



## Comments on ICRC Draft report Regulated water and sewerage services prices 2018–23

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Independent Competition and Regulatory Commission  
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The Conservation Council ACT region is the peak non-government environment organisation for the Canberra Region. We have been the community's voice for the environment in the Canberra region since 1979.

Our mission is to influence government, business and community through effective public policy and engagement to protect nature.

We represent more than 45 member groups who in turn represent over 15,000 supporters. We harness the collective expertise and experience of our member groups and networks. We work collaboratively with Government, business and the community to achieve the highest quality environment for Canberra and its region.

The Conservation Council is active in a number of campaign areas. Our current focus includes:

- **Biodiversity Conservation** – protecting our unique ecological communities and the Bush Capital
- **Climate Change** – a regional, national and global challenge
- **Planning** – the right things in the right places
- **Transport** – connecting people and places
- **Waste** – being efficient through closed-loop systems
- **Water** – smart use of a scarce resource
- **Governance** – for a Smarter, Sustainable Canberra

If you have any queries regarding this submission please contact: Larry O'Loughlin Executive Director on 6229 3202 or [director@conservationcouncil.org.au](mailto:director@conservationcouncil.org.au).

### Overview

The Conservation Council welcomes the opportunity to comment on the Independent Competition and Regulatory Commission (ICRC) *Draft report Regulated water and sewerage services prices 2018–23* Report 11 of 2017 ("Draft report"), December 2017.

Water is a key focus area of the Conservation Council and water pricing is a fundamental indicator of water policy.

As the Conservation Council noted in [A 2016 ACT Election Agenda – Our future, our environment](#) (p15):

“Water is a fundamental environmental resource that shapes landscapes and nourishes flora and fauna. Water supply is critical for the human population, as well as the environment in which we live. Climate predictions have shown that we can expect more severe droughts, as well as greater floods, and both have major impacts on our environment and way of life.

“In an urban society with steadily predicted population increase we need to be prepared for progressive water scarcity, and policies are needed to conserve and effectively use the water available.”

Given this environmental context the Conservation Council takes the view that water policy and pricing should seek to support minimisation of raw water consumption and this should be an environmental objective under the ICRC's *Pricing principle 3: Environmental considerations* “Tariff structures, prices and complementary mechanisms should ensure that environmental objectives are effectively accommodated.”

<p><b><i>Recommendation 1.</i></b> <b><i>Minimisation of raw water consumption should be an environmental objective under the ICRC's Pricing principle 3: Environmental considerations</i></b></p>
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## **ICRC's draft decision on water and sewerage services tariffs 2018–23**

The Conservation broadly supports the ICRC draft decision on water namely to:

- Retain the existing water tariff structure with a fixed supply charge and a two-tier inclining block usage charge for the forward regulatory period
- Decrease the Tier 1 usage price from \$2.68 to \$2.55 per kL and then adjust it for changes in the Consumer Price Index (CPI) and any pass-through amounts approved as part of the annual price reset mechanism during the forward regulatory period
- Decrease the current Tier 2 usage price of \$5.38 to \$4.95 per kL in 2018–19 and then adjust it for changes in the CPI and any pass-through amounts approved as part of the annual price reset mechanism

The Conservation Council has concerns regarding the decision to:

- Increase the fixed supply charge in a gradual manner, by \$20 a year to \$200 by 2022–23.

While we note that: “The increased fixed charge and decreased variable charge better reflect the utility’s underlying cost structure” (Draft report, p xxxiv) this does not always reflect the ability of consumers to pay and that it is a utility responsibility “to show a sense of social responsibility by having regard to the interests of the community in which it operates, and by trying to accommodate or encourage those interests” ([Territory-owned Corporations Act 1990](#), Part 2: 7 (1) (c)).

However, the same Act also requires that Territory-owned corporations meet the objective “to operate in accordance with the object of ecologically sustainable development.” ([Territory-owned Corporations Act 1990](#), Part 2: 7 (1) (d))

On this point we note that the Draft Report comment “One of the main problems with the current water tariff structure is the high reliance on the usage component relative to the fixed supply component” (Draft Report, p23). Therefore increasing the fixed charge will reduce the utility’s need for usage to maintain its viability. This goes towards meeting the objective of minimising raw water consumption.

***Recommendation 2.***  
***That the ICRC’s draft decision on water and sewerage services tariffs 2018–23 be supported***

At the same time we also note that the ICRC is suggesting that there might be consideration of a higher fixed charge to take account of the services provided to different consumers: “the Commission therefore considers that a differential fixed supply charge entailing a higher fixed charge for non-residential consumers relative to residential consumers could be considered” (Draft Report p24).

This would seem to be a useful measure in order to better reflect utility costs and to better and more equitably share the costs of the network.

***Recommendation 3.***  
***Give further consideration to introduction of a differential fixed supply charge entailing a higher fixed charge for non-residential consumers relative to residential consumers***

We note that Icon Water's proposal to have discounted pricing for bulk users is not in the Draft Report. However we believe such discounts should not be offered as they would encourage heavy water use at cheaper rates and would be in contradiction to minimising raw water consumption.

***Recommendation 4.***  
***That discounted pricing not be offered for bulk users.***