



ICRC

independent competition and regulatory commission

MEDIA RELEASE

COMMISSION RELEASES TARIFF REVIEW DRAFT REPORT

The ACT Independent Competition and Regulatory Commission (the Commission) today released its draft report into the structure of Icon Water's water and sewerage services tariffs in the ACT.

This draft report is about the structure of the prices. Any findings from this review will not lead to any increase or decrease in the average prices paid by ACT residents overall. The review of the revenue that Icon Water is allowed to recover and any changes to the overall price levels is expected to commence next year and will come into effect on 1 July 2018.

Water

The current water tariff structure comprises an annual supply charge and a two-tiered usage charge. The first tier charge is \$2.61 per kL for the first 200 kL and \$5.24 per kL for consumption above that level.

This structure of prices was introduced during the Millennium Drought and was designed to discourage water usage.

The supply situation in the ACT today is quite different. Expansion in capacity, primarily to the Cotter Dam, and the breaking of the drought, means that the ACT is now much more water secure. Modelling water consumption and inflows, adjusted for the impact of climate change, indicates that further augmentation to capacity is not likely to be needed for at least another 30 or 40 years.

An effective tariff structure should allow for the recovery of the efficient cost of providing water services. It should also provide incentives to use water efficiently depending on the supply conditions of the time.

The draft report finds that given the current water supply conditions in the ACT, the existing water tariff structure can be improved. Given current conditions, an efficient price structure would have a single usage charge based on the operational cost of providing the water and would include the value of the water. The remainder of the costs would be recovered from the supply charge.

The draft report suggests that there should be a rebalancing between the supply charge and the usage charge. Such a change would see a relative increase in bills for low water users and a decrease for higher users compared to their existing bills. The draft report therefore suggests that such a change should be phased in over a ten-year period.

The nature of the rebalancing would change if we move into a period of drought or water scarcity. In this situation, the usage charge would need to increase relative to the supply charge. This could also occur into the future if the capacity of the water system becomes tighter.

Sewerage services

Icon Water's current sewerage services tariff structure comprises an annual supply charge for residential premises, and the same supply charge plus an annual charge per flushing fixture (in excess of two) for non-residential premises.

The draft report indicates that, in the absence of a reliable measure of discharge volumes, it is unlikely that any potential economic efficiency benefits of introducing a sewage usage charge will outweigh the costs. The draft report therefore concludes that the current tariff structure should be retained.

The Commission is seeking submissions from stakeholders on the draft report. The closing date for submissions is **30 November 2016**.

BACKGROUND

The review of Icon Water's water and sewerage services tariff structures commenced with the publication of an issues paper in November 2015. This was followed by a technical paper on the elasticity of demand for water in the ACT released in February 2016. A technical paper on marginal cost pricing in the ACT was then published in June 2016.

The purpose of the tariff review is to determine whether the current water and sewerage services tariff structure will continue to deliver the best outcome for the ACT community, or whether changes are required.

The draft report, and all other review papers, are available on the Commission's website at www.icrc.act.gov.au or can be obtained by either contacting the Commission on (02) 6205 0799 or via email at icrc@act.gov.au.

Submissions on the draft report can be sent to the Commission by post at GPO Box 161, Civic Square ACT 2608; via e-mail at icrc@act.gov.au, or lodged at the Commission's offices at Level 8, 221 London Circuit, Canberra City.

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To contact the Commission, please visit www.icrc.act.gov.au

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