

Mr Joe Dimasi
Senior Commissioner
Independent Competition and Regulatory Commission
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ACAT Response to Draft Report
Water and Sewerage Services Price Regulation: Incentive Mechanisms
Report No 6 of 2020, May 2020

ACT CIVIL AND ADMINISTRATIVE TRIBUNAL

The ACT Civil and Administrative Tribunal (the ACAT) was established by the *ACT Civil and Administrative Tribunal Act 2008* and commenced operation on 2 February 2009. The functions of the ACAT and its important role in relation to energy and water hardship and complaints in the ACT are described in the ACAT Submission to the Commission's *Draft Report No 2 of 2020*, made on 19 March 2020.

RESPONSE TO DRAFT REPORT

In the Draft Report, the Commission is seeking public views on the Commission's intended approach to ensuring that water and sewerage prices provide appropriate incentives for Icon Water to operate efficiently. The Final Report is due in late August 2020. The Commission intends that any changes to the incentive mechanisms will be implemented in the regulatory period from 1 July 2023.

The Draft Report sets out the Commission's intended approach to:

2. EXPENDITURE INCENTIVE MECHANISMS

- 2.1 Operating expenditure;
- 2.2 Capital expenditure;
- 2.3 Total expenditure approach ('totex')
- 2.4 Commission's draft decision.

3. OTHER INCENTIVE MECHANISMS

- 3.1 Service standards;
- 3.2 Price control mechanism;
- 3.3 Victorian 'PREMO' approach;
- 3.4 Commission's draft decision.

Appendix 1 provides a summary of submissions to the Issues Paper, which comprised a detailed submission by Icon Water and two, generally assenting, shorter submissions by ACAT and the ACT Council of Social Services (ACTCOSS).

ENERGY & WATER

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ACAT SUBMISSION

The ACAT supports the Draft Report prepared by the Commission, which it notes is in general agreement with the Icon Water, ACAT and ACTCOSS submissions on the Issues Paper.

The ACAT suggests that, consistently with sections 7 and 20 of the ICRC Act, the Commission might also consider being more explicit in its Objective and Pricing Principle (p 12) in relation to environmental considerations. The overarching interpretation could focus not only on 'economic efficiency' (which encompasses efficient investment in and operation of regulated water services, environmental objectives, equity and social impacts), but also recognise the increasing pressure on water resources in the Murray Darling Basin and the likely long-term impacts of climate change on water availability for the Canberra community. This recognition would lead not only to improving the efficient use of the water resource, but also indicate the priority being placed on water conservation measures.

The Commission could also indicate that the ACT's overall water policies and pricing should:

- provide incentives for water conservation, with particular emphasis on large users;
- provide safety net pricing for basic household use, to assist low income households; and
- ensure cultural flows for Traditional Custodians.

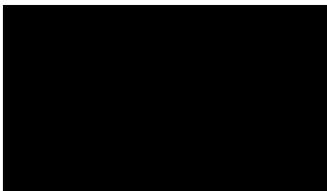
The ACAT supports the Commission's decision (p 35) to retain its existing incentive mechanisms for operating and capital expenditure and not to introduce new mechanisms.

The ACAT supports the Commission's 'deadband' approach (pp 47-48) to managing demand risk and generally does not support reduction in price for large customers to address 'uneconomic bypass'.

The ACAT supports the Commission's decision (pp 51, 53) to retain its existing incentive mechanisms for service standards and the form of price control, and not to introduce new incentive mechanisms.

If you have any questions in relation to this submission, please contact me.

Yours sincerely



President

15 July 2020

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