



ICRC

independent competition and regulatory commission

Regulated water and sewerage
services

2015–16 price adjustment

Report 4 of 2015, June 2015

The Independent Competition and Regulatory Commission is a Territory Authority established under the *Independent Competition and Regulatory Commission Act 1997* (the ICRC Act). The Commission is constituted under the ICRC Act by one or more standing commissioners and any associated commissioners appointed for particular purposes. Commissioners are statutory appointments and the current Commissioners are Senior Commissioner Malcolm Gray and Commissioner Mike Buckley. We, the Commissioners who constitute the Commission, take direct responsibility for delivery of the outcomes of the Commission.

We have responsibilities for a broad range of regulatory and utility administrative matters. We have responsibility under the ICRC Act for regulating and advising government about pricing and other matters for monopoly, near-monopoly and ministerially declared regulated industries, and providing advice on competitive neutrality complaints and government-regulated activities. We also have responsibility for arbitrating infrastructure access disputes under the ICRC Act. In discharging our objectives and functions, we provide independent robust analysis and advice.

Our objectives are set out in section 7 of the ICRC Act and section 3 of the *Utilities Act 2000*.

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1 Introduction

The Substituted Price Direction for Regulated Water and Sewerage Services 1 July 2013 to 30 June 2018 (the price direction) requires the Independent Competition and Regulatory Commission (the Commission) to undertake a price adjustment process to determine the maximum prices Icon Water Ltd (Icon Water) can charge for its regulated water, sewerage and miscellaneous services in 2015–16, 2016–17 and 2017–18.¹

The price direction essentially requires that prices be adjusted for two things. The first is for inflation, which is the change in the consumer price index (CPI). The second is to incorporate the effect of any approved pass-through events on Icon Water's costs in prices in the following year.

This report sets out the process undertaken by the Commission to determine maximum prices to apply in 2015–16.

The remainder of the report is structured as follows:

- Chapter 2 describes the price adjustment calculations and sets out the adjusted maximum prices to apply from 1 July 2015;
- Chapter 3 illustrates the impact of the price adjustments on water and sewerage services customer annual bills; and
- Appendix 1 presents the detailed schedule of maximum water, sewerage and miscellaneous service and miscellaneous charges for 2015–16.

¹ Industry Panel (2015). Available at: <http://www.icrc.act.gov.au/water-and-sewerage/inquiries-and-investigations/>.

2 2015–16 price adjustment

2.1 Consumer price index adjustment

Clause 9.1 of the price direction requires the Commission to calculate the maximum prices for regulated water, sewerage and miscellaneous services for each regulatory year on the basis set out in clauses 6 and 7 and provide Icon Water with notice of the adjusted prices on or before 1 June each year. The Commission is also required to provide Icon water with details of the Commission’s calculations of the adjusted prices, including the values of the change in the CPI used in the calculations.

The CPI adjustment formula used by the Commission, as set out in clause 6.1 of the price direction, is presented below:

$$CPI_{2015-16} = \frac{105.9 + 106.4 + 106.6 + 106.8}{102.8 + 104.0 + 104.8 + 105.4} - 1 = 0.02086330935252$$

For 2015–16, in addition to the CPI adjustment, clause 6 of the price direction requires water and sewerage service prices to be adjusted by (1 - 3.4 per cent) and (1 - 1.4 per cent), respectively.

2.2 Pass-through adjustment

General provisions

Clauses 8 and 9 of the price direction set out the process for incorporating the effect of any approved pass-through events on Icon Water’s costs in prices in the following year.

The price direction allows for seven pass-through events, three of which are almost certain to be triggered every year. These are events associated with the ACT Government’s water abstraction charge (WAC) and utilities network facilities tax (UNFT) and Commonwealth subvention payment events.

Clause 9.2 of the price direction provides for Icon Water to submit a pass-through application to the Commission. Generally Icon Water is required to make the submission by 1 May with the Commission required to make a decision and advise Icon water by 30 May. In the event that Icon Water does not lodge a submission, Clause 9.5 of the price direction allows the Commission to initiate a pass-through amount.

The price direction also allows pass-through event amounts to be considered prospectively and retrospectively.

Approach to Commission-initiated pass-throughs

The prospective and retrospective feature of pas-through consideration has the potential to result in administratively complex and resource intensive adjustment processes. In an effort to minimise this complexity and cost, the Commission published a statement in May 2015 setting out its approach to Commission-initiated pass-through amounts.² The Commission stated that it will only exercise its discretion under clause 9.5 of the price direction to initiate a price adjustment for a particular pass-through event when all of the costs associated with the event are known, unless it is reasonably clear that not initiating a prospective pass through will have a continuing³ and materially⁴ detrimental effect on Icon Water or its customers.

Pass-throughs for 2015–16 prices

The Commission was advised by Icon Water on 21 May 2015 that it would not be submitting any pass-through amounts for consideration in 2015–16 prices.

In line with the Commission's May statement, in the absence of actual costs for pass-through amounts or any indication that not initiating a pass through will have a continuing and materially detrimental effect on Icon Water or its customers, the Commission has elected not to initiate any pass-through amounts for consideration in 2015–16 prices.

This means that no pass-through amounts have been included in the price adjustment process for 2015–16 prices.

Under clause 8.9 of the price direction, the Commission will be able to consider any pass-through events that relate to 2014–15 costs in the 2016–17 price adjustment process that will commence in May 2016.

2.3 2015–16 maximum water prices

Maximum water prices for 2015–16 have been calculated using the following formula, with prices rounded to the nearest cent:

$$P_{2015-16} = P_{2014-15} \times (1 + \text{CPI}_{2015-16}) \times (1 - 0.034)$$

Calculated water prices for 2015–16 are shown in Table 2.1, falling by about 1.5 per cent from 2014–15.

² ICRC (2015). Available at: <http://www.icrc.act.gov.au/water-and-sewerage/inquiries-and-investigations/>.

³ Continuing in this regard means that the effect of the pass-through will continue in future years in the same direction, either adding costs (requiring a positive pass-through and price adjustment) or reducing costs (requiring a negative pass-through and price adjustment).

⁴ The Commission will apply a materiality threshold of \$2 million per year.

Table 2.1 Water prices, 2014–15 to 2015–16 (\$, current prices)

	2014–15	2015–16	Change (%)
Fixed (\$/a)	102.56	101.14	-1.38
Tier 1 (0–200 kL/a) (\$/kL)	2.64	2.60	-1.52
Tier 2 (200 kL/a+) (\$/kL)	5.29	5.22	-1.32

2.4 2015–16 maximum sewerage services prices

Maximum sewerage services prices for 2015–16 have been calculated using the following formula, with prices rounded to the nearest cent:

$$P_{2015-16} = P_{2014-15} \times (1 + \text{CPI}_{2015-16}) \times (1 + 0.014)$$

Calculated sewerage services prices for 2015–16 are shown in Table 2.2, increasing by about 3.5 per cent from 2014–15.

Table 2.2 Sewerage services prices, 2014–15 to 2015–16 (\$, current prices)

	2014–15	2015–16	Change (%)
Supply charge (\$/a)	505.41	523.18	3.52
Fixture charge non-residential customers (\$/a) ^a	494.28	511.66	3.52

^a For every additional flushing fixture greater than two.

2.5 2015–16 maximum charges for miscellaneous services

Maximum charges for miscellaneous services for 2015–16 have been calculated using the following formula, with charges rounded to the nearest dollar for the GST-inclusive price:

$$P_{2015-16} = P_{2014-15} \times (1 + \text{CPI}_{2015-16})$$

The full list of calculated maximum miscellaneous services charges for 2015–16 is provided in Appendix 1.

3 Impact on customers

This chapter outlines the financial impact on ACT consumers of the Commission's final decision on maximum water and sewerage service prices. It does this by illustrating the impact of the change in water and sewerage service prices in 2015–16 on annual water charges and combined water and sewerage services bills.

3.1 Water charges

Table 3.1 shows the change in annual water charges from 2014–15 to 2015–16 for residential customers at different consumption levels.

Table 3.1 Change in annual water charges for residential customers (\$, current prices)

Annual water consumption (kL)	Annual 2014–15 water charge (\$)	Annual 2015–16 water charge(\$)	Change in water charge (%)	Change in water charge (\$)
0	103	101	-1.4%	-1
50	235	231	-1.5%	-3
100	367	361	-1.5%	-5
150	499	491	-1.5%	-7
200	653	643	-1.5%	-10
250	895	882	-1.4%	-13
300	1,160	1,143	-1.4%	-16
350	1,424	1,404	-1.4%	-20
400	1,689	1,665	-1.4%	-23
500	2,218	2,187	-1.4%	-30
750	3,540	3,492	-1.4%	-48

Table 3.1 shows that for a typical customer consuming 200 kilolitres (kL) per year, their annual water charge will decrease by about 1.5 per cent, or \$10.⁵ Table 3.2 shows a percentage decrease of about 1.3 per cent for non-residential customer annual water charges.

⁵ It is important to note that the calculations include the application of daily pricing consistent with historical water use in each quarter. This means that 200 kL per year customers pay for a small amount of water at the tier 2 price in some quarters.

Table 3.2 Change in annual water charges for non-residential customers (\$, current prices)

Annual water consumption (kL)	Annual 2014–15 water charge (\$)	Annual 2015–16 water charge (\$)	Change in water charge (%)	Change in water charge (\$)
1,000	4,863	4,797	-1.3%	-65
2,000	10,153	10,017	-1.3%	-135
5,000	26,023	25,677	-1.3%	-345
10,000	52,473	51,777	-1.3%	-695

3.2 Combined water and sewerage bills

Table 3.3 shows the change from 2014–15 to 2015–16 in the combined water and sewerage services bill for residential customers. A typical customer consuming 200 kL of water per year will see an increase in their combined bill of 0.7 per cent, or \$8.

Table 3.3 Change in annual combined water and sewerage services bill for residential customers (\$, current prices)

Annual water consumption (kL)	Annual 2014–15 combined bill (\$)	Annual 2015–16 combined bill (\$)	Change in combined bill (%)	Change in combined bill (\$)
0	608	624	2.7	16
50	740	754	1.9	14
100	872	884	1.4	12
150	1,004	1,014	1.0	10
200	1,158	1,166	0.7	8
250	1,400	1,405	0.3	5
300	1,665	1,666	0.1	1
350	1,929	1,927	-0.1	-2
400	2,194	2,188	-0.3	-6
500	2,723	2,710	-0.5	-13
750	4,045	4,015	-0.7	-30

Table 3.4 shows the change from 2014–15 to 2015–16 in the combined annual water and sewerage services bill for non-residential customers.

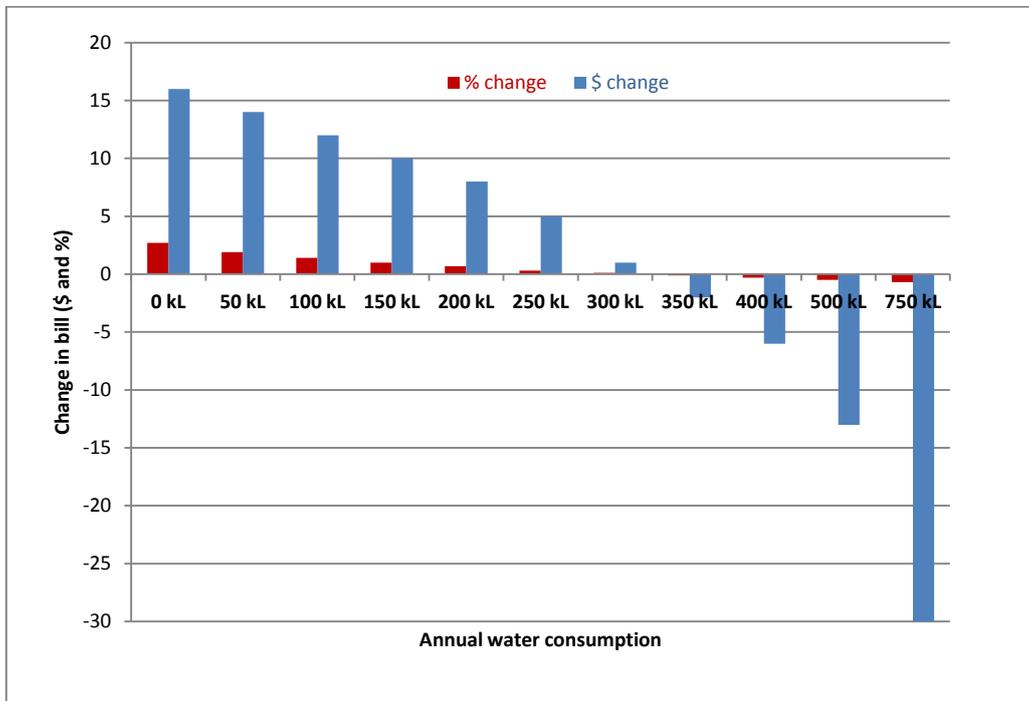
Table 3.4 Change in annual combined water and sewerage services bill for non-residential customers (\$, current prices)

Annual water consumption (kL)	Number of billable fixtures (#)	Annual 2014–15 combined bill (\$)	Annual 2015–16 combined bill (\$)	Change in combined bill (%)	Change in combined bill (\$)
1,000	10	10,311	10,437	1.2	126
	50	30,082	30,903	2.7	821
	100	54,796	56,486	3.1	1,690
2,000	10	15,601	15,657	0.4	56
	50	35,372	36,123	2.1	751
	100	60,086	61,706	2.7	1,620
5,000	10	31,471	31,317	-0.5	-154
	50	51,242	51,783	1.1	541
	100	75,956	77,366	1.9	1,410
10,000	10	57,921	57,417	-0.9	-504
	50	77,692	77,883	0.2	191
	100	102,406	103,466	1.0	1,060

3.3 Distributional impacts

The change in water and sewerage services prices in 2015–16, while relatively minor in magnitude, particularly favours large residential water users. For example, as is illustrated in Figure 3.1, the combined annual water bills of those using more than about 350 kL per year fall. The largest increase in combined bill is experienced by those that use the least water. Small, apartment dwelling households, consuming 50 kL per year, can expect almost three times the proportionate increase in their combined bill relative to the typical household, consuming 200 kL per year.

Figure 3.1 Change in annual combined water and sewerage services bill for residential customers, 2014–15 to 2015-16



Source: Commission's calculations.

Appendix 1 Maximum charge schedule

A1.1 Sewerage services charges

	2013-14	2014-15	2015-16
Sewerage charges			
For the supply of sewerage services to a Class 1 parcel of land	\$492.02	\$505.41	\$523.18
For the supply of sewerage services to:	\$492.02	\$505.41	\$523.18
1. each residential unit contained in a building or buildings erected on a Class 2 parcel of land			
2. common property that is classified as a Class 2 parcel of land			
For the supply of sewerage services to each residential unit contained in a building erected on a Class 3 parcel of land which is, on the first day of a financial year, held under a weekly or fortnightly tenancy from the Territory	\$492.02	\$505.41	\$523.18
For the supply of sewerage services to a Class 4 parcel of land	\$492.02	\$505.41	\$523.18
together with,			
for each flushing cistern or flush valve situated on the parcel of land in excess of two flushing cisterns or flush valves	\$240.59	\$247.14	\$255.83
For the supply of sewerage services to a Class 5 parcel of land	\$492.02	\$505.41	\$523.18
together with,			
for each flushing cistern or flush valve situated on the parcel of land in excess of two flushing cisterns or flush valves	\$481.18	\$494.28	\$511.66
Unconnected charge	\$492.02	\$505.41	\$523.18
Where sewerage services are available but not connected to a parcel of land			

A1.2 Water charges

3	Water charges			
	references to supply include “or availability of supply”			
3.1	Where water services are provided to any class of chargeable land in a meter reading period that ends after 30 June, the supply charge will be at the rate applicable at the time the meter is read. Consumption on and from 1 July 2014 will be charged at the 2014-15 rates. Consumption prior to 1 July 2014 will be charged at the 2013-14 rates.			
3.2	Standard			
	The standard charge shall be:			
	a supply charge to each parcel of land	\$100.00	\$102.56	\$101.14
	and for the first 0.548 kilolitres supplied on average per day of the billing period	\$2.55	\$2.64	\$2.60
	plus, for all water supplied in excess of 0.548 kilolitres on average per day of the billing period	\$5.10	\$5.29	\$5.22
	or in a case of water supplied to a school or church or ecclesiastical establishment, for all water supplied in excess of 0.548 kilolitres on average per day of the billing period	\$2.55	\$2.64	\$2.60
3.3	Multiple domestic			
	The multiple domestic charge shall be:			
	a supply charge to each residential unit	\$100.00	\$102.56	\$101.14
	Plus, in respect of each residential unit:			
	for the first 0.548 kilolitres of water supplied on average per day of the billing period	\$2.55	\$2.64	\$2.60
	and for all water supplied in excess of 0.548 kilolitres on average per day of the billing period	\$5.10	\$5.29	\$5.22
3.4	Units and common property			
	The units and common property charge shall be:			
	a supply charge to each unit	\$100.00	\$102.56	\$101.14
	Plus, for each unit and the common property			
	for the first 0.548 kilolitres of water supplied on average per day of the billing period	\$2.55	\$2.64	\$2.60
	and for all water supplied in excess of 0.548 kilolitres on average per day of the billing period	\$5.10	\$5.29	\$5.22
3.5	Unmetered charge			
	The unmetered charge for each parcel of land shall be	\$546.25	\$565.36	\$557.53
3.6	Unconnected charge			
	The unconnected charge for each parcel of land shall be	\$100.00	\$102.56	\$101.14
3.7	The charge for the sale of water from an ACTEW Corporation main other than through a meter or to a parcel of land shall be	\$5.10	\$5.29	\$5.22
3.8	Supply of water through a metered hydrant standpipe	\$5.10	\$5.29	\$5.22

A1.3 Miscellaneous fees and charges

Miscellaneous Fees and Charges		2013-14	2014-15	2015-16
5	Fees			
5.1	Fee for a special reading of a water meter	\$37.00	\$38.00	\$39.00
5.2	Fee for testing a standard 20 mm water meter.	\$247.00	\$253.00	\$258.00
	Notes:			
	1. Testing fees for meters larger than 20mm are by individual quote.			
	2. Meter testing fees are refundable where a test shows a meter to be defective as defined in the Water Metering Code.			
5.3	Fee payable upon request for a certificate showing the amount of charges payable in respect of a quantity of water or of a parcel of land	\$33.00	\$34.00	\$35.00
5.4	Attendance (debt collection or disconnection/restriction):			
	first visit in a twelve-month period (in office hours)	\$59.00	\$61.00	\$62.00
	within a year of a previous visit (in office hours)	\$81.00	\$83.00	\$85.00
5.5	Reconnection fee (following disconnection/restriction for non payment)	\$56.00	\$57.00	\$58.00
6	Work as executed drawings			
6.1	Work as executed drawings resubmission fee (for the third and any subsequent submission of drawings that have already been rejected twice as incorrect or not compliant with standards)	\$590.00	\$605.00	\$618.00
6.2	Work as executed drawings non-compliance fee (for drawings that are submitted and do not comply with ActewAGL electronic file standards)	\$295.00	\$303.00	\$309.00
		2013-14	2014-15	2015-16
7	Charges			
7.1	Dishonoured cheque and credit card reversal (admin charge). The greater of (per cheque or reversal)	\$14.55	\$15.00	\$15.00
		\$33.64	\$35.00	\$36.00
7.2	Direct debit reject (per reject)	\$8.18	\$8.00	\$8.00

		2013-14	2014-15	2015-16	
Water main connections					
8	Tapping into water main				
8.1	100mm diameter main	20mm main cock	\$709.00	\$727.00	\$742.00
		25mm main cock	\$807.00	\$828.00	\$845.00
		32mm main cock	\$850.00	\$872.00	\$890.00
		40mm main cock	\$867.00	\$889.00	\$908.00
		50mm main cock	\$908.00	\$931.00	\$950.00
8.2	150mm diameter main	20mm main cock	\$724.00	\$743.00	\$759.00
		25mm main cock	\$826.00	\$847.00	\$865.00
		32mm main cock	\$877.00	\$899.00	\$918.00
		40mm main cock	\$897.00	\$920.00	\$939.00
		50mm main cock	\$930.00	\$954.00	\$974.00
8.3	225mm diameter main	20mm main cock	\$784.00	\$804.00	\$821.00
		25mm main cock	\$838.00	\$859.00	\$877.00
		32mm main cock	\$883.00	\$906.00	\$925.00
		40mm main cock	\$897.00	\$920.00	\$939.00
		50mm main cock	\$944.00	\$968.00	\$988.00
8.4	300mm diameter main	20mm main cock	\$848.00	\$870.00	\$888.00
		25mm main cock	\$861.00	\$883.00	\$901.00
		32mm main cock	\$908.00	\$931.00	\$950.00
		40mm main cock	\$925.00	\$949.00	\$969.00
		50mm main cock	\$961.00	\$986.00	\$1,007.00
	Note: These prices do not include excavation works which are commonly carried out by the project contractor (or by ActewAGL at a negotiated price)				
9	Temporary Water Connection				
	The price for a temporary water connection will include connection, disconnection and surveillance costs. (Excavation works may be included by request)				
10	Installation of fire hydrant				
10.1	Where insertion of hydrant tee is required ("standard" main depth)				
	100mm diameter tee		\$2,418.00	\$2,480.00	\$2,532.00
	150mm diameter tee		\$2,593.00	\$2,659.00	\$2,714.00
	225mm diameter tee		\$2,947.00	\$3,022.00	\$3,085.00
	300mm diameter tee		\$3,702.00	\$3,797.00	\$3,876.00
10.2	Note 1: Where the main exceeds the "standard" depth, additional risers are to be supplied by the contractor Note 2: Hydrant covers and indicators etc, are to be supplied and fixed by the contractor				
10.3	Installation of a hydrant from an existing tee connection		\$1,392.00	\$1,428.00	\$1,458.00
11	Raise or lower hydrant		\$1,225.00	\$1,256.00	\$1,282.00
12	Remove hydrant / endcap and connect main				
		100mm main	\$1,413.00	\$1,449.00	\$1,479.00
		150mm main	\$1,804.00	\$1,850.00	\$1,889.00
		225mm main	\$2,536.00	\$2,601.00	\$2,655.00
		300mm main	\$3,183.00	\$3,264.00	\$3,332.00
13	Cut in stop valve				
		100mm main	\$1,863.00	\$1,911.00	\$1,951.00
		150mm main	\$1,945.00	\$1,995.00	\$2,037.00
		225mm main	\$2,914.00	\$2,989.00	\$3,051.00
		300mm main	by quote	by quote	by quote
14	Supply and fix stop valve locking cover				
	This charge includes the installation and removal at a later date		\$602.00	\$617.00	\$630.00
15	Disconnection of water service				
15.1	Service 20mm to 32mm diameter (cap main cock)		\$638.00	\$654.00	\$668.00
15.2	Service 32mm to 150mm diameter (cap main cock/flanged tee)		\$838.00	\$859.00	\$877.00
16	Relocation of 20mm and 25mm stop cock and meter				
16.1	Where no additional excavation or shutdown is required		\$660.00	\$677.00	\$691.00
16.2	Where additional excavation is required		\$930.00	\$954.00	\$974.00
16.3	Where shutdown of main is required		\$1,581.00	\$1,621.00	\$1,655.00

Abbreviations and acronyms

Commission	Independent Competition and Regulatory Commission
CPI	Consumer price index
ICRC	Independent Competition and Regulatory Commission
ICRC Act	<i>Independent Competition and Regulatory Commission Act 1997 (ACT)</i>
kL	kilolitre
UNFT	Utilities Network Facilities Tax
WAC	Water abstraction charge

References

ICRC (2015) *Statement on Commission-initiated pass-through events*. Independent Competition and Regulatory Commission, Canberra. May 2015.

Industry Panel (2015) *Substituted Price Direction: Regulated water and sewerage services 1 July 2013 to 30 June 2018 2013*, Industry Panel, Canberra. April 2015.