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Mr Joe Dimasi
Senior Commissioner
Independent Competition and Regulatory Commission
PO Box 161
Civic Square 2608 ACT

Via email: icrc@act.gov.au

Dear Senior Commissioner Dimasi

Submission: Issues Paper – Regulated water and sewerage services prices 2023-28

The ACT Council of Social Service (ACTCOSS) welcomes the opportunity to comment on the Independent Competition and Regulatory Commission's (ICRC's) [issues paper on regulated water and sewerage services prices 2023-28](#) (the Issues Paper).

The Issues Paper sets out the ICRC's approach to investigating, and determining a price direction for, regulated water and sewerage services provided by Icon Water in the ACT for the period from 2023-28. This submission responds to the questions raised in the Issues Paper across two broad themes:

- Balancing economic, social and environmental objectives
- Setting prices and structuring pricing.

About ACTCOSS

ACTCOSS advocates for social justice in the ACT and represents not-for-profit community organisations. As essential services, it is critical that water and sewerage services are affordable, safe, reliable, secure, and sustainable for everyone in our community now and into the future.

Between July 2021 and February 2022, ACTCOSS participated in Icon Water's Customer Advocacy Forum and its Deliberative Forum which were established to inform the development of their draft 2023-28 price proposal which is due to be submitted in July 2022. ACTCOSS is also a long-standing member of the ICRC's Customer Consultative Committee which has also recently discussed this price investigation.

Balancing economic, social and environmental objectives

The first three questions asked in the Issues Paper relate to balancing economic, social and environmental objectives in the price investigation and determination:

1. How do we balance the trade-offs between affordability and price stability on one side, and Icon Water's ability to raise enough revenue to maintain service standards, protect water security and manage the impacts of climate change on the other?
2. Are there other issues relating to the price and quality of water and sewerage services supplied by Icon Water that we should consider during the price investigation?
3. We welcome any comments on the pricing principles that we intend to use in addressing and balancing economic, social and environmental objectives.

The Issues Paper notes that, in undertaking pricing investigations, the ICRC balances:

economic, social and environmental considerations, as required by the objectives set out in our enabling legislation. This involves a trade-off between keeping bills affordable and creating a sustainable future for the water network.

Further, the ICRC:

will continue to ensure that regulated prices for water and sewerage services reflect only efficient and prudent costs needed to provide services into the future.

Sections 7 and 19L of the *Independent Competition and Regulatory Commission Act 1997* set out the ICRC's objectives as follows:

Section 7:

- a) to promote effective competition in the interests of consumers;
- b) to facilitate an appropriate balance between efficiency and environmental and social considerations;
- c) to ensure non-discriminatory access to monopoly and near-monopoly infrastructure.

Section 19L:

To promote the efficient investment in, and efficient operation and use of regulated services for the long-term interests of consumers in relation to the price, quality, safety, reliability and security of the service.

The table below sets out the pricing principles established by the ICRC to clarify how it intends to take account of these regulatory objectives in its decision making.

ICRC's regulatory objectives and pricing principles for water and sewerage tariffs

Objective	
Overarching interpretation	<p>To promote efficient investment in, and efficient operation and use of, regulated services for the long-term interests of consumers in relation to the price, quality, safety, reliability and security of the service.</p> <p>The various aspects of economic efficiency are given emphasis but with the ultimate objective being the long-term interests of consumers. 'Economic efficiency' when properly defined encompasses environmental objectives. Consumer interests must take account of equity and other social impacts, as required by the ICRC Act.</p> <p>Economic efficiency considerations related to pricing are a starting point but need to be balanced with environmental and social considerations.</p>
Pricing Principle	
1. Economic efficiency in use	<p>Regulated prices should promote the economically efficient use of Icon Water's water and sewerage services infrastructure and should also encourage economically efficient use of the water resource itself.</p> <p>This includes having regard to uneconomic bypass where water supply is sourced from a higher cost alternative.</p>
2. Economic efficiency for investment and operation	<p>Regulated prices and supporting regulatory arrangements should facilitate the efficient recovery of the prudent and efficient costs of investment and operation.</p> <p>The finance recovery aspect of this principle is often described as ensuring revenue adequacy or financial viability. Costs also need to be efficient, which is primarily dealt with by auditing and incentive-sharing mechanisms.</p>
3. Environmental considerations	<p>Regulated prices and complementary mechanisms should ensure that environmental objectives are effectively accounted for.</p>
4. Community impact – gradual adjustment	<p>Any change to prices or other regulatory arrangements that will have substantial consumer impacts should be phased in over a transition period to allow reasonable time for consumers to adjust to the change.</p>
5. Community impact – fair outcomes for low-income households	<p>Adverse impacts on households with low incomes need to be limited or moderated by phasing and other compensating mechanisms or limits on changes to regulated prices or other regulatory arrangements.</p>
6. Regulatory governance – simplicity	<p>Regulated prices and their form should be simple for consumers to understand and straightforward for the utility to implement.</p>
7. Regulatory governance – transparency	<p>Regulated prices should be set using a transparent methodology and be subject to public consultation and scrutiny.</p>

ACTCOSS supports the ICRC's pricing principles, especially the principles relating to community impact in terms of both price stability and equitable outcomes for low-income households. In investigating and determining Icon Water's water and sewerage services prices ACTCOSS recommends that the ICRC include an assessment of the distributional impact of pricing across household income quintiles and/or household types. It is important to ensure that pricing is informed by an understanding of the impact on affordability for low-income households with different levels of water usage.

In investigating the affordability of water and sewerage services prices, it would be useful to examine the levels of debt and/or hardship among Icon Water customers. It would also be useful to analyse the impact of the Utilities Concession in addressing affordability for low-income households. The Utilities Concession is intended to support low-income households to access affordable electricity, gas, and water and sewerage services. The Utilities Concession is applied to households' electricity accounts which ensures that rental households that do not receive Icon Water bills directly also have access to a concession covering water and sewerage services. However, as it is applied to the electricity account the relationship between the Utilities Concession and the affordability of water and sewerage services for low-income households is not clear.

The 2023-28 price review provides an opportunity for the ICRC and/or Icon Water to assess the adequacy, targeting, and design of the Utilities Concession to ensure it achieves the aim of making water and sewerage services affordable for all. While beyond the ICRC's remit, ACTCOSS recommends that ACT Government extend the Utilities Hardship Fund to include Icon Water. The Utilities Hardship Fund currently uses co-contributions from ACT Government and four energy retailers operating in the ACT to provide customers experiencing hardship or payment difficulty with access to up to two \$100 rebates per year.

Equity considerations need to extend beyond price stability and affordability to also ensure equitable access to quality, safe, reliable, secure, and sustainable services. The ICRC's price investigation should also take into consideration whether investments in water and sewerage services that may add costs across the consumer base would also help ensure all consumers are guaranteed the same or similar level of service. An example of an appropriate investment would be to improve service quality and reliability in a suburb or neighbourhood that currently experiences a much higher rate of outages than other areas of the ACT.

As the peak body for not-for-profit community organisations in the ACT, we recommend that the ICRC also consider the distributional impact of pricing across businesses and community organisations. Not-for-profit community organisations often have very constrained operating budgets that limit their ability to manage high prices and/or sudden price increases. Usage levels may also vary significantly between organisations depending on the services they provide. For example, organisations providing accommodation for a large number of clients (e.g., aged care

or specialist homelessness services) may face significantly higher water and sewerage services bills. Targeted concessions should be considered for such organisations.

ACTCOSS also supports equity measures by ACT Government and/or Icon Water that assist low-income households and not-for-profit organisations to identify ways they can reduce their water bills and afford water-saving devices or repairs.

Community engagement has a critical role to play in balancing economic, social and environmental objectives in investigating and determining water and sewerage services prices. ACTCOSS commends Icon Water for the work it has already undertaken through the Consumer Advocacy Forum and the Deliberative Forum to inform the development of their draft 2023-28 price proposal. This engagement has covered a diverse range of sectors and consumers. We especially welcomed Icon Water's Deliberative Forum requiring participants to consider levels of investment by Icon Water across different areas – e.g., digital meters, achieving net zero emissions, research and development, and service levels – that was informed by the distributional impact on the bills of household and business archetypes.

It is important that stakeholder engagement by ICRC and Icon Water is inclusive and accessible, and that it includes targeted engagement with residential consumers experiencing disadvantage or vulnerable circumstances and with not-for-profit community organisations.

Setting prices and structuring pricing

The Issues Paper includes the following questions in relation to how it sets prices and structures pricing to encourage efficient use and operation of water and sewerage services:

4. Do you have any comments on our proposed approach to assessing Icon Water's revenue requirement for the next regulatory period?
5. Do you have any comments on our proposed process for reviewing the prudence and efficiency of capital and operating expenditure proposed by Icon Water?
6. Do you consider the current water tariff structure remains appropriate or is there scope for further rebalancing?

Through our work on energy consumer advocacy under the ACT Energised Consumers Project, ACTCOSS is familiar with the building block approach used by the ICRC and other utilities regulators. We value the ICRC's attention to reviewing the prudence and efficiency of capital and operating expenditure proposed by Icon Water. It is important that this is assessed in relation to both equity impacts and community priorities.

ACTCOSS broadly supports the current water tariff structure whereby:

ACT consumers pay an annual fixed supply charge, and a lower price (Tier 1) for the first 200 kilolitres (kL) of water use and a higher price (Tier 2) for water use above that level.

We note that this structure resulted from the ICRC's [Tariff Structure Review 2016–17](#) which included consideration of the equity impacts. We recommend that the ICRC's investigation include an analysis of the distributional impacts of the tariff structure across households and organisations. This should pay particular attention to impacts on affordability for low-income households and not-for-profit organisations with different levels of water usage.

Further engagement

ACTCOSS is keen to keep engaged in the ICRC's water and sewerage services 2023-28 price investigation with a focus on ensuring equitable outcomes for low-income households and not-for-profit community organisations in the ACT. Please contact us if you would like to discuss any of the issues raised in our submission.

Yours sincerely,



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