

# 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

## EXPLANATORY STATEMENT

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The purpose of the instrument is to refer to the Independent Competition and Regulatory Commission (the "Commission") the matter of an investigation into and determination of a water, sewerage and trade waste pricing path for ACTEW Corporation; and advice on the water abstraction charge under s 15 of the *Independent Competition and Regulatory Commission Act 1997*.

The Independent Competition and Regulatory Commission (ICRC) has the responsibility under s 8 of the *Independent Competition and Regulatory Commission Act 1997* (ICRC Act), for oversight of prices for the regulated component of water and sewerage services in the ACT. The current pricing direction expires on 30 June 2004.

The Government has also decided to seek advice from the Commission in relation to the methodology and appropriate level of the water abstraction charge which was introduced as a mechanism for the promotion of effective management and sustainable use of the Territory's water resources.

The ICRC will be required to report to the Government in two stages.

Stage I will encompass consideration of and advice to the Government on the appropriate methodology for the determination of the water abstraction charge. The Commission is requested to consider the scarcity value of water, its opportunity cost, the cost of the maintenance of the Territory's water catchments and other appropriate measures of the value of the ACT's water resources. The Commission has also been requested to advise on an appropriate level for the charge, its impact on consumer demand and impact on disadvantaged consumers, including low income earners and large households.

ICRC is required to report by 31 August 2003 on Stage I of the review.

Stage II involves investigation by ICRC of a pricing path for the water, sewerage and trade waste services provided by ACTEW. ICRC will consider not only the appropriate level of charges but also the methodology for the calculation of the charges, consumer impacts and the broad range of costs faced by the utility and issues relating to returns on ACT Government assets.

The ICRC is required to report on Stage II by 31 March 2004.

The reference is expected to cost approximately \$75,000 for Stage I. Environment ACT will fund this cost from budget funding. Stage II will be met by ACTEW Corporation at an approximate cost of \$75,000.

Authorised by the Treasurer.