

**AUSTRALIAN CAPITAL TERRITORY**

**INDEPENDENT PRICING AND REGULATORY  
COMMISSION ACT 1997**

**REFERENCE FOR INVESTIGATION UNDER SECTION 15 AND  
SPECIFIED REQUIREMENTS IN RELATION TO INVESTIGATION  
UNDER SECTION 16**

**INSTRUMENT NO. 208 OF 1998**

Pursuant to subsection 15(1) of the *Independent Pricing and Regulatory Commission Act 1997*, (the Act"), I refer to the Independent Pricing and Regulatory Commission ("the Commission") the matter of the provision of directions about prices for regulated services, in electricity, water and sewerage, supplied by ACTEW Corporation Limited in the ACT ("regulated ACTEW charges"), for the period from 1 July 1999 until 30 June 2004, together with certain other matters.

Pursuant to subsection 15(3) of the Act, the Commission's directions will cover charges determined under section 48(1) of the *Energy and Water Act 1998*.

Pursuant to subsection 16(1) of the Act, I specify the following requirements in relation to the conduct of the investigation:

1. The Commission is to review and report on appropriate pricing and pricing methodology for the following:
  - the regulated electricity distribution services provided by ACTEW for the 5 year period from 1 July 1999
  - the regulated electricity retail services provided to franchise customers by ACTEW for the period from 1 July 1999
  - the regulated water services and waste water services provided by ACTEW for the 5 year period from July 1999, including a bulk water charge and including the option of absorbing the Environmental Works Charge and any other designated item in the pricing structure.
  - the principles that should apply for any price reset at the end of the period of the initial and subsequent price paths.
2. In addition, the Commission is to advise on the approach to establishing an appropriate water abstraction charge that reflects sound economic and environmental principles as well as providing advice on the structure and level of charges that would apply if that approach were applied.

Dated this third day of September 1998

Signed by Kate Carnell  
Treasurer and Chief Minister

3. In undertaking the review the report should have regard to the following:
- (a) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies (including policies relating to the level or structure of prices for services) and standard of regulated services;
  - (b) standards of quality, reliability and safety of the regulated services;
  - (c) the need for greater efficiency in the supply of regulated services to reduce costs to consumers and taxpayers;
  - (d) an appropriate rate of return on any investment in the regulated industry, including achieving a commercial return on the assets of the businesses and having regard to a commercially appropriate capital structure for ACTEW;
  - (e) the cost of providing the regulated services, including the need for pricing reform that ensures prices reflect full economic costs and provides an effective means to allocate scarce resources and reflect environmental and other externalities and the need to ensure timely, appropriate capital expenditure in future years.
  - (f) the principles of ecologically sustainable development;
  - (g) the social impacts of the decision;
  - (h) considerations of demand management and least cost planning;
  - (i) the borrowing, capital and cash flow requirements of persons providing regulated services and the need to renew or increase relevant assets in the regulated industry;
  - (j) the effect on general price inflation over the medium term;
  - (k) any arrangements that a person providing regulated services has entered into for the exercise of its functions by some other person;
  - (l) the need for a transparent methodology that clearly explains on a quantitative basis the determinants of the proposed price path and has regard to the methodological developments in other jurisdictions;
  - (m) any applicable requirements of the National Electricity Law and the National Electricity Code, in particular, Code provisions relating to distribution network pricing.
  - (n) the desirability for appropriate incentives to improve performance both within each regulatory period and between regulatory periods.
4. The Commission is to investigate and provide a draft report by 12 February 1999 which is to be made available for public examination and consultation by 23 March 1999. The final report is due by 3 May 1999.