



ICRC

independent competition and regulatory commission

Media Release

COMMISSION PUBLISHES ICON WATER'S BIENNIAL REVIEW INFORMATION RETURN

Today, the Commission placed the information return submitted by Icon Water on our website. This return was provided by Icon Water on 1 December 2014 in response to our request of 30 October 2014.

The receipt of this information completes the first stage of the biennial review process required under the price direction for water and sewerage services issued by the Commission on 26 June 2013.

This price direction remains in effect until either it is replaced by a new price direction issued by the Industry Panel or it is suspended by the Industry Panel. The Industry Panel can only suspend the Commission's price direction if it receives an application for it to do so from one of the parties to the Industry Panel Review that is currently underway.

The second stage of the biennial review process requires the Commission to examine the material provided by Icon Water and undertake any other investigation required in order for us to issue a draft determination for water and sewerage services prices to apply in 2015-16.

In addition to the material from Icon Water, we will also be considering how our price direction has operated since it came into effect on 1 July 2013. For example, Icon Water made a profit before tax of \$116m in 2013-14. We estimate that about \$51m of this is attributable to its water and sewerage services business. Stripping out the \$11m contributed by gifted assets* leaves about \$40m generated from the operations of the water and sewerage services business.

Measured either with or without gifted assets, this is the largest profit made by the water and sewerage services business of Icon Water or its predecessor, ACTEW Corporation, at least since the formation of ActewAGL in 2001.

Senior Commission Malcolm Gray said that, "Although we have only just begun our analysis of all this data, it is apparent that the major contributor to this unprecedented performance was the high demand for water in what was a warmer and drier year overall than we have experienced since the ending of water restrictions in 2010."

"The price direction we brought down in June 2013 was designed to ensure that Icon Water made a respectable profit even in a relatively cool and wet year and we expected that profit would be higher if the weather proved warmer and dryer. It is satisfying to see our price direction producing the intended outcomes. It certainly refutes the doomsayers who were critical of our determination, alleging it would endanger the financial stability of Icon Water."

"Our task now is to see what we have learned from the experience since 1 July 2013, in particular we will look at whether developments, including those underpinning the profits recorded by Icon Water, can allow us to moderate any further increases in water prices. Our approach is very different from that taken by the Industry Panel in its recent draft report and we will have more to say about that in the New Year when we have fully considered the implications of these different approaches."

If the Commission's price direction is still in effect, we will release a draft report that sets out its proposed maximum prices for 2015–16 by 1 April 2015. At that time submissions from the public will be sought on any relevant aspect of the biennial review.

8 December 2014

*When developers install water and sewerage facilities such as pipe work in new suburbs, the facilities are turned over to Icon Water when the development is finished. Icon Water then operates and maintains these new facilities. The value of such facilities is entered as income in the accounts of Icon Water under the heading "gifted assets".

ENDS

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