



Jon Stanhope MLA

CHIEF MINISTER

TREASURER MINISTER FOR BUSINESS AND ECONOMIC DEVELOPMENT
MINISTER FOR INDIGENOUS AFFAIRS MINISTER FOR THE ENVIRONMENT, WATER AND
CLIMATE CHANGE
MINISTER FOR THE ARTS

MEMBER FOR GINNINDERRA

Mr Paul Baxter
Senior Commissioner
Independent Competition and Regulatory Commission
GPO Box 296
CANBERRA CITY ACT 2601

Dear Mr Baxter

I write in reference to the Independent Competition and Regulatory Commission's (ICRC's) Water and Wastewater Price Review Draft Report and Price Determination, which proposes a price determination for regulated water and wastewater services provided by ACTEW.

I enclose a Government Submission relating to the draft price determination, which I hope will be of use as you consider the issues relevant to these important services.

I look forward to receiving the final price determination arising from the review process.

Yours sincerely

Jon Stanhope MLA
Treasurer

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ACT LEGISLATIVE ASSEMBLY

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ACT GOVERNMENT SUBMISSION TO THE INDEPENDENT COMPETITION AND REGULATORY COMMISSION WATER AND WASTEWATER DRAFT PRICE DETERMINATION FOR 2008-09 TO 2012-13

On 14 December 2007, the Independent Competition and Regulatory Commission (ICRC) released its Draft Report and Price Determination from its Water and Wastewater Price Review for the period from 1 July 2008 to 30 June 2013.

This Submission to the ICRC draft price determination highlights the ACT Government's views on this draft decision.

The Government notes that matters it raised in its original Submission to the Commission have been dealt with in the draft report in a manner that is satisfactory to the Government.

Timing of price increases

The ICRC has proposed a price increase in 2008-09 of approximately \$114 per annum or 8.5 per cent for the average consumer of 250 KL with increases in the following four years restricted to CPI.

The Government does not support this proposal and believes ACT households on fixed or low incomes would find it easier to deal with a gradual price increase over the five year period rather than a significant one off increase followed by more moderate CPI based changes.

Fixed period of five years

The ICRC draft decision is based on estimates of ACTEW's revenue, operating expenditure and capital expenditure over the five year period. The ICRC has proposed that where actual outcomes vary from the estimates used in these calculations, these would not be adjusted for until the next price period commencing in 2013-14.

The Government notes that there is a great deal of uncertainty around the assumptions used for this price period including, but not limited to, the weather and the cost of major infrastructure required to increase security of supply. While the Government recognises the benefits of providing consumers with a degree of price certainty, it is concerned with the implication that deferring price increases may have for the next price period. The Government considers that large and material changes in ACTEW's revenues and expenditures, relative to forecasts, should be incorporated within the five year period and not deferred until the next price period. The ICRC should adopt a flexible approach to enable a review of prices over the five year price period.

Concessions

Concerns raised by the Commission in its draft report have been noted and that the Government is already working to ensure that the financial impact on pensioners and other low income groups will be mitigated. As you know the Government currently offers a water and sewerage rebate of up to 65 per cent per quarter for holders of a

current Centrelink Pensioner Concession Card or Department of Veterans' Affairs Gold Card or gold card. This concession automatically rises with increases in fixed charges for water and sewerage.

The Government has conducted a Review of ACT Government Concessions (the Review), including consideration of concessions for water and wastewater, energy, public transport, and motor vehicle registrations. The aim of the Review was to examine and report on the current administrative arrangements for ACT Government Concessions, including the availability of information to the community about these concessions. The Review is part of the Government's aim to further equity in the standard of living and access to essential services for all members of the ACT community, particularly low-income individuals and households. A report on the Review will be considered by Government in early 2008.

Demand Management

The Government believes that demand management is an important tool in minimising water use and the associated need for investment in water infrastructure. In October 2007 the Government announced a review of current demand management measures that is currently underway.

The Government would welcome an examination of how the proposed pricing structure impacts on high volume commercial water users, particularly to ascertain whether it provides adequate signals for the commercial sector to invest in facilities that reduce their reliance on potable water. The Government notes that effective demand management may be best delivered by a range of measures including some outside the pricing structure but still it believes the Commission should address this issue in its final report.