

Australian Capital Territory

Reference to the Independent Competition and Regulatory Commission to investigate water sewerage and trade waste pricing for the period 1 July 2004 to 30 June 2009 and other water related matters

Disallowable instrument DI2003-70

made under the

Independent Competition and Regulatory Commission Act 1997, Section 15 (Nature of industry references) and Section 16 (Terms of industry references)

Reference for Investigation Under Section 15

Pursuant to subsection 15(1) of the Act, I refer to the Independent Competition and Regulatory Commission (the "Commission") the matter of:

1. the provision of advice to the Government on the appropriate methodology for the determination of the water abstraction charge, the appropriate level for the charge, and the impact on consumers; and
2. an investigation into and determination of a price path for regulated water, sewerage and trade waste services provided by ACTEW Corporation.

Specified Requirements in Relation to Investigation Under Section 16

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

The investigation is to be conducted in two stages and consider the following matters:

Stage I

Specified Requirements in Relation to Investigation Under Section 16(2)(b)

The Commission should advise on the charge to utility service providers and extractors of water from Territory-owned water resources.

Specifically, the Commission should consider and advise on:

- a) The methodology for the calculation of the Water Abstraction Charge on an annual basis, the appropriate components of the charge, including but not limited to catchment management costs, the opportunity cost of water usage, the environmental cost of extraction and the current value of water as a resource;
- b) An appropriate level for the Water Abstraction Charge;
- c) The value of the charge as a demand management tool and its impact on consumer behaviour;
- d) The impact of the charge on low income earners and larger households and concession payment requirements;
- e) Consideration of changes in the relative value of water due to environmental change, the costs of maintaining the quality and security of supply of water, drought conditions, flooding etc; and
- f) The impact of the charge on ACTEW Corporation's revenue and expenditure, including future infrastructure costs.

Specified Requirements in Relation to Investigation Under Section 16(2)(a)

The Commission should report to Government on Stage I of these terms of reference by 31 August 2003.

Stage II

Specified Requirements in Relation to Investigation Under Section 16(2)(b)

The Commission is to review and report on an appropriate costing and pricing methodology and pricing level for regulated water, sewerage and trade waste services for the five-year period 1 July 2004 to 30 June 2009.

As provided under section 20(2), (3) and (4) of the Act, the Commission will have regard to such matters as standards of service, efficiency, appropriate rates of return, the cost of provision of services; the principles of ecologically sustainable development, social impacts, demand management, requirements for maintenance and renewal of

infrastructure, the effect of price inflation; and arrangements entered in to by the regulated service provider; and specifically,

- a) Examination of the impact on cost and revenue structures of unmetered properties;
- b) Coverage of services and analysis of which services are contestable;
- c) Consideration of appropriate incentives for ACTEW;
- d) The value of water and sewerage assets in the ACT and appropriate, risk-adjusted, commercial rates of return on capital utilised;
- e) Future capacity requirements;
- f) The impacts on consumers and demand, including disadvantaged consumers, low income earners and large households, and the adequacy of concessions for services; and
- g) The impact on ACTEW's Community Service Obligations.

Specified Requirements in Relation to Investigation Under Section 20B Reset principles

The Commission is also to consider the principles which should apply to any price reset during the period.

Specified Requirements in Relation to Investigation Under Section 20C

The Commission should advise on effective dates of the price direction.

Specified Requirements in Relation to Investigation Under Section 16(2)(a)

The Commission should report to Government on Stage II of these terms of reference by 31 March 2004.

Ted Quinlan
Treasurer

14 May 2003