

23 January 2015

Ms Mary Anne Hartley Q.C.
President, Industry Panel
GPO Box 158
CANBERRA ACT 2601

Dear Ms Hartley



Application to alter the current Price Direction for regulated water and sewerage services

Icon Water Limited (Icon Water) is writing to apply for alteration of the Price Direction of 26 June 2013 for regulated water and sewerage services for the period from 1 July 2013 to 30 June 2019 (Price Direction) in accordance with section 24S of the Independent Competition and Regulatory Commission Act 1997. Icon Water requests the Industry Panel (Panel) to defer or remove the need for the first biennial recalibration under the Price Direction pending the issue of the final report by the Panel.

As you would be aware, the Independent Competition and Regulatory Commission (ICRC) has commenced its first biennial recalibration process in accordance with the timetable set out in the Price Direction. On Monday 1 December 2014, Icon Water lodged its information return with the ICRC. The next step in the process set out under the Price Direction is for the ICRC to prepare its draft report in readiness for release on 1 April 2015.

Based on recent experience and Icon Water's internal resourcing requirements, we anticipate that the further costs to be incurred by Icon Water and the ICRC in relation to continuation of the biennial review process would be up to \$1 million.

We have noted from the Panel's draft report released on 3 December 2014 that *"the Panel's draft decision is to substitute a new price direction that sets prices until 30 June 2018, without the need for a recalibration process."*¹ Icon Water notes that *"the Panel is now consulting with the ACT community about its draft price direction"*² and that details of the substitute Price Direction will depend on this consultation. However, it appears most likely that the Panel's substitute Price Direction will set prices for 2015-16 and 2016-17.

If this occurs, the current biennial review would not be required and the further time and resources spent on the process by both Icon Water and the ICRC would provide no real value to customers. Icon Water is conscious of the amount of money spent in recent years on price determinations for water and sewerage, which is ultimately borne by the community.

Icon Water is also acutely aware of the large number of reviews and enquiries with respect to water and sewerage prices in recent years together with their associated public engagement. We recognise the value for the Canberra community of clarity regarding the review process. In our opinion, the continuation of two parallel processes at this time would cause unnecessary confusion and uncertainty. This would be further exacerbated if different approaches are taken by each of the Panel and the ICRC or if different outcomes were to be reached. Icon Water is concerned that the continuation of dual

¹ Industry Panel 2014, Review of the ICRC's 2013 Price Direction – Draft Report, December, p1.

² Industry Panel 2014, Review of the ICRC's 2013 Price Direction – Draft Report, December, p13.

processes over the next few months may negatively impact on public confidence in the regulatory system.

For these reasons, we feel that it is incumbent on us to request that the Panel defer the current biennial recalibration process until after the Panel's final report has confirmed whether the process is needed or remove the need for the process.

If it is necessary to specify a placeholder price that would apply from 1 July 2015, Icon Water proposes that it be based on a change to the current price, in line with the change in the consumer price index. Our presumption though is that a final Panel decision will be effective for implementation on 1 July 2015.

Icon Water is making this application with a view to the best interests of customers through minimising unnecessary costs and further public confusion in the determination of water and sewerage prices.

Icon Water would be willing to discuss with the Panel the specific alterations to the Price Direction that could be made to give effect to the deferral requested in this letter, if that would be helpful. If you would like to take up this offer, please contact Dr Ben McNair, Principal Economist, on 02 6248 3386.

Yours sincerely



John Knox
Managing Director