

Proposed statement of reasons

1) Legislative requirement

This proposed statement of reasons (statement) is required under section 18(5)(b) of the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act).

The statement sets out the reasons for the proposed price direction for the supply of regulated water and sewerage services by Icon Water Limited (Icon Water) for the period 1 July 2023 to 30 June 2028.

2) Authority for an investigation and price direction

On 9 December 2021 the ACT Treasurer issued terms of reference¹ to the commission to undertake an investigation into, and the making of, a price direction for regulated water and sewerage services provided by Icon Water for the period 1 July 2023 to 30 June 2028.

3) Approach to the price direction

Following receipt of the terms of reference, the commission published and sought submissions to an [issues paper](#) outlining the approach to the water and sewerage services price investigation. A total of 9 submissions were received.

On 30 June 2022 Icon Water provided its pricing proposal.

The commission invites submissions on its draft report and draft price direction by 14 December 2022 and will hold a public forum on 21 November 2022.

The final report and price direction will be published in March-May 2023.

4) Reasons

To meet the objectives for the price direction in part 4 of the ICRC Act, the commission has considered amongst other things, Icon Water's proposed capital and operating expenditure, the ACT population and climate variability forecasts over the period of the price direction, and inflationary factors in making its draft decision.

As explained in the draft report, the commission has accepted most of Icon Waters submission with some reductions for prudence and efficiency.

5) Pricing principles

To achieve the objectives of the price investigation set out in the terms of reference and the ICRC Act the commission developed 7 pricing principles to guide the price investigation.

¹ DI2021-278

- 1) Regulated prices should promote the economically efficient use of Icon Water's water and sewerage services infrastructure and should also encourage economically efficient use of the water resource itself.
- 2) Regulated prices and supporting regulatory arrangements should facilitate the efficient recovery of the prudent and efficient costs of investment and operation.
- 3) Regulated prices and complementary mechanisms should ensure that environmental objectives are effectively accounted for.
- 4) Any change to prices or other regulatory arrangements that will have substantial consumer impacts should be phased in over a transition period to allow reasonable time for consumers to adjust to the change.
- 5) Adverse impacts on households with low incomes need to be limited or moderated by phasing and other compensating mechanisms or limits on changes to regulated prices or other regulatory arrangements
- 6) Regulated prices and their form should be simple for consumers to understand and straightforward for the utility to implement.
- 7) Regulated prices should be set using a transparent methodology and be subject to public consultation and scrutiny.

6) Section 20(2) considerations

Section 20(2) of the ICRC Act sets out 11 considerations the commission must have regard to in undertaking a price direction. Attachment 2 of the draft report sets out the commission's compliance with the terms of reference and the ICRC Act in undertaking the price investigation.