

## **ACTEW CHARGES INVESTIGATION--TERMS OF REFERENCE**

### **NOTICES UNDER REGULATION 10(1) AND REGULATION 12 --ENERGY AND WATER (REGULATION OF CHARGES) REGULATIONS 1996**

NO. 196 OF 1996

Pursuant to regulation 10(1) of the *Energy & Water (Regulation of Charges) Regulations 1996 (the Regulations)*, I, Anthony Joseph De Domenico, Minister for Urban Services, refer to the Energy and Water Charges Commission the conduct of an investigation into charges for electricity, water and sewerage services supplied by ACTEW Corporation Limited in the ACT.

Pursuant to Regulation 12 of the Regulations, the following requirements are specified in relation to the investigation.

The following principles should be adopted in setting longer-term charging objectives which are to apply to ACTEW's monopoly charges. These are the guiding principles and the Commission will need to consider appropriate implementation strategies to minimise any adverse impact on the community in reaching these objectives. The principles are:

1. full cost recovery for services;
2. commercial profitability should bear some relation to risks involved,
3. an appropriate return to Government on the investment in the Corporation;
4. elimination of cross subsidies between classes of customers and between the Corporation's different businesses;
5. sharing efficiency gains with consumers through lower charges; and
6. efficient allocation of resources, including capital, within ACTEW Corporation

The investigation should address a range of issues, some of which are already listed in regulation 18 (2). The investigation should specifically address the following issues

1. the protection of consumers from abuses of monopoly power, in terms of price, charging policies, and standards of service and access to alternative sources of supply;
2. the cost of providing the services,
3. the need for greater efficiency in the supply of services to reduce costs to consumers and taxpayers;
4. the cash management practices adopted by the Corporation, and the impact of these practices on consumer costs,
5. the impact of charging policies on borrowing, capital structure, rate of return on assets and investments, dividend requirements and the impact of any need to renew or increase relevant assets,
6. safeguarding of the environment by appropriate charging policies, including the principle of "polluter pays", and
7. the effect of alternative charging policies on the demand for water services, and the indications for major water supply and re-use options

The investigation should ensure that proper consideration is given to the current and future demand for the Corporation's products, its resource management responsibilities, the provisions of Community Service Obligations, and the impact of competition from other forms of energy. The investigation should investigate the desirability of continuing the Environmental Works Charge beyond 1997, and recommend an appropriate level for the charge.

The investigation will consider all prices which are determined under section 48 of the *Energy and Water Act 1988*. However, the Commission is to pay closest attention to charges for services that would appear to the Commissioner to be for other monopoly provided services, or where competition is not effective. The investigation should include an assessment of the bulk water charge for Queanbeyan.

The outcome of the investigation will form the basis of a report to the Minister for Urban Services by March 1997, at the same time as the Commission makes a direction to be Company on maximum charges, or the way in which charges should be calculated. The report will provide a longer term pricing path for monopoly services, covering at least three years, with specific recommendations for charges in 1997-98, and an implementation strategy which would move towards achieving the longer term objectives.



ANTHONY DE DOMENICO  
MINISTER FOR URBAN SERVICES

DATED 1<sup>st</sup> September, 1996.