

Mr Joe Dimasi
Senior Commissioner
Independent Competition and Regulatory Commission
PO Box 161
Civic Square 2608 ACT

Via email: icrc@act.gov.au

13 December 2022

Dear Senior Commissioner Dimasi

Submission: Draft Report and Proposed Price Direction – Regulated Water and Sewerage Services Prices 2023–28

The Independent Competition and Regulatory Commission's (ICRC's) [Draft Report and Proposed Price Direction – Regulated Water and Sewerage Services Prices 2023–28](#) offers an opportunity for stakeholders to give feedback and views on the determination of the price direction for regulated water and sewerage services provided by Icon Water, and on the model and methodology it uses to determine a price direction for regulated water and sewerage services provided by Icon Water for the period from 2023-2028.

The ACT Council of Social Service (ACTCOSS) welcomes the opportunity to comment on the Draft Report and Price Direction. ACTCOSS's submission will focus on the following issues:

- Balancing economic, social and environmental considerations
- Achieving fair outcomes.

Background

ACTCOSS advocates for social justice in the ACT and represents not-for-profit community organisations.

ACTCOSS is a long-standing member of the ICRC's Customer Consultative Committee which has discussed this price investigation.

Between July 2021 and February 2022, ACTCOSS participated in Icon Water's Customer Advocacy Forum and its Deliberative Forum which were established to inform the development of their draft 2023-28 price proposal.

ACTCOSS made a [submission in response to the ICRC's Issues Paper – Regulated water and sewerage services prices 2023-28](#).

Response to draft report and proposed price direction

ACTCOSS has developed the following submission based on the following principles and policy objectives:

- Water and sewerage are essential services – they are not discretionary purchases
- The promised benefits of corporatisation, public-private partnerships and privatisation in Australia's water and sewerage industry have not been realised especially for consumers on low incomes
- Retailers should not make excessive margins from the provision of essential utilities; and
- All households must have access to water and sewerage services at a fair price.

As essential services, it is critical that water and sewerage services are affordable, safe, reliable, secure and sustainable for everyone in our community now and into the future.

The ICRC's Draft Report and the Proposed Price Direction will:

“result in an increase in the prices ACT consumers pay for water and sewerage services for 2023-34. A typical household would see an increase of 4.2% in 2023-24 in their annual water and sewerage services bill (assuming 200 kilolitres of water use). This means their expected annual bill would increase from \$1,177 in 2022-23 to \$1,227 in 2023-24, an increase of approximately \$50.”

We welcome the ICRC's decision that means prices will be lower than initially proposed by Icon Water. This results from the ICRC's lowering of Icon Water's total revenue requirement by 7.3%. The ICRC has determined that Icon Water can afford to recoup less revenue because the ICRC has:

- assessed that Icon Water can lower operating expenditure through more prudent and efficient operations
- adjusted downwards the forecast and historical capital expenditure; and
- allowed a lower return on equity than that proposed by Icon Water.

However, while we note that prices will be lower than initially proposed by Icon Water as a result of the draft report and the proposed price direction, the increase in water and sewerage costs will be a significant added burden for vulnerable households, particularly low-income earners and those in our community living with disadvantage and marginalisation. This price increase comes on top of [a CPI increase in the ACT's cost of water and sewerage of 4.5% between December 2016 and December 2021](#).

Over the past 12 months we have seen the cost of living rise fast, hitting low income households hardest. This sharp rise in the cost of living has occurred at the same time as COVID-19 income support measures were withdrawn. People on low incomes spend a much greater proportion of their incomes on essentials including

utilities, food, health care and medicines, transportation and housing. For people on low incomes, an increase in water will displace spending on other essential goods.

Capital and operating costs

Through our work on energy consumer advocacy under the ACT Energised Consumers Project, ACTCOSS is familiar with the building block approach used by the ICRC and other utilities regulators.

We value the ICRC's attention to reviewing the prudence and efficiency of capital and operating expenditure proposed by Icon water. It is important that this is assessed in relation to both equity impacts and community priorities.

The ICRC states that:

'Overall prices are rising due to an increase in capital spending by Icon Water, including major works on sewage treatment, along with small increases in operating costs for wages growth and increases in costs of electricity, insurance and chemicals. The cost of debt and higher returns on investment have also impacted Icon Water's revenue model.'

ACTCOSS welcomes the draft decision that requires reductions in operating costs as a result of prudence and efficiency assessments.

The ICRC notes that Icon Water's capital proposal reflects replacing ageing assets and meeting Canberra's population growth. ACTCOSS welcomes the draft decision that requires reductions in capital expenditure for efficiency and reprofiling of timing.

However, policy makers must consider whether it is appropriate for consumers to carry this capital cost given the disproportionate burden placed on people on low incomes. Such significant investments in the Territory's infrastructure may be more appropriately funded through more progressive financial measures including general taxation and charges placed upon developers.

Broader issues

Overall, we believe that the ICRC's price regulation of water and sewerage services has been beneficial to low-income and vulnerable consumers in the ACT. It continues to make an important contribution to keeping ACT water and sewerage prices lower than in some other jurisdictions.

More generally, ACTCOSS supports the ICRC's pricing principles, especially the principles relating to community impact in terms of both price stability and equitable outcomes for low-income households. However, we believe that more work needs to be done on issues of equity including an assessment of the distributional impact of

pricing across household income quintiles and/or household types. It is important that pricing is informed by an understanding of the impact on affordability for low-income households with different levels of water usage.

As mentioned in our submission on the Issues Paper – Regulated water and sewerage services prices 2023-28 in investigating the affordability of water and sewerage services prices, it would be useful to examine the levels of debt and/or hardship among Icon Water customers. It would also be useful to analyse the impact of the Utilities Concession in addressing affordability for low-income households. The Utilities Concession is intended to support low-income households to access affordable electricity, gas and water and sewerage services. The Utilities Concession is applied to households' electricity accounts which ensures that rental households that do not receive Icon Water bills directly also have access to a concession covering water and sewerage services. However, as it is applied to the electricity account the relationship between the Utilities Concession and the affordability of water and sewerage services for low-income households is not clear. Given the increase in water and sewerage costs as a result of this determination, it is important that the concession is appropriately increased to cover rising water and sewerage charges.

We continue to believe that the 2023-28 price review provides an opportunity for the ICRC and/or Icon Water to assess the adequacy, targeting, and design of the Utilities Concession to ensure it achieves the aim of making water and sewerage services affordable for all. While beyond the ICRC's remit, ACTCOSS recommends that ACT Government extend the Utilities Hardship Fund to include Icon Water. The Utilities Hardship Fund currently uses co-contributions from ACT Government and four energy retailers operating in the ACT to provide customers experiencing hardship or payment difficulty with access to up to two \$100 rebates per year.

Further, and as mentioned in our submission on the Issues Paper, as the peak body for not-for-profit community organisations in the ACT, we recommend that the ICRC also consider the distributional impact of pricing across businesses and community organisations. Not-for-profit community organisations often have very constrained operating budgets that limit their ability to manage high prices and/or sudden price increases. Usage levels may also vary significantly between organisations depending on the services they provide. For example, organisations providing accommodation for a large number of clients (e.g., aged care or specialist homelessness services) may face significantly higher water and sewerage services bills. Targeted concessions should be considered for such organisations.

ACTCOSS also supports equity measures by ACT Government and/or Icon Water that assist low-income households and not-for-profit organisations to identify ways they can reduce their water bills and afford water-saving devices or repairs.

Conclusion and further engagement

Notwithstanding the call for additional consideration of vulnerable consumers, including the implementation of measures to protect people on low incomes, ACTCOSS broadly supports the ICRC's approach in the Draft Report and Proposed Price Direction – Regulated Water and Sewerage Services Prices 2023–28.



ACTCOSS is keen to keep engaged in the ICRC's water and sewerage services 2023-28 price investigation with a focus on ensuring equitable outcomes for low-income households and not-for-profit community organisations in the ACT.

As my final day at ACTCOSS will be 12 January 2023, please contact us through gemma.killen@actcoss.org.au if you would like to discuss any of the issues raised in our submission.

Yours sincerely

A handwritten signature in black ink that reads 'Emma Campbell.' The signature is written in a cursive, flowing style.

Dr Emma Campbell
CEO
ACTCOSS

Email: actcoss@actcoss.org.au