for the review.

The Commission will also consider any relevant issues identified in the course of monitoring the performance of utilities under the Utilities Act.

Commission staff have reviewed recent developments in other jurisdictions to identify issues and approaches adopted in those jurisdictions. The Queensland Competition Authority, ESCOSA, and Victorian Essential Services Commission have recently commenced or undertaken similar reviews of minimum standards schemes (for electricity only). The ERAWA recently reviewed its Code of Conduct.

The Commission intends to release an issues paper later this year followed by draft and final reports, including a revised consumer protection code. The Commission anticipates that a revised code could be implemented in 2019.

Attachment: Bios of Select Committee members

Mr Andrew Wall MLA (chair)

Opposition Whip, Shadow Minister for Business and Employment, Shadow Minister for Higher Education and Training, Shadow Minister for Tourism

Canberra Liberals, Brindabella electorate since October 2012

Previous employment at Patioworld Building Systems and Southern Cross Club

Ms Tara Cheyne MLA (deputy chair)

Government Whip

Australian Labor Party, Ginninderra electorate since October 2016

Bachelor of Arts/ Bachelor of Journalism, UQ; Master of Business Administration, University of Canberra; previous employment in Commonwealth Department of Finance (2016), Commonwealth Attorney-General's Department, Queensland Department of the Premier and Cabinet

Ms Caroline Le Couteur MLA

ACT Greens spokesperson for Planning, Territory and Municipal Services, Business and Economic Development, Indigenous Affairs, Arts and Heritage

The Greens, Murrumbidgee electorate since October 2016 (previously elected in October 2008)

Bachelor of Economics, ANU; Bachelor of Business, NRCAE; Graduate Diploma of Environment and Development Management, ANU; previous employment in Australian and ACT Public Service in IT and energy policy roles

Ms Elizabeth Lee MLA

Assistant Speaker, Shadow Minister for Education, Shadow Minister for Disability, Shadow Minister for the Environment

Canberra Liberals, Kurrajong electorate since October 2016

Bachelor of Laws/ Bachelor of Asian Studies, ANU; previous employment as law lecturer at ANU and University of Canberra, legal associate at law firm, lawyer in Australian Government Solicitor and Commonwealth Attorney-General's Department

Ms Suzanne Orr MLA

Australian Labor Party, Yerrabi electorate since October 2016

Master of Urban and Regional Planning, University of Canberra; Graduate Certificate in Public Administration, University of Canberra; Bachelor of Arts, ANU; previous employment as an urban planner

ICRC
independent competition and regulatory commission

Attachment: Final program of hearings for Day Two (Monday 18 June 2018)

Schedule of Public Hearings for the Inquiry into the ACT Appropriation Bill 2018-2019 and the Appropriation (Office of the Legislative Assembly) Bill 2018-2019

Friday 15 June – Friday 29 June 2018, inclusive

Committee Room 1, Ground Floor, ACT Legislative Assembly building, Civic Square, London Circuit, Canberra City

Members of the public are welcome to observe the public hearings of this Committee, or any other Legislative Assembly committee, by coming to the public gallery of Committee Room 1 in the Legislative Assembly building in Civic Square, on London Circuit, in Canberra City.
Anyone may also watch the proceedings live via the Assembly's web-streaming which may be accessed via this Assembly webpage: http://aod.parliament.act.gov.au/

If you miss the proceedings of this Committee or any other, you may also access audio-visual recordings of them via the Assembly's Committees on Demand portal here: http://committees.parliament.act.gov.au/. The recording of a hearing is usually available some hours after the hearing. A few days after a hearing, the Hansard transcripts will be accessible via the Inquiry webpage here: http://www.hansard.act.gov.au/hansard/2013/comms/default.htm

This Budget Paper, and the others that comprise the Budget 2018-2019, can be found under the Chief Minister, Treasury and Economic Development Directorate's Budget webpage, here: http://apps.treasury.act.gov.au/budget

For queries about this schedule, please contact the Committee Secretary, Mrs Nicola Kosseck on 6205 0435, or the Committee Support Office on
620 50127 or LACommitteeEstimates@parliament.act.gov.au

DAY TWO – MONDAY 18 JUNE 2018

Sec	Indicative Time	Witness	Office	Portfolio	Budget Paper Details
BL	9.30am – 11.00am (1 hour 30 min)	Mr Barr	Treasurer	CMTED	Treasury Output Class 4: Financial and Economic Management 4.1 Economic Management Output Class 4: Financial and Economic Management 4.2 Financial Management
	11.00am – 11.15am – Tea Break				
BL	11.15am –12.30pm (1 hour 15 min)	Mr Barr	Treasurer	CMTED	Treasury Output Class 4: Financial and Economic Management 4.1 Economic Management Cont'd Output Class 4: Financial and Economic Management 4.2 Financial Management Cont'd
	12.30pm – 2.00pm – Lunch Break				
BL	2.00pm – 3.30pm (1 hour 30 min)	Mr Barr	Treasurer	CMTED	Compulsory Third-Party Insurance Regulator and Statement of Intent Lifetime Care and Support Fund Treasury Output Class 6: Revenue Management
	3.30pm – 3.45pm Tea Break				
BL	3.45pm – 5.00pm (1 hour 15 min)	Mr Barr	Treasurer	CMTED	Independent Competition and Regulatory Commission Superannuation Provision Account Territory Banking Account
	5.00pm — Close				