



Andrew Barr MLA

Chief Minister

Treasurer

Minister for Climate Action

Minister for Economic Development

Minister for Tourism

Member for Kurrajong

Mr Joe Dimasi
Senior Commissioner
Independent Competition and Regulatory Commission
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Dear Mr Dimasi *Joe*

As you may be aware, the ACT Government has committed to undertaking a review into water costs for high-intensity club users of non-potable water in 2021, as outlined in the Parliamentary and Governing Agreement.

As part of that review, the Government is seeking advice from the Independent Competition and Regulatory Commission on the costs and price of the provision of recycled water by Icon Water to high-intensity club users. Please find enclosed a scope of works for this advice, which I provide under section 12 of the *Independent Competition and Regulatory Act 1997*. The Commission will be required under this request to carry out an investigation into Icon Water's price and costs associated with supplying recycled water to high-intensity club users, and to submit a report containing the Commission's advice on the matter to the A/g Under Treasurer, Mr Stephen Miners.

I thank the Commission in advance for assisting the Government on this matter, and I look forward to the outcomes of your work in due course.

Yours sincerely

Andrew Barr MLA
Treasurer

26 February 2021

Scope of Work: ICRC process to assist in the non-potable water review

As part of the Parliamentary and Governing Agreement for the 10th Legislative Assembly, the Government has committed to undertake a review into water costs for high-intensity club users of non-potable water in 2021, with the intention to allow these clubs to maintain existing operations without requiring cross subsidisation by other ACT water users. To inform the recycled water component of this review, the Government is engaging the Independent Competition and Regulatory Commission (the Commission) to:

- investigate Icon Water's prices and costs associated with supplying recycled water to high-intensity club users; and
- develop advice to Treasury for incorporation into the review.

This work is to be undertaken under section 12 of the *Independent Competition and Regulation Commission Act 1997*, which allows the Commission to assist any agency, body or person by "providing services within the Commission's field of expertise and relevant to its functions."

The Commission will be required to develop advice and recommendations informed through an investigation of Icon Water's prices and costs for supplying recycled water to high intensity club users. In providing its advice, the Commission should include explanatory material to describe the methodology used in deriving these costs, and any associated issues and recommendations identified during the investigation process.

The issues identified below are considered to be relevant to conducting the investigation into Icon Water's pricing of recycled water for high-intensity club users.

Key issues to be considered by the Commission

- Identification of similar pieces of work conducted in other jurisdictions, with key findings to be provided in the Commission's report where appropriate;
- Description of the methodology used by Icon Water to set prices for recycled water supplied to the high-intensity club users, and in particular any guidelines or pricing frameworks;
- Identification of any shared activities and resources used by Icon Water in providing other potable or non-potable water services, to ensure costs are apportioned to best reflect those relevant to supplying recycled water services to relevant clubs;
- Detailed analysis of the estimated costs of supplying recycled water to high-intensity club users, to ensure all costs are identified and accounted for; and
- Consideration of possible approaches to ensure that the price for recycled water services provided to high-intensity club users are reflective of Icon Water's costs.

Process

In order to understand the prices, resources and costs associated with Icon Water's provision of recycled water services to high-intensity club users, and to identify any synergies and/or shared costs derived from the supply of other potable or non-potable water services, the process should involve:

- Targeted consultation with Icon Water and high-intensity club users;
- Issuing formal requests to relevant parties to obtain information and cost data needed to inform the Commission's advice where appropriate; and
- Providing advice in the form of a final report, including any findings and recommendations, to Treasury on a confidential basis.
- Deadline for provision of advice: 30 April 2021