



29 April 2021

Ms Nicole Wong
Economic and Financial Group
Chief Minister, Treasury and Economic Development Directorate

Dear Nicole

Non-potable Water Review

Thank you for the opportunity to provide comments on the discussion paper “Non-potable Water Review” issued by Chief Minister, Treasury and Economic Development Directorate (CMTEDD) in March 2021. Icon Water is supportive of the review into the current non-potable water pricing framework and in particular the goal of ensuring no cross-subsidisation by other ACT water users.

Icon Water is a regulated entity providing water supply and sewerage services to the residents of the ACT and bulk water supply to Queanbeyan. In addition to these services, Icon Water supplies nonpotable water¹ to a limited number of customers. This includes both recycled water (for example Magpies Belconnen Golf Club) and raw water (for example Uriarra Village). Given the scope of this review, our comments focus on our provision of recycled water.

Icon Water holds a licence to abstract water (WU67) from the Environment Protection Authority (EPA) for the purpose of providing drinking water to the ACT and Queanbeyan. Icon Water also holds an Environmental Authorisation for its discharge of treated effluent from the Lower Molonglo Water Quality Control Centre (LMWQCC) to the environment. In supplying recycled water to customers Icon Water must comply with the *Non-drinking Water Supply Code 2014*, although there are no specific EPA requirements.

Under the *Independent Competition and Regulatory Commission Act 1997*, the Independent Competition and Regulatory Commission (ICRC) is empowered to undertake investigations and make price directions for certain regulated services. This includes utility services, which are defined under the *Utilities Act 2000*. The definition of *utility services* does not distinguish between drinking water and nonpotable water, and the supply of recycled water to high intensity club users is therefore considered to be a ‘regulated service’.

The ICRC currently investigates and sets prices for drinking water and sewerage services only. The ICRC does not currently set prices for non-potable water services or bulk water supply. The ICRC has in the past cited that significant differences in the supply arrangements for non-potable and bulk water mean that it is more appropriate for Icon Water to negotiate the price on a case-by-case basis, noting that the price should not fall below the avoidable cost of supply².

¹ Non-potable is also referred to as non-drinking water. Icon Water has standard non-drinking water Customer Contracts for: Raw Water, Recycled Water and Uriarra Village supply <https://www.iconwater.com.au/my-home/myaccount/pricing-and-your-customer-contract.aspx>

² ACTEW's Electricity, Water & Sewerage Charges for 1999/2000 to 2003/2004 Price Direction, May 1999

Icon Water owns operates and maintains infrastructure to deliver recycled water to a limited number of customers. Two schemes operated during the Millennium drought, one sourcing recycled water from the LMWQCC and another at Fyshwick Sewage Treatment Plant. During the Millennium drought the LMWQCC scheme was augmented in anticipation of increased demand for recycled water, however post-drought this additional demand was not realised and currently, Magpies Belconnen Golf Club is the only customer who continues to access the recycled water³.

In setting its non-potable water prices, Icon Water takes in to account the National Water Initiative (NWI) *Pricing Principles for recycled water and stormwater use* (2010)⁴ and the pricing principles outlined by the ICRC in their *Final report: Regulated water and sewerage services price 2018-23*⁵. The prevailing approach to recycled water pricing is based on 75% of the potable water charge, minus Utility Network Facility Tax (UNFT) and the Water Abstraction Charge (WAC), unless otherwise negotiated. Icon Water has recently re-assessed this approach and is moving toward a cost recovery model for future recycled water contracts. Details of these two approaches were provided to the ICRC as part of their investigation for this review.

The most recent drought (ending in early 2020) highlighted that recycled water will continue to play an important role in the water security of the ACT and region particularly through dry periods. Use of recycled water can contribute to the enhanced liveability of the city and surrounds by enabling irrigation of green spaces even when water restrictions are implemented. Our current drought planning work recognises that whilst recycled water may not be economical under wet to normal conditions, its value significantly increases during droughts and extended dry periods.

In planning for future water security, including accounting for the impacts of climate change, Icon Water remains committed to keeping all options on the table. Recycled water is considered as both a potential additional supply source and also as a demand substitution in our water resource planning. As such, we encourage that due consideration is given to the potential impact (whether social, economic or environmental) of any changes to the current pricing framework, which may be made as a result of this review.

We recommend that any future pricing framework for determining recycled water prices continue to align with the NWI and ICRC pricing principles. This could be achieved by maintaining the current approach of Icon Water setting recycled water prices or alternatively, given the complexity of separating the assets on the regulatory asset base, it may be considered appropriate for CMTEDD to recommend that non-potable water prices be regulated through the ICRC.

Should you have any questions regarding this submission or require any further information please contact [REDACTED] on [REDACTED] or via email [REDACTED].

Yours sincerely

Joy Yau
Chief Financial Officer

³ Existing connections are still in place; however, no water has been accessed. Icon Water also uses a large volume of recycled water on site at the LMWQCC for process water and firefighting purposes.

⁴ National Water Initiative (NWI) *Pricing Principles for recycled water and stormwater use* (2010)
<https://www.agriculture.gov.au/sites/default/files/sitecollectiondocuments/water/national-water-initiative-pricingprinciples.pdf>

⁵ ICRC in their *Final report: Regulated water and sewerage services price 2018-23* (2018)
https://www.icrc.act.gov.au/_data/assets/pdf_file/0019/1250236/Report-1-of-2018-Final-Report-Water-SewerageServices-2018-23.pdf