



# Icon Water response to ICRC draft report

21 November 2022

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Icon-Water

# Agenda

1. Icon Water's regulatory proposal  
*Ray Hezkial, Icon Water Managing Director*
2. Icon Water's response to ICRC draft decision  
*Cath Pennington, Price Review Manager*

2023–28  
WATER AND WASTEWATER  
**PRICE PROPOSAL  
OVERVIEW**

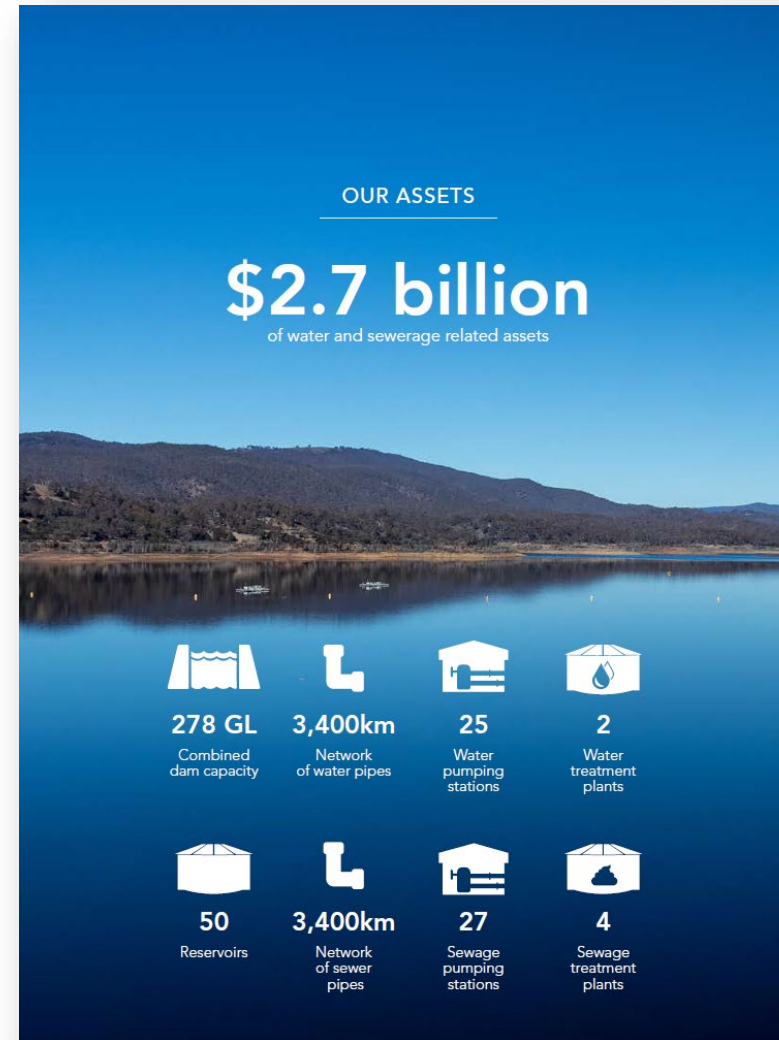


# About Icon Water

We provide water and wastewater services to Canberra (population: 450,000+)



Source: Icon Water Annual Report 2021-22



Source: Icon Water Annual Report 2021-22

# Our proposal

## Our five-year plan for water and wastewater in the ACT

Our operating environment is being shaped by:

Ageing infrastructure

Government policy

Climate change

Growing population



Economic conditions

Our **priorities** for the next five years include:

- To **renew and upgrade major assets**
- To **continue water security** activities, including planning for Canberra's next water source
- To **strengthen our resilience** to climate change and other risks
- To deliver the **levels of service** customers told us they value
- To maintain an **ongoing dialogue** with our customers

# Customer centric approach

Our vision – *to be a valued partner in our community* – can be best achieved when we understand and respond to our community’s values and expectations



The community agrees with the need to continue to **plan for the future**, this includes investing in water security and exploring alternative water sources.



There is community support for achieving **greater environmental sustainability** and accelerating net zero while limiting impact on customer prices.



The community is committed to Icon Water **maintaining** quality and reliable **core services** and is willing to pay something towards reducing interruptions or issues for those who experience them more than usual.



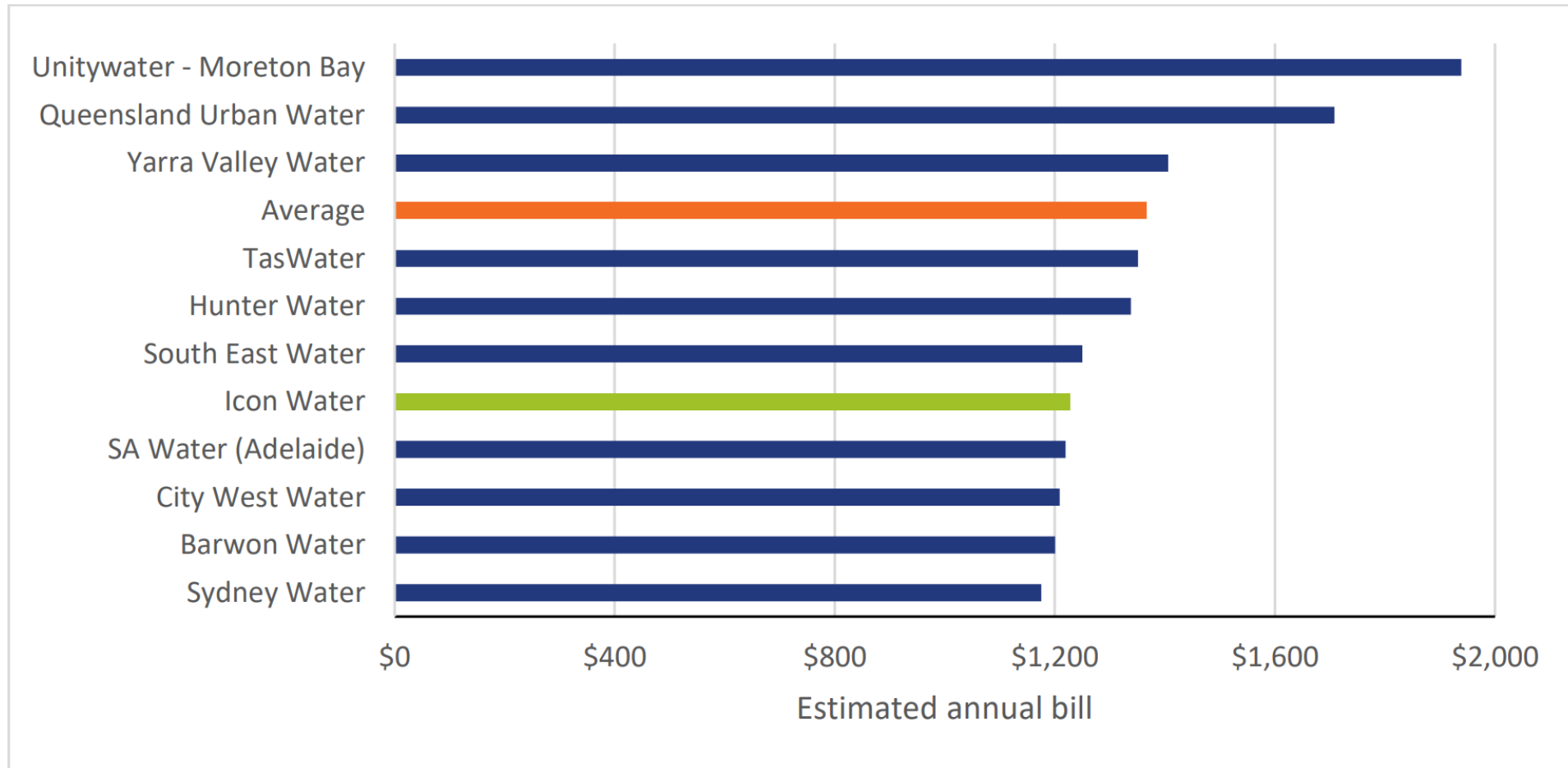
**Affordability** should underpin any investment decision. If we need to invest to avoid causing issues in the future, we will consider support for **vulnerable customers** and other impacted customer segments.



The community considers Icon Water an essential service provider. To be a **valued partner** in the community customers want us to **be more visible** – this means being targeted in our partnering initiatives, education and supporting activities, and openly talking about it with the community.

# Icon Water's response to ICRC draft decision

Icon Water bills are below average (per ICRC draft decision)



Source: ICRC | Draft Report: Regulated water and sewerage services 2023-28 pg. 136

# We agree with aspects of the draft decision

This includes (but is not limited to):

- Expenditure review of **top 10 capital investment projects** (with minor exceptions)
- 2018–23 **reset principles**
  - Weighted Average Cost of Capital (WACC)
  - Demand forecast
  - Incentive mechanisms
- Future **reset principles**
- Consistent treatment of **government fees and charges**

# Aspects of the draft decision cause us concern

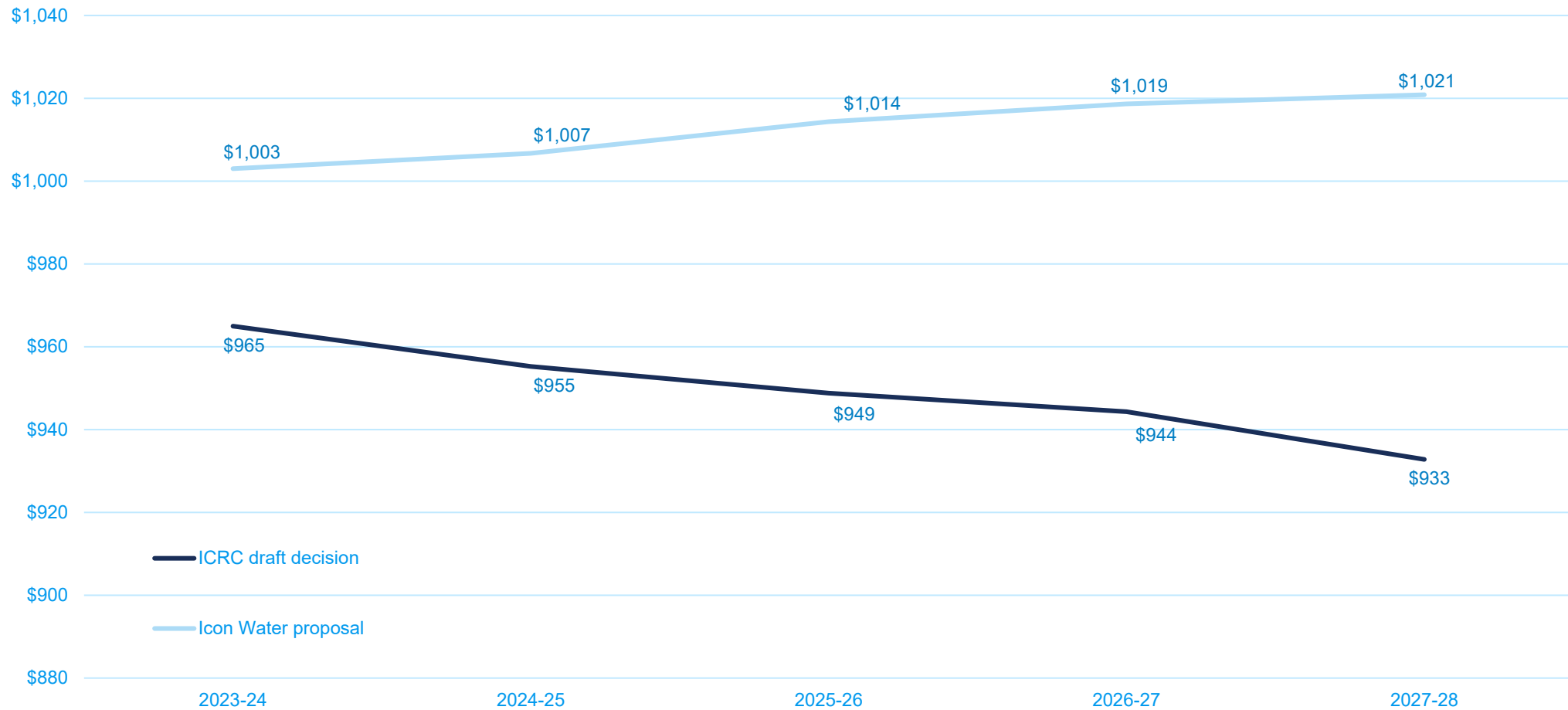
This includes (but is not limited to):

- **#1.** Operating expenditure and efficiency
- **#2.** Forecast insurance costs
- **#3.** Reprofiting of our capital investment plan



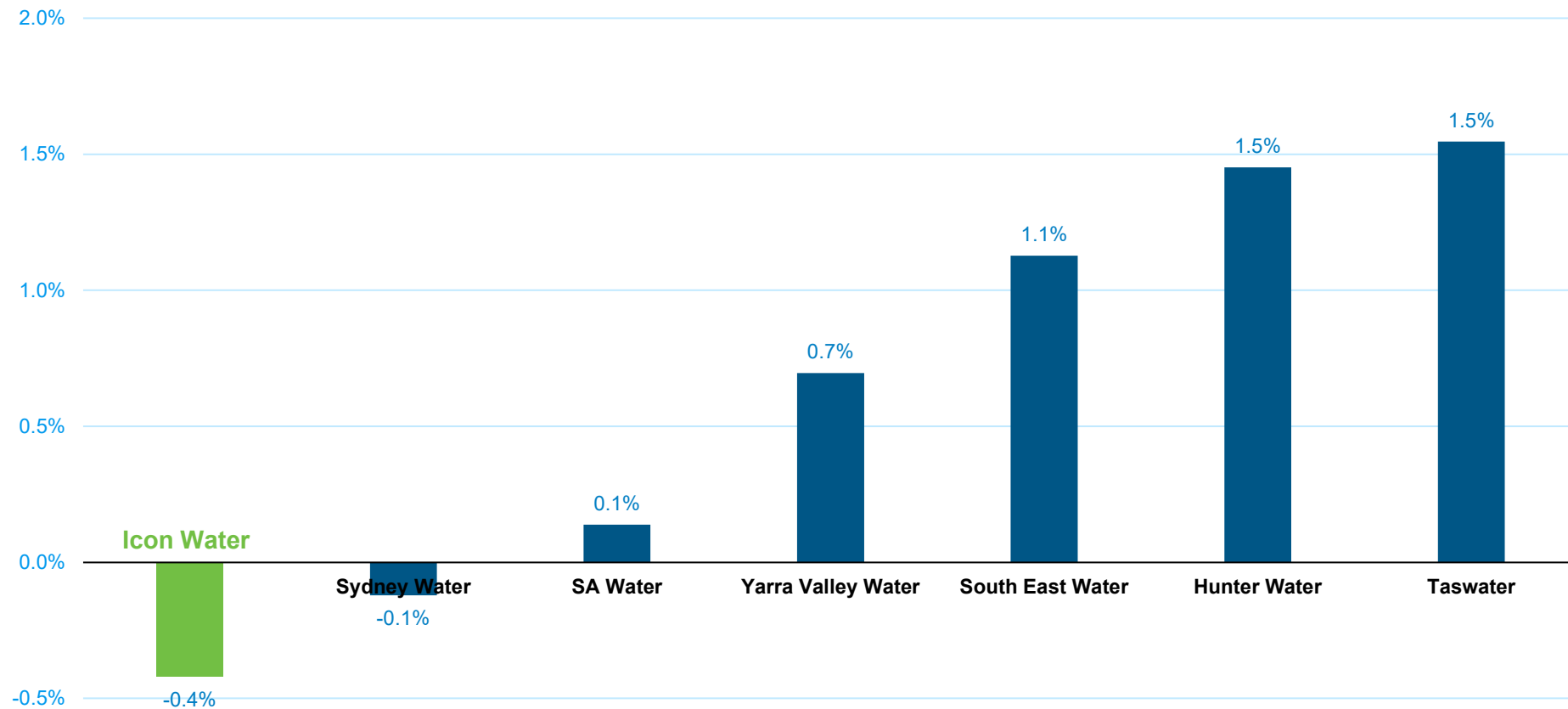
# Issue #1. Operating expenditure and efficiency

Our proposal reflected only a small increase in 'operating expenditure per customer'



# Issue #1. Operating expenditure and efficiency (cont.)

This decision is out of step with other regulatory decisions – 'real change in operating expenditure over two regulatory periods'



Source: Icon Water analysis

Notes: Yarra Valley Water (YVW) and South East Water's (SEW) second period operating costs based on proposals and not regulatory decisions. For YVW, SEW and Icon Water, the analysis uses change in controllable opex only.

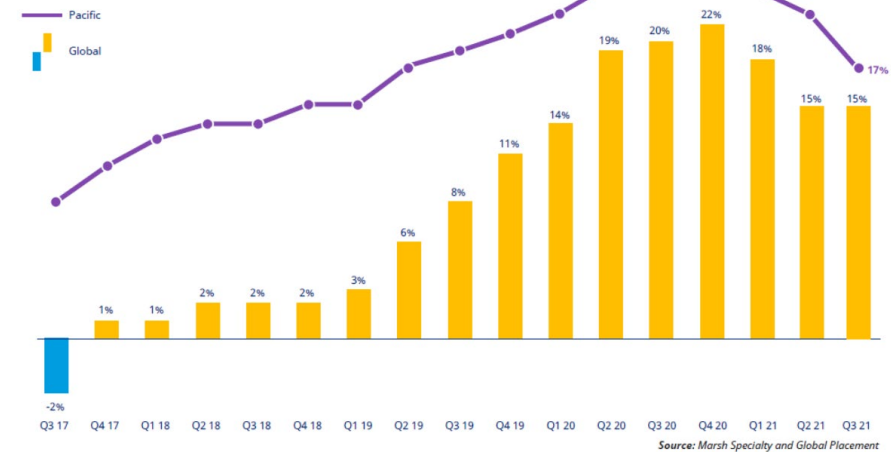
# Issue #2. Forecast insurance costs

All available evidence suggests insurance premium costs will continue to increase

## Drivers of insurance costs

- Climate change
- Major loss events
- Size of premiums pool
- Global market factors
- Cyber security threats
- General inflation
- Low returns to investors

12| Pacific composite insurance pricing change

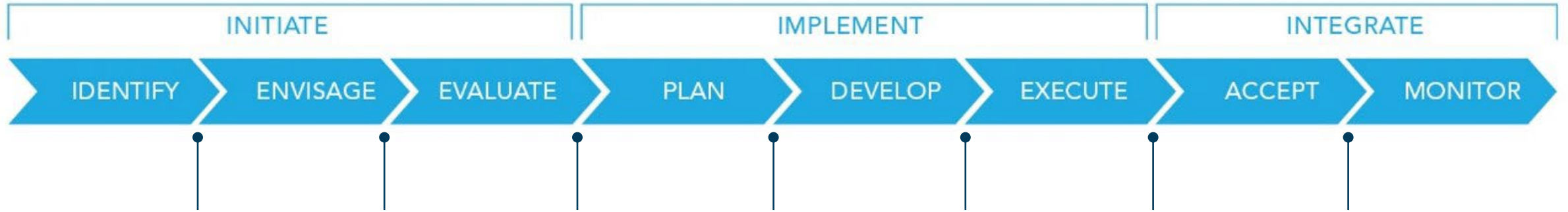


Other regulators have **approved** higher insurance costs for:

- ElectraNet
- Powercor

# Issue #3. Reprofileing of our capital investment plan

Our investment planning and delivery approach aims to balance prudence and efficiency



The lifecycle consists of three main phases (initiate, implement and integrate) and eight stages.

The progression of investments through the stages is controlled by 'stage gates'.

Each type of investment will flow through the lifecycle in a gated process that is appropriate for the size, complexity and risk profile of the project.

# Our submission to the draft ICRC decision

Will reflect changes outside of our control:

## New regulatory obligations

- Amendments to the *Security of Critical Infrastructure Act 2018* were passed in **April 2022**
- This will require investment to **mitigate 'material risks'** that relate to our cyber security, supply chain, natural hazards and physical security

## Changes to accounting treatment

- ICT services delivered 'on premises' have historically been **capitalised** (capital expenditure)
- Several of our ICT vendors are moving to subscription 'cloud-based' models
- Guidance by International Finance Reporting Standards (IFRS) clarifies that costs associated with subscription should be **expensed** (operating expenditure)

## Global increases to insurance costs

- Insurance premiums are expected to increase substantially over the next five years
- This is being driven by global markets – including insurers exiting markets, natural catastrophe events associated with climate change, cyber extortion and the COVID-19 pandemic

# Our submission to the draft ICRC decision (cont.)

Will provide updated information:

- To support higher **operating costs** for electricity, insurance, cyber security and to meet other regulatory obligations
- Additional analysis to **demonstrate efficiency**
- To update our **capital investment plan** to reflect updated information and respond to feedback from the ICRC

# Cost-of-living pressures are impacting the ACT community

We continue to provide a range of support options for customers

Our **support options** include:

- flexible payment plans
- payments extensions
- personalised case management through the Staying Connected program which has been recently expanded to include small business customers.

These support mechanisms can be **accessed in several ways**:

- Request a payment extension through our online self-service portal
- Talk to us directly by calling 6248 3111 and selecting option 2
- Send an email to [talktous@iconwater.com.au](mailto:talktous@iconwater.com.au)
- Visit our website to contact our Staying Connected team to discuss how we can assist.

Our website also provides information on how to contact us via language assist services if you are deaf or have a hearing or speech impairment



Thank you

[iconwater.com.au](http://iconwater.com.au)

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