

**A. Key information**

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COVID-19 actions and impacts  
Workforce  
Staff engagement and culture  
Safety outcomes and initiatives  
Executive and Board remuneration  
Community Support Program  
Community education and engagement  
Social Media and communication activities  
Capital expenditure  
Belconnen trunk sewer augmentation  
LMWQCC upgrades  
Network  
Dam safety  
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Drinking water quality  
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Digital projects  
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Water security and outlook  
Murrumbidgee to Googong pipeline  
Billing issues – skilltech cybersecurity incident  
Risk and bushfire risk management  
Emergency management and business continuity  
Internal audit  
Fraud prevention  
Environment and sustainability  
Climate change, renewable energy and adaptation  
Wellbeing and liveability  
Modern Slavery  
Cyber-security and privacy controls

**Joy Yau**

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Customer experience  
Customer support program and COVID-19 support  
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Metering  
2019-20 financial year end outcome  
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## Key information

- Water storage levels were at 98.03% on Friday 19 February 2021.
- Women in non-traditional roles (19.6%).
- Staff numbers – 401 (101 female).
- Approximately 11.6% of our staff identify as part of diversity and Aboriginal and Torres Strait Islander groups.
- Staff engagement rose 4% from 2019-20 (3 surveys conducted).
- Salary freeze – November 2020 to October 2021.
- 5,000 tonnes of excavated material recycled in 2019-20 (saving \$167,000).
- Contribution to Greenhouse gas emissions is 1.5% (70% of this is nitrous oxide).
- Solar arrays contribution 8% of total usage, saving approximately \$100,000 annually.
- Mini-hydros at Bendora, Stromlo, Googong, M2G.
- Modern Slavery – 99.9% of procurement sourced within Australia.
- Approximately 179,000 water and sewerage connections.
- Overall customer satisfaction (May/June 20) is 96%.
- \$3.7m revenue forgone due to price freeze.
- 2019-20 capex investment \$110m (21-22 \$89m) (22-23 \$48m)
- COVID-19 actions include:
  - Credit collection activities and interest charges have paused
  - Staying connected hardship program has been expanded (to include small business and to increase “one in five incentive payment” from \$50 to \$100)
  - Communication to customers has increased with an emphasis on hardship support options and flexible options
  - Price freeze of combined water and sewerage price for 12 months
  - Administration of ACT Government’s hardship support for community clubs and hotels via water and sewerage fixed charge rebates
  - IMT established to monitor and lead workplace changes to ensure the safety and wellbeing of all staff
  - Board and Executive remuneration freeze
  - Creating and promoting a range of digital education resources in lieu of face-to-face education programs
  - Collaboration with industry peers to share information and industry advice to the Federal COVID-19 Response Commission.
- 2 graduates commenced in January 2021 (total of 9 graduates have completed program).
- 13 recordable injuries in 2019-20. 4 incidents reported to the safety regulator in 2019-20.
- 30 hazard reduction activities completed during July and December 2020, with 24 works to be completed between January and June 2021.
- 8 audits completed in 2019-20. 10 audits to be conducted during 2020-21.
- 3 allegations of fraud investigated and resolved in 2019-20.
- There were no claims of bullying and harassment in 2019-20.
- We received 813 complaints in 2019-20 and biggest contributors were; 54% increase in sewer issues (drivers were surcharges and repeat blockages); 24% increase in restoration (driver was timeliness).
- During 2019-20, we committed \$444,690 to sponsorships and donations through 43 groups, individuals and organisations.
- Over 2019-20, approx. 3,800 people have participated in 103 education sessions.

- The total domestic meter reactive and planned replacement figures for the previous regulatory period was 23,000 and the planned replacement figures for this regulatory period is 37,000.
- ACT Government rebates related to COVID-19 were only applied to clubs during the 2019-20 financial year. As at 30 June 2020, 66 clubs had received the rebate which totaled \$168,000. From 1 July 2020 the rebate also applied to hotels and 163 hotels have been receiving the rebate.
- A typical Canberra household pays around \$3.20 a day for their water and sewerage needs in 2020-21.
- Over the following two years – to 2023 – combined bills for residential customers are expected to stay in line with inflation albeit it with an increase in 2021-22 as a result of prices being fixed for 2020-21.
- Icon Water holds a legislative instrument from the Treasurer approving a maximum \$2.37b borrowing facility (face value).
- Circa \$1.8bn of debt (at 30/7/20). Further borrowings in the current financial year around \$60m.
- Gearing ratio is 54.38% (at 30/7/20), and is forecast to remain below 60% for the next 10 years.
- Gifted assets and capital contributions: circa \$10m - \$20m pa. In 2019-20 Icon Water received \$29m of gifted assets with Taylor subdivision being major reason for uplift.
- Water Abstraction Charges c\$32m pa
- In 2019–20 there were 467 half price sewerage customers (14,243 fixtures) that received rebates of \$3.5m and 370 water customers that received rebates of \$3.0m.
- At 31 January 2021 there were 277 customers on the program who had an average debt of \$1,322 (total of \$366,143).
- M2G was in operational mode from late September 2019, and began pumping in February 2020, delivering approximate 4.5GL of water over 6 months.
- Belconnen Trunk Sewer works to commence early this year and be completed by mid-2022.
- Over 2019-2023, 47.8km of sewer mains and 26.3kms of water mains are planned to be replaced or renewed.
- Our sewer blockage rate has increased from 72.1 blockages per 100km in 2018–19 to 83.8 blockages per 100km in 2019-20 per year.

## EXECUTIVE

### COVID-19 actions and impacts

**Annual Report: 31, 87**

- Icon Water continues to respond to the potential threat to Icon Water's staff and operations arising from the pandemic. We implemented a four-phase response and recovery plan with the business currently in Phase 4 (Recovery). In the recovery phase, we have continued to relax the business' COVID-19 controls as the ACT Government progresses through Canberra's Recovery Plan.
- To date, no Icon Water staff have tested positive to COVID-19. However, a number of staff have self-isolated and undergone COVID-19 testing due to exhibiting COVID-19 symptoms, exposure to COVID-19 outbreak locations or return from overseas travel.
- Productivity for staff working from home has been maintained to a high level. Water supply and sewage treatment operations have continued as normal throughout the pandemic.
- Planned capital works are progressing with appropriate pandemic controls in place.
- We continue to collaborate with other water utilities, the Commonwealth's Trusted Information Sharing Network; key industry representative bodies; the Australian Water Association (AWA) and Water Services Association Australia (WSAA) to share learnings and coordinate the provision of information into the Federal COVID-19 Commission.
- Administration of the ACT Government's hardship support for community clubs and hotels via water and sewerage fixed charge rebates. Annual price submission to the Independent Competition and Regulatory Commission included the freezing of the utilities network facilities tax.
- Website information added to provide assurance regarding water quality. There is no evidence that COVID19 can be contracted via the sewerage system (as per advice from the World Health Organisation (WHO) and WSAA).
- COVID-19 also mentioned at sections: [Remuneration](#), [Emergency management](#), [Customer, Pricing to clubs](#), [Community education](#), [Communication](#), [Metering](#), [SCI budget](#), [Pricing](#), [WAC and UNFT](#), [Development](#), [CSOs](#), [Energy investment](#), [BTS](#), [COVID-19 testing](#), [Digital projects](#).

### Workforce

**Annual Report: pages 26, 27, 28, 29**

- As at July 2020, Icon Water had 401 staff members (300 male and 101 female).
- Approximately 11.6% of our staff identify as part of diversity and Aboriginal and Torres Strait Islander groups (Table 8 of Annual Report).
- Our Graduate program continues, with two new graduates commencing in January 2021. Since 2018, we have had 9 graduates through the program (including the 2 commencing in 2021).
- We continue to promote employment to females, with a goal of attracting women to non-traditional roles. At 1 July 2020 the number of females in non-traditional roles (STEM and WIO's) was 19.59%.
- In addition to our focus on gender equity, our People Strategy recognises the importance of supporting the broader diversity dimensions – race, age, disability, indigenous and LGBTIQ – in the workplace and our employment processes.
- We actively work with WSAA to share approaches to inclusion and diversity across the urban water industry.

- On 30 October 2020 the Fair Work Commission approved the Icon Water 2020 Enterprise Agreement. The agreement was operational from 6 November 2020 and will expire on 1 July 2022.
- Formal complaints of bullying and harassment in Icon Water are externally investigated. There were no bullying and harassment claims made in 2019-20. There have been complaints since 1 July 2020.

## Staff engagement and culture

### Annual Report: 26

- Over 2019-20 we conducted three staff engagement surveys. The percentage of engaged employees has risen by 4% from 2019 to 2020. We will continue our efforts to increase staff engagement over 2021.

## Safety outcomes and initiatives

- Safety is a core value at Icon Water. Our safety core value encourages staff to accept personal responsibility to ensure a safe workplace and contribute to a safe community.
- 13 **recordable injuries** were reported for 2019-20. This has increased from the previous year.
- There were **four incidents** reported to the safety regulator in 2019-20. The incidents involved underground service strikes and an uncontrolled release of substance from a pipe failure. None of these incidents resulted in injuries to workers.

### *Detail on the incidents:*

In July 2019, one of the disintegrator pumps at LMWQCC became blocked. Numerous attempts were made to reverse the pump to clear the blockage however this was unsuccessful. Compressed air was introduced into the polyethylene pipe to forcibly remove the blockage, but, the pipe failed at a glued joint upstream of the air valve. The pipe fell to the ground and no injuries were sustained.

In August 2019, when a reactive crew were responding to a burst water main in Wanniasa. The excavator bucket severed the street light cable which was not at the marked location and sparks were observed on the excavator bucket. The excavator operator remained in the machine until the power was isolated by Evoenergy. The operator then exited the machine unharmed.

In April 2020. A network maintenance crew pierced the gas line to the neighbouring property as they failed to wait for Zinfra to identify a buried gas line.

In May 2020, a network maintenance crew damaged a street light cable when attending to a burst water main. The street light cable was marked at a distance of 1.4 meters away on the other side of a large tree. Given the distance from the dig location the cable was not potholed. No injuries occurred.

- A new Health and Safety Strategy was launched in July 2019, identifying safety leadership, empowerment, hazard management and Health and Fitness as the core pillars and incorporating a number of different initiatives. We are pleased to showcase some of these in our Annual Report.

## Executive and Board remuneration

### Annual Report: pages 23 - 24

- The salaries of key management personnel, our executive, are detailed in Icon Water's Annual Report and published on our website.
- The Voting Shareholders (with the support of the Board) made a decision to suspend director remuneration increases for twelve months from 1 November 2020 to 31 October 2021. This decision supports the Government's commitment to assist the ACT community during the current COVID health emergency.

- Remuneration for Icon Water’s Managing Director, Executives and key Branch Managers is aligned with the “all utilities” remuneration market and a Fixed Annual Remuneration is determined for each role, within a percentile range. We access the services of a remuneration specialist to independently review the remuneration for these roles and to provide advice to the Remuneration Committee of the Icon Water Board.
- Our remuneration framework was last independently reviewed by a remuneration specialist in August 2019.
- We have a Remuneration Committee and the Committee’s charter is publicly available from our website.
- The remuneration of the non-executive directors is set by the Voting Shareholders and is in line with the ACT Remuneration Tribunal Determination for part-time public office holders.

### Future of corporate and customer services provision after 2023

#### Annual Report: 62

- Ahead of the service agreements expiry on 30 June 2023, a project is well underway to ensure that we:
  - maintain access and continuity of the services required to operate our business;
  - minimise impact to our customers, stakeholders and workforce; and
  - take the opportunity to assess our sourcing options and ensure value for money in our future service arrangements. VFM testing may include market approaches on a service-by-service or bundled services, benchmarking and other methods.
- Overview of the project progress to date:

Activity	Finish
Project Initiation and engagement of commercial advisor	June 2019
Current state assessment and sourcing decision framework	August 2019
Preliminary assessment of sourcing options	November 2019
Detailed assessment of sourcing options and development of sourcing strategy	June 2020
Implementation of the sourcing strategy: - Program Governance and Delivery Team development - Approach to market for experienced delivery partner	September 2020 January 2021

- In order to support the implementation of the sourcing strategy, we have completed an approach the market to engage a Program Management and Advisory service provider (Delivery Partner).
  - The tender has now been awarded to Projects Assured, an experienced, local program and project management services specialist to partner with Icon Water to implement the sourcing strategy.
- Legal and probity advisors have been involved to date.
- In parallel, discussions with ActewAGL are underway with regards to specific services.
- Communications will continue to be updated on our [website](#) once key sourcing decisions and activities are confirmed as publicly available.
- [If asked for any areas that are commercial in confidence then: *Independent arbiter in Nov 2018, upheld in part our claim for public interest immunity on commercial elements.*]

## LEGAL AND GOVERNANCE

### Risk and Bushfire risk management

**Annual Report: pages 85-86**

- Our Bushfire Operational Plan (BOP) 2020-21 saw ongoing bushfire hazard reduction works undertaken across Icon Water sites. The BOP contains a total of 54 hazard reduction works scheduled for the 2020–21 financial year.
- 30 formal and a number of other hazard reduction activities to manage bushfire fuels at Icon Water sites have been completed between July and December 2020. The remaining 24 hazard reduction works are scheduled to be completed between January and June 2021.
- We have undertaken several preparedness and mitigation activities at critical sites. These activities include:
  - a. ongoing grounds maintenance to reduce grass and weed growth
  - b. slashing and mowing activities at sites to reduce fuel loads
  - c. briefings provided to key staff on the upcoming seasonal bushfire outlook
  - d. ongoing monitoring of weather conditions during the bushfire period.
- We continue to work closely with the ACT Parks and Conservation Service on rehabilitation strategies and overall planning for recovery in the Corin catchment area with respect to the Orroral Valley fire.

### Emergency management and business continuity

**Annual Report: page 87**

- Icon Water has an emergency and continuity management framework that includes a range of plans, documentation and testing regimes.
- To date we have conducted five exercises, with a further six exercises planned for the remainder of the 2020-21 financial year.
- In 2019-20, we conducted six emergency or continuity management exercises, in addition to the COVID-19 and summer bushfire emergency responses.

### Audits

**Annual Report: page 83**

#### Internal Audits

- The Board's Risk and Assurance Committee approves the program of internal audits each year. The proposed program is developed based on a review of the current operating environment for Icon Water including regulatory requirements and risks, a scan of the external environment and discussions with the executive team.
- The 2019-20 internal audit program included: capital expenditure management; data management, compliance with the Environment Protection Agreement - Canberra Sewerage Network; and financial controls.
- The 2020-21 internal audit program includes audits in relation to: business continuity planning; quarterly ICT security health checks; water quality and waste management; drinking water quality management; fatigue management; and compliance with the work Health and Safety Regulation - working at heights and excavation.

## External audits

- Icon Water is also subject to external audits of its management systems. These audits examine compliance with international standards for quality management (ISO 9001:2015), occupational health and safety management (AS/NZS 4801:2001), environmental management system (ISO 14001:2015) and drinking water quality management (HACCP 661501). Audits are conducted annually, with the timing dependent on operational priorities and certification expiry.
- An external surveillance audit of our quality management system, occupational health and safety management and environmental management system has just been completed on 15 February 2021. Our certification will be continued until the next re-certification audit which is scheduled for November 2021.
- An external audit of our drinking water quality management was completed on 29 January 2021 at which time our certification will be continued, until the next surveillance audit which is scheduled for October 2021.

## **Fraud prevention**

### **Annual Report: page 87**

- Fraud training is mandatory for all new starters and additional mandatory fraud, corruption and unethical behaviour training for all workers will be undertaken in late 2021 (as part of a biennial process).
- During 2020-21 to date, no fraud investigations have been undertaken.
- In 2019-20, we investigated and resolved three allegations of fraud, one of which was substantiated and resulted in termination of employment. There was minimal financial impact related to this case.

## **Environment and sustainability**

### **Annual Report: pages 75 to 81**

- As custodians of the region's water resources we have a strong commitment to protecting the environment and managing water resources sustainably – that is, meeting the needs of the present without compromising the ability of future generations to meet their needs.
- We reflect the principles of sustainability in a range of ways, including: certified Environmental Management System, Environment and Sustainability team supporting compliance with environmental licence requirements, Environment Management Plans for key activities, sustainability assessments for capital projects, installation of solar PV systems, energy management strategy, climate resilience initiative, waste management strategy, sustainability snapshot, environmental monitoring of catchment health, focus on fish health, catchment management, commitment to UN's Sustainable Development Goals (SDGs).
- There are three SDGs of particular relevance to Icon Water: gender equality, clean water and sanitation, responsible consumption and production.
- Information on our sustainability initiatives and commitment to the SDGs is detailed in our [2019 Sustainability Snapshot](#) (which we launched on World Environment Day – 5 June 2019).
- A comprehensive implementation plan is supporting the delivery of our Waste Management and Resource Recovery Strategy to reduce waste to landfill and find alternative beneficial reuse alternative disposal options.
  - On 7 July 2018, we became a licensed waste facility for our LMWQCC facility. We process and repurpose all excavated soil, which in 2019-20 led to reuse of 5,000 tonnes of material and saved \$167,000 on avoided disposal costs.

- We commenced use of recovered glass material for pipe embedment from mid-2020. A trial of water treatment solids composting is underway with Corkhills in consultation with regulators to see if we can keep 2,200 tonnes out of landfill each year, reduce Icon Water's remaining waste to landfill by more than 60% and develop a saleable compost product for use by the community.
- We are finalists for this year's Banksia Sustainability Awards with our submission "*No Opportunity Wasted. Cultivating circular ecosystems and championing water industry innovation.*" Our submission celebrates our waste management and resource recovery strategy (2017-2023) and achievements to date including agri-ash being used by local farmers as soil enhancer, spoil reuse, reuse of waste treatment solids, biochar and recovered glass sand. Winners will be announced in March 2021.
- We have continued to deliver research and management actions to protect threatened Macquarie Perch in the Cotter Reservoir in partnership with ACT and Commonwealth regulators.
- We undertake weed and pest control activities for land managed by Icon Water.
- We have continued delivery of our Source Water Protection Strategy encouraging appropriate activities in our drinking water catchments to protect water quality and public health.
- Catchment Actions for Clean Water Plans prioritising erosion hotspots for potential natural resource management investment are [publicly available on our website](#) for Cotter, Googong and the Upper Murrumbidgee.
- To assist ACT Government and Parks and Conservation Service prioritise areas for rehabilitation associated with the Orroral Valley fire an appendix to the Cotter Actions for Clean Water plan was completed and is being used to focus on-ground management actions at a sub-catchment scale.
- We have met with government and community stakeholders regarding the potential impacts from feral horse management in Kosciusko National Park adjacent to the Cotter Catchment.
- We have a 1:1 vegetation replacement policy for tree removal from our activities – whether maintenance under the bushfire operations plan or project delivery – meaning we are vegetation neutral

### Climate change, renewable energy and adaptation

- As part of the current business strategy, we are undertaking an initiative to build our resilience to climate change. We are implementing a [Climate Change Adaptation Plan](#) to minimise disruptions to essential service delivery and allow us to find new and better ways of serving our community and achieving our Core Purpose: *to sustain and enhance quality of life*. A priority for the current financial year is to develop an eMission Possible Action Plan as a roadmap for mitigation towards net zero greenhouse gas emissions by 2045.
- Our actions for mitigation and adaptation are consistent with the ACT Government's Climate Change Strategy.
- In developing our Climate Change Adaptation Plan, we used the Water Services Association of Australia's Climate Change Adaptation Guidelines to assess our vulnerability to climate change and its potential impacts, plan and respond by identifying and prioritising adaptation options.
- Icon Water's total contribution to greenhouse gas emissions in the ACT is 1.5%.
- Following achievement of 100% renewable electricity in the ACT in September 2019, ~70% of our direct emissions footprint is nitrous oxide gas released from sewage treatment at LMWQCC. We have commenced a research project with WaterRA, the University of Queensland and fellow utilities to monitor actual emissions at LMWQCC and develop options for mitigation. Our longer

term LMWQCC strategy includes exploring opportunities to enhance use of embodied energy in bio-solids.

- We have 722 MW of solar PV arrays operating across LMWQCC, Mitchell, Cotter Dam and Stromlo WTP with a further 702 kW currently under construction at LMWQCC. The 1.42 MW will generate approximately 2,000 MWh of electricity per year (8% of total electricity use in a 'normal' year) saving over \$100,000 annually.
- Over 2018–19 and 2019-20 we generated less renewable energy than the previous years due to the reduced operation of the hydroelectric turbines, changes in where we sourced our water and a reduction in some of our environmental flow releases, in response to the lower rainfall and dam reservoir levels across our catchments.
- We have four mini-hydros with a maximum potential capacity of 2.7 MW: Bendora Dam, Googong Dam, Stromlo WTP and at the outlet of the M2G pipeline at the discharge point to Burra Creek. When operational these hydro systems generate energy from moving water and feed power to adjoining infrastructure with any surplus exported to the grid.
- The ACT Government has set a tree canopy coverage target of 30 per cent by 2045. During the consultation period for this policy we highlighted how our initiatives align with the strategy including:
  - 1:1 vegetation replacement policy for tree removal from our activities
  - Data sharing agreements with ACT Government with allowances for publishing of infrastructure location data on ACTmapi to help inform vegetation planting decisions and protect utility infrastructure (this helps mitigate risk of root intrusion and unnecessary tree removal for network repairs or replacement)
  - We sponsor Upper Murrumbidgee Waterwatch and the ACT Frogwatch programs, some of their activities include tree planting
  - We sponsor Greening Australia delivering NGADYUNG Clean Waterways to Cultural Paths in Canberra across local primary schools which combines bush tucker with water for life education – where schools establish bush tucker gardens to green their local space

## Wellbeing and liveability

- Supporting the wellbeing of our staff is a key element of our organisational health strategy (refer to topic 4. Safety of this briefing).
- With regard to the ACT's Wellbeing Framework, we are currently reviewing our existing performance indicators to see how we can achieve alignment with the ACT Government's Wellbeing domains and indicators. Once completed, this will be reflected in future publications.
- Water Services Association of Australia (WSAA) has been advocating for the urban water sector as a key enabler of liveability. Amenity and community wellbeing, productivity and sustainability benefits are being realised through investing in water-enabled green and blue infrastructure making our communities cooler, healthier, greener and more attractive places to live, work and play.
- WSAA defines liveability as all of those things that make a place somewhere people want to live, communities flourish and businesses choose to invest. To be long lasting and resilient, a liveable city or region must consider the needs of future generations and use systems thinking to understand and respond to shocks and long-term change. Liveability is subjective and contextual in nature.

## Modern slavery

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- In November 2020, Icon Water released its first Modern Slavery statement – [Addressing modern slavery risks in our business](#) to meet the requirements of the *Modern Slavery Act 2018*.
- We are implementing a three phased approach to modern slavery which focuses on:
  - our policies and publications
  - training and capacity building
  - supply chain due diligence.

We are committed to continuing to evolve our approach as needed based on our increasing awareness of modern slavery risks within our business operations and supply chains.

- In 2019-20 we undertook a risk assessment on tier one suppliers<sup>1</sup>, which revealed that 99.9% of our procurement is sourced within Australia. Of the products that we procure, the categories of apparel (gloves, vests and overalls) and electronics present an elevated risk of modern slavery.
- During 2019-20, we implemented the following initiatives to strengthen our oversight and understanding of the risks of modern slavery:
  - Strengthened our commitment to modern slavery in the people policy, code of conduct and whistleblower policy. Developed a modern slavery incident in the workplace and supply chain work instruction.
  - Communicated modern slavery requirements to all staff through training and built awareness among executive and key internal teams.
  - Embedded modern slavery clauses into our procurement documents and contracts
  - Provided clear expectations on our website to suppliers and those interested in doing business with us on the management of modern slavery risks.

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<sup>1</sup> Suppliers producing the final product for resale.

## CUSTOMER AND COMMUNITY

### Customer experience

**Annual Report: page 46**

- We have approximately 179,000 water connections and 178,000 sewer connections, with a service reach of approximately 460,000 people.
- The variation in the number of water connections to sewer connections can be for various reasons, such as unit complexes having multiple water meters but only one sewerage connection; or large customers that have multiple water connections but may manage their own sewerage networks.
- The three most valued aspects of Icon Water's services by the Canberra community are reliability of supply, quality of drinking water and our customer service.
- The satisfaction survey for the purpose of the Annual Report is conducted in May/June each year. Overall satisfaction has continued to increase over the last three years with the result from the May/June 2020 survey being 96%. Overall satisfaction was 92% in 2018-19 and 91% in 2017-18.
- In addition to customer satisfaction, we are also measuring positive word of mouth or advocacy (net promoter score) and ease of doing business, which are both accepted measures in the retail environment.
- We received 813 complaints in 2019-20 and biggest contributors were; 54% increase in sewer issues (drivers were surcharges and repeat blockages); 24% increase in restoration (driver was timeliness). In 2018–19 we received around 650 customer complaints with the main issues related to site restorations and billing queries.

### Customer support program and COVID-19 support

**Annual Report: page 46**

- The following support measures are currently in place for water customers impacted by COVID-19:
  - Increased flexibility in paying water bills, through payment arrangements and extensions.
  - We made the decision to forego the pricing increase and instead 'froze' the combined water and sewerage price for 12 months. This means that both residential and business customers continue to pay the 2019-20 Tier 1 and Tier 2 usage prices and a combined water and sewerage supply charge that remains at 2019-20 levels.
  - The Staying Connected hardship program has been expanded to support small businesses. This provides small business customers with access to flexible payment arrangements, along with incentives (account credits) for consistent payments.
  - The Staying Connected hardship program incentive threshold was increased from \$50 to \$100
  - Promotion of available support measures through letters, phone conversations, the Icon Water website and social media platforms. This includes Government support packages.
  - A pause on escalated debt recovery action and interest on overdue accounts.

- Credit collection activities have paused and charging of interest has been suspended on accounts that become overdue. Communication to customers has increased with an emphasis on support options (including our hardship program which has been expanded to include small businesses).
- Icon Water continues to monitor the current economic landscape to determine appropriate time to reinstate credit activities. On the whole, credit collection activities have been paused however we are stilling having proactive conversations with customers in debt to ensure appropriate payment arrangements are in place.
- We maintain ongoing collaboration with local community organisations, to continually monitor the impact of COVID-19 on customers and the effectiveness of available support measures.
- Following feedback from the ACT Civil and Administrative Tribunal (ACAT) and in consideration of the current financial pressures for customers, we have reviewed our undetected leak policy which supports customers who have had a leak that is not visible on their private plumbing. The review found the maximum adjustment of \$2500 was still appropriate when compared to other Australian utilities. However, other changes were made to the policy which came into effect on 1 July 2020, where in addition to a maximum amount of adjustment of \$2,500, all remaining excess consumption will be recalculated at the lower Tier 1 price. We have also included a provision to ensure that personal circumstances, such as financial hardship or disability, can be taken into consideration.

#### **Additional support measures**

- A key theme across the industry, in all jurisdictions, is that customers may not be aware of the support measures and assistance available. Public awareness campaigns are needed to ensure that customers know that assistance is available and how to get it.
- The following initiatives are proposed to encourage customers to engage early with Icon Water and access the support measures available:
  - Continue to promote available support measures, including the Staying Connected hardship program. Encourage customers to engage early with Icon Water to discuss their water bills and the support available.
  - Proactive engagement with customers via outbound calls, SMS messages and correspondence, highlighting the available support measures and encouraging customers to engage early.
  - Cross-sharing of content and the promotion of the available support measures through ACT Government channels, noting the wide reach of these channels. This would include increased promotion of the availability of Government support packages, such as the rebate for hotels.
  - Continue to engage in discussions with ACT Government regarding cohorts of customers that may be in need of further assistance.

### **Billing issues**

#### **Annual Report: (not in AR, however may be raised)**

#### **Skilltech cybersecurity incident**

- In October 2020, we were advised of a potential cybersecurity incident affecting a contractor who provides meter reading services for Icon Water. The incident resulted in the delay of reading and issuing of bills by, on average, 13 days and 180 accounts being estimated due to a number of systems being pro-actively shut down.
- During the incident period, manual and interim solutions for meter reading and billing were used to allow meter reading and billing services to continue for approximately 11,400 accounts (some

of these measures included system separation, file verification and inspection, quality assurance and manual upload controls).

- Standard billing services had resumed by early December 2020.
- Although a proactive, informal communication was made to the Office of the Australian Information Commissioner, forensic investigations did not identify any evidence of an actual breach of Icon Water customer data.

## Pricing as it relates to community clubs and grounds

### Annual Report: (not in AR but has come up in the media)

- We recognise the role that clubs play in our community; providing connection, community support, and promotion of physical activity. We also recognise that COVID-19 related restrictions placed on many sporting activities, reduce the ability for some clubs to generate revenue.
- We appreciate that for our customers who are irrigators that water is a significant overhead. We encourage all customers to explore options to improve their water efficiency, including the installation of data monitoring systems. This not only helps with saving water, but in reducing operating costs.
- We have administered the ACT Government's support for community clubs via water and sewerage fixed charge rebates and will continue to administer rebates set out by the ACT Government.
- Icon Water is a regulated entity with water and sewerage prices based on the principles outlined by the ICRC with the broader community in mind.
- Clubs have asked to be considered as "community institutions" (along with churches, hospitals, charities and schools) under our current schedule of changes. This is not a decision that can be made by Icon Water. Any changes to this classification would require a direction from the relevant Minister under the Utilities Act. However generally, the charge class classifications is based on the land use purpose associated with the lease.
- Icon Water continually seeks to improve services and the prices we offer customers, and we remain open to introducing new pricing structures as determined by the ICRC. However, it is important that any changes to our prices allow us to continue delivering the high-quality services our customers expect, while maintaining affordability and promoting responsible water usage in the ACT.
- In early 2022, the ICRC is expected to commence its review of prices for the 2023 to 2028 period. Icon Water is planning to engage with the community as part of this process and Canberrans will also have the opportunity to provide feedback directly to the ICRC
- Magpies Golf Club receive non potable supply of recycled water from LMWQCC.
- Icon Water have been in discussions with Magpies for some time to come to an agreement with the club. We have provided a range of different pricing options in consideration of the club's circumstances that still ensure the agreement does not fall below the cost to supply.
- The pricing for recycled water is based on the building blocks of operation, maintenance, capital related costs and contract administration.
- We are always willing to explore flexible payment arrangements and ways that we can provide individual support but will always do this from a position of providing equity to our overall customer base.

## Community Support Program

### Annual Report: pages 37 to 41

- As a Territory-owned corporation, Icon Water has an obligation to ‘show a sense of social responsibility by having regard to the interests of the community in which we operate’.
- We focus on initiatives that support the community, the environment and our operations, that are accessible and available to enrich the lives of every Canberran.
- In making decisions we seek to meet community expectations around our sense of social responsibility and to ensure a balanced approach to supporting a range of initiatives across the community.
- During 2019–20, we committed \$444,690 to sponsorships and donations through 43 groups, individuals and organisations. Page 38 of the Annual Report lists all sponsorships and related cost.
- We are proud that we are able to support vital community organisations such as Lifeline, Menslink, Orange Sky Laundry, Karinya House, Domestic Violence Crisis Service and OzHarvest.
- We sponsor Greening Australia delivering NGADYUNG Clean Waterways to Cultural Paths in Canberra across local primary schools which combines bush tucker with water for life education – where schools establish bush tucker gardens to green their local space.
- We were also proud to be able to support Floriade Reimagined this year. Icon Water covered the watering costs for groups who had access to watering systems and also arranged for tankers to water gardens for the groups who didn’t have access to water.

## Community education and engagement

**Annual Report: pages 42 to 45**

- We engaged with the community on:
  - Infrastructure and network education
  - Googong Dam – appropriate recreation and management of the drinking water catchment.
  - Belconnen Trunk Sewer project.
- Over 2019-20, approx. 3,800 people have participated in 103 education sessions.
- In response to COVID-19 tours have been postponed until further notice. In order to continue to provide education to the community and support student engagement we have adapted our program to be provided mainly online. Our online offerings include professional development sessions for teachers on the water cycle, classroom sessions provided by video conference, and online questions from local children answered by some of our frontline staff.

## Social media and communication activities

**Annual Report: refer to community engagement section of AR pages 42-45**

- Over 2019-20, our communication campaigns were prioritised with a large focus on declining water storage levels, and the need to remind Canberra and Queanbeyan residents that they must follow the ACT’s Permanent Water Conservation Measures, and to educate them that, beyond these rules, there are many other ways they can, and should, reduce their water use.
- The Care for Water campaign utilised a number of tactics to reach Canberrans. The campaign leveraged our partnerships with ACT Government and others to share our messages, told stories through the media and social media about water conservation and used outdoor, radio and digital advertising. We also utilised opportunities to attend community events to engage with Canberrans face to face, included messaging on our bills, and updated our education material to ensure our younger generation understood their role in water conservation.

- The Care for Water campaign received high engagement from the community with our website attracting record numbers of visitors, the water storage page and the Permanent Water Conservation Measures pages attracted about 18 per cent of total website visits, and visits across water conservation pages increased by 900% compared to prior to the campaign's commencement. Water conservation posts shared across Icon Water's social media platforms reached over 39,000 people, and stories about saving water and water security increased substantially across both traditional and digital media outlets, including ABC, Nine, WIN, the RiotACT and the Canberra Times.
- Our community survey confirmed a significant increase in the proportion of Canberrans with unprompted awareness about rules being in place for using water, from 49% in December 2019, to 67% in March 2020.
- As part of our Drink Tap campaign to increase consumption of tap water while reducing single use plastic, we launched our Woof Water initiative. The initiative, which launched in February 2020, provided dog-friendly cafes and restaurants with free eco-friendly bamboo dog bowls. The program was rolled out as a follow up to the Free Carafe program, where glass carafes had been provided to restaurants and cafes across Canberra.
- In March 2020, the COVID-19 pandemic hit Australia and while dam levels had not yet begun recovering, we revised our communications to be sensitive to the evolving situation. While our Care for Water campaign continued, from April 2020 our communications focus moved to messaging around the measures we had put in place to support Canberrans. This included hardship support, our pricing freeze, paused credit collection activities and our ongoing support for vital support organisations such as Lifeline and Menslink. We updated our website to have financial support related information on our homepage, and created a COVID hub with Q&As to provide a source of information and assist in alleviating concerns on the impact of COVID on drinking water. We updated our bill messaging with a focus on financial support, and targeted Canberrans through both radio and digital advertising. We saw a substantial increase in traffic to our financial help page from 1 March to 30 June 2020 compared to 1 March to 30 June 2019.
- In March 2020, as a result of the pandemic we saw an increase in blockages in our sewerage treatment plant as a result of the toilet paper shortage, and the subsequent usage of wet wipes and other wiping materials that do not break down in the network. To respond quickly to the evolving situation, we used radio advertising and our social channels to communicate our draincare messaging to the community with over 80,000 Canberrans reached through social posts alone. We invited media outlets along to our treatment plant to garner media coverage on the topic with the aim of engaging Canberrans to bin, not flush their wipes. At a national level our industry body WSAA worked with retailers to promote 'don't flush' point of sale messages.
- During Spring 2020 we ran a photography competition specifically aimed at a target audience of 18-35 year olds. This audience are likely not to pay a water bill and therefore aren't necessarily financially motivated to save water. Therefore, we connected with them through sustainability and environmental protection. Our goal was to educate this audience on water conservation. The Photo Comp launched on 12 September and concluded 17 November. It was promoted through the RiotAct, Floriade's social media channels, social media advertising (Facebook, Instagram, Tik Tok), Google ads, and Hit 104.7. Our target was to receive 100 entries. We ended up with 723 entries submitted by 329 people across Canberra and the Queanbeyan-Palerang Region. Our Instagram followers grew by 68% to 943, with the most growth occurring during the voting period for people's choice.
- With increased rainfall throughout the second half of 2020, and significant increases in our dam levels, both media and public interest was focused on dam levels. Throughout November 2020, we had over 33,000 visitors to our water storage page alone. Dam levels were mentioned over 55 times in the media from 1 October – 31 December 2020. We continue to proactively remind

the community about the Permanent Water Conservation Measures through radio advertising and on our social channels.

## Metering

**Annual Report: not specifically mentioned in AR**

- The total domestic meter reactive and planned replacement figures for the previous regulatory period was 23,000 and the planned replacement figures for this regulatory period is 37,000.

### Smart metering

- Market research conducted in late 2016 indicated that customers have an interest in smart water meters, however, they have a low level of willingness to pay for the service.
- Having appointed a specialist consultant to complete a market assessment for smart metering, Icon Water is undertaking a trial to include deployment and testing of smart devices and associated networks which is likely to take place 2021 to 2022.
- The ACT Government Smart City network roll out and NB-IoT network offerings from telecommunication companies are likely to provide technology options for consideration for smart metering and smart network trials moving forward.

### Unit metering

- The ACT Government is looking to reform legislation related to unit titles, including in relation to individual metering of all new unit title developments.
- Icon Water currently offers unit metering for single and low-rise developments, upon request – where unhindered access for meter reading and maintenance can be guaranteed.
- However, our current standards and processes do not accommodate unit metering where the meter does not sit on or near the boundary and cannot be readily physically accessed by meter readers and maintenance staff.
- A project to identify and implement changes to Icon Water's internal processes, standards and procedures to ensure we can provide a service offering to customers once the new regulatory changes come into effect started in 2019. This project was placed on hold in 2020 (due to COVID-19) and will recommence in 2021
- The ACT Government have delayed the implementation of new legislation for unit metering with release for new Class B developments (typically ground level) likely in the latter half of 2021 and class A developments (multi-story) 12 months thereafter.

## Rebates and the Consumer Protection Code

**Annual Report: not mentioned in AR but has come up at previous hearings.**

- We are required to meet certain standards in relation to the service we provide to our customers. In circumstances where our service obligations are not met, customers may be eligible for a rebate.
- These rebates are applicable to the following service obligations not being met:
  - connection times (on the same day or as agreed) - \$60 per day/max \$300;
  - responding to a complaint (within 20 working days) - \$20;
  - response times to network faults (6 hours where fault has potential to cause substantial harm to public or within 48 hours) - \$60;
  - planned interruptions (two business days' notice and interruption does not exceed 12 hours) - \$50;
  - unplanned interruptions (services restored within 12 hours) - \$20.

This information is available to our customers via our website.

- In 2019-20, 0 rebates were provided to customers.
- As of 1 July 2020, in any circumstance where we do not meet these service standards a payment of the rebate under the Consumer Protection Code will be proactively paid. Our systems and reporting development was delayed due the complexity of the changes required to our billing and asset management system (Multiple systems, multiple sets of data, reconfiguration, testing and data assurance). We have now worked through the issues, changes and testing process, and are on track to run our first report in early March which will identify and process any rebates that need to be retrospectively applied. The rebates are applied to quarterly bills, so this equates to missing three billing cycles.

Configuration of the billing system restricted our ability to manually process rebates during this period, so we will be making sure that our customer correspondence provides a clear explanation of the date and event or situation that triggered the rebate.

- We have been working to enhance visibility for our customers so they understand their entitlement to a rebate, such as
  - On phone to us
  - Website, more prominence
  - (Auto is not as practical currently, given system challenges) We are working towards automatic rebates being paid where service levels are not met (except in emergency and events outside our control). Currently system constraints to proactively identify those affected customers.

## Plumbing reimbursement

**Annual Report: not mentioned in AR but has come up at previous hearings.**

- The responsibility for internal plumbing remains the responsibility of the property-owner, as detailed in the Water services and sewerage services connection and supply standard contract
- Should a property-owner experience a symptom of blockage, they will typically contact a licensed plumber who will address any internal issues. If the plumber believes the blockage or issue to be downstream in our network, they are required to contact us. Our maintenance teams will then attend and clear the blockage and the plumber will invoice us for costs associated with identifying the fault. The costs will be assessed and reimbursed in line with our standard rates for reimbursement.
- We reimburse customers for reasonable costs associated with a licensed plumber identifying a fault in our network. The standard rates for reimbursement are available on our website.

## FINANCE

### 2019-20 Financial Year end outcome

#### Key facts

- Net profit for 2019-20 was \$80.3m (PY: \$87.1m)
- Dividends paid (cash) to shareholders was \$58.5m (PY: \$71.3m), with additional \$45.4m (PY: \$37.2m) Income Tax Equivalent payments.
- Key management personal payments were \$2.9m (PY: \$3.0m)
- Profit from AAGL joint venture was \$57.8m (PY: \$88.4m)

#### Actual 2019-20 compared to Prior Year

- In 2019–20, Icon Water achieved profit after tax of \$80.3m (2018-19: \$87.1m). The key factors that contributed to this lower performance as compared to last year was lower joint venture income of \$30.6m, which was mainly attributable to reduced electricity and gas margins, volumes and FIT impact, largely offset by increased water revenue driven by the dry conditions early in the financial year.
- In 2019-20, Icon Water achieved a dividend of \$51.3m (2018-19: \$67.8m) and income tax equivalent of \$37.0m (PY: \$40.6m). Reduced profit and increased gifted assets were responsible for the decrease.

	2019-20 Actual	2019-20 Budget	2018-19 Actual	Variance to Budget	Variance to Prior Year
	\$'000	\$'000	\$'000	\$'000	\$'000
Water Revenue	205,803	186,292	183,021	19,511	22,782
Sewerage Revenue	130,470	131,504	129,671	(1,034)	799
Joint Venture Dividend	57,805	71,033	88,403	(13,228)	(30,598)
Other Income	48,453	31,562	30,285	16,891	18,168
<b>Total revenue</b>	<b>442,531</b>	<b>420,391</b>	<b>431,380</b>	<b>22,140</b>	<b>11,151</b>
Less Expenses	325,193	315,554	303,711	(9,639)	(21,482)
<b>Net Profit before Tax</b>	<b>117,338</b>	<b>104,837</b>	<b>127,669</b>	<b>12,501</b>	<b>(10,331)</b>
Less Income Tax (ITE)	37,046	31,451	40,604	5,595	3,558
<b>Net Profit after Tax</b>	<b>80,292</b>	<b>73,386</b>	<b>87,065</b>	<b>6,906</b>	<b>(6,773)</b>
Less Gifted Assets	29,014	12,998	19,285	16,016	9,729
<b>Profits available for Dividend</b>	<b>51,278</b>	<b>60,388</b>	<b>67,780</b>	<b>(9,110)</b>	<b>(16,502)</b>
<b>Effective dividend rate</b>	<b>64%</b>	<b>82%</b>	<b>78%</b>		
<b>Cash paid dividends</b>	<b>\$58.5m</b>	<b>\$62.2m</b>	<b>\$71.3m</b>	<b>(\$3.7m)</b>	<b>(\$12.8m)</b>
<b>Cash paid tax</b>	<b>\$45.4m</b>	<b>\$35.3m</b>	<b>\$37.2m</b>	<b>\$10.1m</b>	<b>\$8.2m</b>
<b>Cash paid TOTAL</b>	<b>\$103.9m</b>	<b>\$97.5m</b>	<b>\$108.5m</b>	<b>\$6.4m</b>	<b>\$4.6m</b>

### Actual 2019-20 compared to 2019-20 SCI Budget

- In 2019–20, Icon Water results were broadly in line with budget expectations. The profit after taxation of \$80.3m was \$6.9m higher than budget expectation although the dividend of \$51.3m was \$9.1m lower than expected.
- Dry conditions resulting in increased water consumption and higher gifted assets were offset by lower joint venture profit (due to margins, volumes and FIT) and represented the main revenue variances.
- Increased depreciation expense related to higher capitalisation of assets drove the expense variance. The taxation expense was higher on the increased profit.
- Overall there was a \$6.4m increase in the cash paid to the ACT Government related to dividend and taxation compared to budget.

### Contributions to the ACT Government

#### *Accruals basis contributions to ACT Government*

	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	<b>Actual</b>	<b>Actual</b>	<b>ACT Govt Budget</b>	<b>Estimate</b>	<b>Estimate</b>
WAC for financial year	\$31.5m	\$33.9m	\$30.6m	\$32.5m	\$33.8m
UNFT for financial year	\$10.7m	\$10.7m	\$10.9m	\$12.5m	\$13.3m
Tax for financial year	\$40.6m	\$37.0m	\$23.0m	\$24.8m	\$31.2m
Dividend for financial year	\$67.8m	\$51.3m	\$42.4m	\$50.0m	\$64.2m
<b>Total</b>	<b>\$150.6m</b>	<b>\$132.9m</b>	<b>\$106.9m</b>	<b>\$119.8m</b>	<b>\$142.5m</b>

#### *Cash basis payments for dividend and tax*

	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	<b>Actual</b>	<b>Actual</b>	<b>ACT Govt Budget</b>	<b>Estimate</b>	<b>Estimate</b>
WAC for financial year	\$31.5m	\$33.9m	\$30.6m	\$32.5m	\$33.8m
UNFT for financial year	\$10.7m	\$10.7m	\$10.9m	\$12.5m	\$13.3m
Tax for financial year	\$37.2m	\$45.4m	\$16.8m	\$23.6m	\$27.0m
Dividend for financial year	\$71.3m	\$58.5m	\$38.0m	\$61.3m	\$69.4m
<b>Total</b>	<b>\$150.7m</b>	<b>\$148.5m</b>	<b>\$96.3m</b>	<b>\$129.9m</b>	<b>\$143.5m</b>

- No cash flow for WAC/UNFT available so have used accruals numbers as guide.

## SCI and ACT Government Budget 2020-21

	2019-20 Actual	2020-21 SCI Budget	2020-21 ACT Govt Budget	2021-22 Estimate	2022-23 Estimate	2023-24 Estimate	2020-21 SCI vs ACT Govt Budget
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Water Revenue	205,803	190,815	182,047	192,868	200,133	206,395	(8,769)
Sewerage Revenue	130,470	133,217	131,176	134,369	136,053	140,448	(2,041)
Joint Venture Dividend	57,805	49,576	36,930	60,245	75,453	79,777	(12,646)
Other Income	48,453	25,952	31,157	26,473	27,508	29,729	5,205
<b>Total Revenue</b>	<b>442,531</b>	<b>399,560</b>	<b>381,310</b>	<b>413,956</b>	<b>439,148</b>	<b>456,348</b>	<b>(18,251)</b>
Less Expenses	325,193	321,648	304,540	331,158	335,266	340,774	(17,107)
<b>Net Profit before Tax</b>	<b>117,338</b>	<b>77,912</b>	<b>76,770</b>	<b>82,797</b>	<b>103,881</b>	<b>115,573</b>	<b>(1,144)</b>
Less Income Tax (ITE)	37,046	23,374	23,019	24,839	31,164	34,672	(355)
<b>Net Profit after Tax</b>	<b>80,292</b>	<b>54,538</b>	<b>53,751</b>	<b>57,958</b>	<b>72,717</b>	<b>80,901</b>	<b>(789)</b>
Less Gifted Assets	29,014	8,000	11,360	8,000	8,550	10,250	3,360
<b>Profits available for Dividend 2020-24 Budget</b>	<b>51,278</b>	<b>46,538</b>	<b>42,391</b>	<b>49,958</b>	<b>64,167</b>	<b>70,651</b>	<b>(4,147)</b>
<b>Effective dividend rate</b>	<b>64%</b>	<b>85%</b>	<b>79%</b>	<b>86%</b>	<b>88%</b>	<b>87%</b>	<b>-6%</b>
Profits available for Dividend 2019-23 Budget	60,388	61,233	61,233	69,049	73,740	N/A	0
Increase/(Decrease)	(9,110)	(14,696)	(18,843)	(19,091)	(9,573)	N/A	(4,147)

### ACT Government budget 2020-21 compared to SCI 2019-20

	2020-21 ACT Govt Budget	2020-21 2019-20 SCI	Difference
	\$'000	\$'000	\$'000
Water Revenue	182,047	190,772	(8,725)
Sewerage Revenue	131,176	133,714	(2,538)
Joint Venture Dividend	36,930	68,347	(31,417)
Other Income	31,157	34,068	(2,911)
<b>Total Revenue</b>	<b>381,310</b>	<b>426,901</b>	<b>(45,592)</b>
Less Expenses	304,540	317,778	(13,237)
<b>Net Profit before Tax</b>	<b>76,770</b>	<b>109,123</b>	<b>(32,355)</b>
Less Income Tax (ITE)	23,019	32,737	(9,718)
<b>Net Profit after Tax</b>	<b>53,750</b>	<b>76,386</b>	<b>(22,636)</b>
Less Gifted Assets	11,360	15,151	(3,791)
<b>Profits available for Dividend 2020-24 Budget</b>	<b>42,390</b>	<b>61,236</b>	<b>(18,846)</b>
<b>Effective dividend rate</b>	<b>79%</b>	<b>80%</b>	<b>1%</b>

- In the ACT Government budget 2020-21 the net profit after tax for 2020-21 of \$53.8m (PY SCI: \$76.4m) was \$22.6m lower than the previous SCI. The dividend for the 2020-21 SCI of \$42.4m (PY SCI: \$61.2m) was \$18.8m lower than the previous SCI.
- Income from the joint venture of \$36.9m (PY SCI: \$68.3m) was the main driver for the change with a decrease of \$31.4m. The primary movement has been the Feed in Tariff given the recent years over-recoveries are being returned to customers. Further the latest numbers incorporate the ICRC decision in June 2020 for reducing the electricity retail price by 2.56%, continued pressures on AAR to remain competitive, reduced volumes as a result of COVID-19 and climatic conditions.
- Water and sewerage revenues of \$313.2m (PY SCI: \$324.5) are \$11.3m lower compared to the prior year. This decrease has been driven by the decision to keep water and sewerage prices in line with the prior year as a direct response to the Covid-19 situation, along with reduced volumes due to the wetter climate and higher dam levels.
- Expenses from the ACT Government budget are \$304.5m (PY SCI: \$317.8m) are \$13.2m lower. This is primarily the result of lower interest expense driven by lower CPI. A number of the Icon Water debt tranches are exposed to movement in the CPI. This saving has been partially offset by lower capitalisation of labour.
- Gifted assets were \$11.4m in the ACT Government budget (PY SCI: \$8.0m) an increase of \$3.8m related to the timing of a small number of developer co-contribution related projects.
- The taxation expense from the ACT Government budget is \$23.0m (PY SCI: \$32.7m) with the drop directly proportional to the decrease in profit.
- Outer years of the SCI are expected to be lower primarily through the decreased joint venture returns and lower gifted assets related to delaying or reclassification of developer co-contribution projects.

#### SCI 2020-21 compared to published 2020-21 ACT Government budget

- The 2020-21 SCI process was completed in the normal timeframes in June 2020. With COVID-19 and the ACT Government elections taking place during the year, the SCI budget was not published as part of the ACT Government budget.
- Icon Water's budget submission to the ACT Government budget was submitted to the ACT Government in February 2021 for the 2020-21 financial year. The submission to the ACT Government was based on the October forecast for 2020-21 with updates for any material changes.
- The 2020-21 budget did not deviate from the 2020-21 SCI materially in respect of profit, taxation and dividends although individual balances such as joint venture revenue, water and sewerage revenue and interest expense did materially move.
- A decision to hold water and sewerage prices constant with 2019-20 and a wetter summer in 2020-21 reduced the budget submitted to the ACT Government for water and sewerage in excess of \$11.8m. The joint venture also decreased by at least \$12.6m from 2020-21 SCI levels.
- Gifted assets increased \$3.4m due to early receipt of privately funded gifted assets in the year.
- Expenses generally are in-line with budget expectations although lower water consumption has reduced the Water Abstraction Cost (WAC) by circa \$2m. A lower CPI has decreased the interest expense substantially by \$17.0m for the purposes of the 2020-21 submission to the ACT Government. These gains are partially offset with lower labour capitalisation.
- With the 2021-22 budget submission due in August 2021, Icon Water will continue to conduct the SCI process in accordance with normal timetables to comply with the TOC Act and update the SCI for material changes known for the August submission date.

- Low CPI and WACC environments are expected to further reduce outer year results with potentially significant impact in the year outside the current regulatory determination.

#### ACT Government budget 2020-21 compared to 2019-20 actuals

	<b>2020-21 ACT Govt Budget \$'000</b>	<b>2019-20 Actual \$'000</b>	<b>Difference \$'000</b>
Water Revenue	182,047	205,803	(23,756)
Sewerage Revenue	131,176	130,470	706
Joint Venture Dividend	36,930	57,805	(20,875)
Other Income	31,157	48,453	(17,296)
<b>Total Revenue</b>	<b>381,310</b>	<b>442,531</b>	<b>(61,222)</b>
Less Expenses	304,540	325,193	(20,653)
<b>Net Profit before Tax</b>	<b>76,770</b>	<b>117,338</b>	<b>(40,569)</b>
Less Income Tax (ITE)	23,019	37,046	(14,027)
<b>Net Profit after Tax</b>	<b>53,751</b>	<b>80,292</b>	<b>(26,542)</b>
Less Gifted Assets	11,360	29,014	(17,654)
<b>Profits available for Dividend</b>	<b>42,391</b>	<b>51,278</b>	<b>(8,889)</b>
<b>Effective dividend rate</b>	<b>79%</b>	<b>64%</b>	<b>15%</b>

- In the ACT Government budget 2020-21 the net profit after tax for 2020-21 of \$53.8m (PY actuals: \$80.3m) is \$26.5m lower than the 2019-20 actuals. The dividend for the 2020-21 budget of \$42.4m (PY actual: \$51.3m) is \$8.9m lower than the 2019-20 actuals.
- Gifted assets are excluded from the dividend calculation, meaning the NPAT reduction between 2020-21 budget and 2019-20 actuals is greater than the dividend reduction.
- Overall, revenue has reduced by \$61.2m in the 2020-21 budget compared to the 2019-20 actuals (2020-21 budget: \$381.3m; 2019-20 actuals: \$442.5m), largely driven by:
  - Water revenue: Lower water consumption assumptions in the 2020-21 budget because of the wetter conditions (\$23.8m)
  - JV investment income: lower revenue primary resulting from the effect of Feed in Tariff fluctuations (\$20.9m)
  - Other income: Mainly driven by lower interest rates (\$17.3m)
- Expenses are \$20.7m lower (2020-21 budget: \$304.5m; 2019-20 actuals: \$325.2m), primarily due to:
  - ACT Govt charges: Lower water consumption volumes generating lower WAC (\$3.3m)
  - Interest expense: Lower interest expense due to lower CPI effecting a number of debt tranches (\$18.1m)
  - Water production: Lower electricity costs driven by favourable water sourcing conditions (\$3.4m)
  - Partially offset with lower labour capitalisation
- Gifted assets are \$17.7m lower (2020-21 budget: \$11.4; 2019-20 actuals: \$29.0m), primarily due additional gifted assets received from the Suburban Land Agency (SLA) in June 2020 for Taylor Stage 2.

### COVID-19 Business Impact

- The impacts of COVID-19 on Icon Water's business are broad and span the delivery of water and wastewater services; employee health and wellbeing and customer service levels.
- The financial impacts for the current financial year are relatively immaterial and have been restricted to lower revenue driven by price freezes, an increase in accounts receivable, the ACT Government provision of rebates to Clubs and hotels for invoice repayment and the provision for bad debts. There has been no impairment on the water and sewerage assets nor the AAGL investment.

### COVID-19 debtors performance

- Arrears for residential water customers is generally holding steady. This is the result of the "blitz" activities underway with the additional resources and ongoing benefits associated with JobKeeper/JobSeeker.
- Generally speaking, where the team make contact, customers are willing to set up a payment arrangement or pay in full.
- The accounts with insufficient contact details are continuing to accumulate debt.
- We would suggest a considered transition back to some BAU collection processes over the coming months (such as field calls, charging interest and changes to the drafting of notices).
- Business arrears is of greater concern, with some large balances outstanding and payment arrangements in place.
- Over the coming months, as the Government support measures end, an increase in residential arrears may also be observed.
- This will continue to be monitored closely and targeted, proactive activities undertaken.

### **Pricing**

- In June 2020 due to potential financial impacts of COVID-19 to the community, we made the decision to "freeze combined prices" and hold them consistent with 2019. This ensured water consumption prices were fixed in accordance with 2019 prices with the supply charge for water and sewerage combined was also held constant overall.
- The freezing of prices meant the ICRC approved bill increase was not applied thereby saving a typical customer \$18 with non-residential customers saving \$50-410. Icon Water has forgone \$3.7m of revenue as a result. The cost of this decision will effectively be met by the ACT Government Budget through a lower dividend by Icon Water.
- ACT Government rebates related to COVID-19 were only applied to clubs during the 2019-20 financial year. As at 30 June 2020, 66 clubs had received the rebate which totaled \$168,000. From 1 July 2020 the rebate also applied to hotels and 163 hotels have been receiving the rebate (refer section 34 – CSO's).
- We continue to deliver the outcomes our customers have told us are important, quality drinking water, reliable supply, quality customer service and environmental sustainability - all while ensuring prices are in line with inflation.
- In terms of the 'cost of living basket', a typical Canberra household pays around \$3.20 a day for their water and sewerage needs in 2020-21.
- Over the following two years – to 2023 – combined bills for residential customers are expected to stay in line with inflation albeit it with a potential increase in 2021-22 as a result of prices being fixed for 2020-21.
- This will see Icon Water's prices remain comparable, and at the lower end, compared to our peers throughout Australia.

- The 2020-21 price change is part of a five year price direction set by the ICRC for the 2018–23 regulatory period. The fixing of prices in the current year was a decision undertaken by Icon Water with the ICRC informed of the decision.

*Water and sewerage services charges 2017-18 – 2022-23 (\$nominal)*

<b>Water charges</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
Supply Charge (\$/cust)	\$104.21	\$120.00	\$140.00	\$146.21	\$180.00	\$200.00
		15.2%	16.7%	4.4%	23.1%	11.1%
Tier 1 Usage Charge (\$/kL)	2.68	\$2.43	\$2.46	\$2.46	\$2.39	\$2.35
		-9.3%	1.2%	-%	-2.8%	-1.7%
Tier 2 Usage Charge (\$/kL)	5.38	\$4.88	\$4.94	\$4.98	\$4.79	\$4.71
		-9.3%	1.2%	0.8%	-0.2%	-1.7%
<b>Sewerage charges</b>						
Sewerage Charge (\$/cust)	537.34	\$531.19	\$527.34	\$521.13	\$505.88	\$495.76
		-1.1%	-0.7%	-1.2%	-3.0%	-2.0%
Sewerage Fixtures (\$/fixture)	525.51	\$519.50	\$515.74	\$509.66	\$494.75	\$484.85
		-1.1%	-0.7%	-1.2%	-2.9%	-2.0%

Actual charges payable from 2021-22 to 2022–23 may differ from the indicative charges in this table if actual inflation differs from forecast inflation, if the cost of debt differs to the forecast cost of debt, or if the cost pass-through mechanism is triggered. Sewerage fixtures fees are only applicable to non-residential customers who have more than two fixtures.

## Debt strategy, borrowings and dividend

Annual Report: pages 107,129,133-135

- Icon Water holds a legislative instrument from the Treasurer approving a maximum \$2.37b borrowing facility (face value).
- At 30 June 2020 Icon Water had circa \$1.8bn of debt with an expectation of further borrowings in the current financial year around \$50m.
- Our current forecast shows the \$2.37bn facility is sufficient for the remainder of the SCI period.
- The borrowings facility limit is revisited with ACT Government on an ongoing basis.
- Icon Water can service its existing debt for the foreseeable future. Our **gearing ratio** is 54.38% at 30 June 2020, and is forecast to remain below 60% for the next 10 years.
- The dividend policy is 100% NPAT less gifted assets
  - Gifted assets circa \$10m-\$20m pa, effective dividend policy payout ratio 80%+ in outer years
  - \$58.5m in dividend was paid to the ACT Government in 2019-20 (effectively 64.3% payout ratio)
- Borrowings
  - Manage existing facilities as they mature, including refinancing.
  - Our borrowings are used to fund our business including our capex programme, the dividend and the ActewAGL joint venture.
- Servicing of debt
  - We can service existing debt for foreseeable future
  - We have sufficient cash flow to meet repayment obligations as they fall due
  - We manage debt ongoing including refinancing
  - As Canberra grows then our debt will grow as our asset base grows

- Causes for our debt increase historically - investing water security major projects and investing 50% share of ActewAGL Distribution capex programme.

## Volumes and per capita consumption

- Consumption data from recent NPRs. Throughout the drought consumptions increased. This was predominately due to dry and hot weather.

*Table 1: consumption data reported in the NPRs over the recent drought*

Year	Residential	Non-residential	Queanbeyan	Unbilled	Total
2017-18	32.3	10.1	4.2	1.4	48.0
2018-19	33.9	11.5	4.7	2.8	52.9
2019-20	35.6	12.0	4.6	3.2	55.3

- Consumption per capita also increased throughout the drought. Total per capita consumption climbed to over 100kL/year (excludes supply to Queanbeyan). Residential consumption climbed to over 80kL/year, equating to a circa 6% increase compared to a more typical year such as 2017-18.
- Comparing 2019-20 per capita performance to the prior year, a rough approximation is that the 5% year on year volume growth is 3% attributed to increase per capita usage and 2% attributed to population growth.

*Table 2: per capita consumption using ACT Government population figures*

Year	Population	Total Consumption	Tot/capita (kL/year)	Residential	Res/capita (kL/year)
2017-18	420321	43.9	104.3	32.3	76.9
2018-19	428509	48.3	112.6	33.9	79.1
2019-20	436635	50.7	116.1	35.6	81.4

- Since the breaking of the drought (February 2020), consumption has dropped off compared to during the drought and compared to budget. This is due to the wet conditions and especially the wet summer. Overall per capita consumption now appears roughly on par to our expectations pre-drought.
- Icon Water has budgeted for the following consumption:

*Table 3: Consumption projection for budgeting purposes*

Year	Consumption (ML)	Connections	Population	kL/connection	kL/capita
2020-21	40922	187575	444651	220	92
2021-22	42183	190042	452590	220	93
2022-23	42602	193515	460440	220	93
2023-24	42860	194715	468195	220	92
2024-25	43515	195915	475856	220	91

- The budgeted number (per capita) is less than the drought years as these were driven higher from the hotter weather. The budget projections are based upon more normal years.
- *Real losses* - No significant increase in real losses, actions we are taking include:
  - Upgrade older connections
  - Planned maintenance program hydrants, valves and distribution mains
  - District water meter monitoring and water mains replacement.
- *Apparent losses* – our focus on apparent losses includes:
  - Increasing standpipe inspections to identify unauthorised consumption
  - Implementation of exception and detection reporting

- Obtain information on authorised unbilled such as fire services.

## Gifted assets and capital contributions

- Gifted assets and capital contributions: circa \$10m - \$20m pa. In 2019-20 Icon Water received \$29m of gifted assets with Taylor subdivision being major reason for uplift.
- Canberra continues to experience considerable growth and this places pressure on our infrastructure.
- The Capital Contributions Code introduced in January 2018 (with an 18 month transition) involves arrangements for funding augmentations required to support growth of our network and community in Canberra's established areas. The motive of Capital Contributions was to establish a long term servicing strategy to fund those required upgrades in equitable way as Canberra grows.
- No income is expected from the developer co-contributions until the next regulatory period. This is related to project delivery timing requirements. Cash is being collected in respect to the Contribution Code.
- Previously, there was inequity in the way costs were recovered for developments that triggered water and sewerage asset augmentation or upgrade in established suburbs.
- The charge for 2020–21 has been reviewed by the Independent Competition and Regulatory Commission (ICRC) and has been determined to be \$1,100, previously \$1,200 for the 2019-20 financial year.
- Cash collected in respect of developer co-contributions is \$1.3m to 31 December 2020 with expectations of approximately \$1m in the next financial year. No developer co-contributions projects have commenced to date with expenditure expected to occur on the first developer co-contribution project within the next 12-24 months.
- In the next 20 years projects include North Canberra sewer augmentation, Woden Valley sewer augmentation and Constitution Avenue sewer. Circa \$4m per annum average spend and received, albeit with spikes and troughs and timing differences.

## WAC and UNFT – ACT government charges

- *Water Abstraction Charges* c\$32m pa
  - Applies to those licensed to take water.
  - Recovers cost incurred by Government including catchment management and environmental costs.
  - \$0.631/kl for year-end 30 June 2021. Forecast +3%
  - WAC announced tail end of June each year, last year 3%, this year forecast 3%.
- *Utilities Network Facilities Tax* c\$12m pa
  - UNFT is payable by owners of any network facility in ACT
  - Tax on the water and sewerage pipes under land - length of route
  - \$1,265/km for year-end 31 March 2020. Forecast +5%.
  - 2020-21 prices frozen due to COVID-19.

## Development and regional relationships

### Development

- We continue to collaborate with Government agencies and developers to enable development within the ACT. We participate in a number of related forums that promote information sharing and support for the industry including the Planning and Construction Industry Chief Executives Reference Group, and the Utilities Working Group.

- Development in the ACT has not slowed down from COVID based upon Icon Water measurable (such as building applications).
- Comments on some of the current key development areas.

#### *Molonglo Valley*

- Development of both Molonglo Stage 2 (south of the Molonglo River) and Stage 3 (north of the river) continues in the suburbs of Denman Prospect and Whitlam.
- Planning and design work on odour control for the Molonglo Valley Interceptor Sewer is ongoing with the ACT Government to deliver the gifted odour control assets.
- Critical time pressures are expected on the project in 2021. Planning for future areas of the Molonglo Stage 3 development is also occurring.

#### *Gungahlin*

- Development of suburbs in Gungahlin (Throsby, Taylor, Jacka) is ongoing.
- The One Tree Hill reservoir which will provide water supply to parts of Taylor (Super High Zone) is expected to be completed in March 2021.
- Planning for development of the suburb of Kenny is continuing with no major issues identified.
- Draft Variation 364 for the Gungahlin Town Centre will result in increased development density and residential development in the town centre area, requiring management and potential minor network upgrades in the area.

#### *Dairy Road*

- The draft variation to the territory plan for this site (DV377) to allow redevelopment, including residential dwellings, has been recommended for approval.
- Water and sewerage servicing plans for the development area have been prepared and received for in principle acceptance by Icon Water.
- The redevelopment of the site is likely to begin in 2021-22 but will take a number of years with residential dwellings not expected on the site for approximately 5 years.
- Odour issues were investigated and addressed through the planning phase but will remain a long-term management issue at the FSTP to minimise the risk of impact on the surrounding development. Icon Water has also advised the ACT government and stakeholders through the process of our intention to seek a Clearance Zone in the Territory Plan to prevent unsuitable development encroaching on the plant and give more certainty to the long-term operations and viability of the FSTP site.

#### *Curtin Horse Paddocks*

- In July 2020 the NCA invited Icon Water to participate in a working group to examine innovative options for servicing their land in Curtin (Curtin, Section 121).
- Icon Water has committed to be part of the working group to assess the technical and economic feasibility of any proposed option. As yet we have not been advised of the commencement of this work.

#### *ACT Racecourse*

- The Canberra Racing Club is looking for a variation to the territory plan to implement the outcomes of their masterplan including significant development of both residential dwellings and commercial premises on site.

- Initial discussions have occurred around water and sewerage servicing on-site and the interaction with neighbouring development sites (EPIC and the Kamberra Winery site).

#### *Western Edge Future Development Area*

- The ACT Government has begun investigations into the future development capability of the Western Edge area. Initial discussions and input has been provided for potential water and sewerage servicing of the area.

#### *Ginninderry*

- We have been meeting regularly with the developers to ensure servicing needs for the development are met. Beyond servicing, we have particular interest in the development due to its location relative to Lower Molonglo Water Quality Control Centre.
- In July 2020 the Parkwood planning proposal was given approval by the NSW Government. This will allow for the development of approximately 5000 new dwellings on the NSW side of the Ginninderry development.
- Ginninderry are currently undertaking work to look at the costs and benefits of various options for water supply to support both the development and Yass Valley Council in general.
- Current options for servicing Parkwood (water and sewerage) include bulk supply to the border and Icon Water owned and operated reticulation.

#### Regional relationships

- We continue to collaborate with our regional partners on a range of topics of common interest.

#### *Yass Valley Council (Parkwood)*

- The Ginninderry Joint Venture (GJV) are currently undertaking investigations into the economic and technical feasibility of a number of options for augmentation of the water supply to Yass and Murrumbateman, this will enable YVC to meet the full potential of their Settlement Strategy.
- Yass Valley Council are in the process of delivering a pipeline to supplement Murrumbateman supply from Yass.
- NSW Department of Planning, Industry and Environment have advised YVC that they will not support plans for a new or rehabilitated water treatment plant despite having received commitment prior to the most recent NSW state election. Any long term servicing of Yass (or Murrumbateman) would require agreement between the ACT, NSW and Commonwealth Governments.
- The YVC stage 1 works, which includes upgrade to the raw water pump station, bubble plume aeration and emergency works at the WTP are due for completion in 2022.

#### *Queanbeyan Palerang Regional Council (QPRC)*

- We continue to have a positive working relationship with QPRC.
- During summer 19-20 Icon Water along with the ACT Government agreed to provide emergency supply to Braidwood through water carting, although it was ultimately not required due to heavy rainfall in February replenishing the Shoalhaven River.
- We are in the process of updating our Service Level Agreement with QPRC to modernise and include service levels for Googong Township and its new water recycling facility. The current pricing agreement will be extended to align with Icon Water's regulatory period.
- We spent considerable time working with QPRC to explore options for a joint regional treatment plant. Following analysis of the options, in June 2018 we determined this joint regional solution would not deliver the best outcome for the region and therefore we have ceased exploration.

### *Cross border Memorandum of Understanding (MoU)*

- A new ACT and NSW Memorandum of Understanding for Regional Collaboration was signed by the NSW Premier, Gladys Berejiklian, and the ACT Chief Minister, Andrew Barr, in June 2020.
- The MoU outlines shared priority areas for collaboration, including the Parkwood Urban Release Area Governance Framework and a Regional Approach to Strategic Water and Land Use Planning.
- The focus on regional water issues includes the establishment of a Cross-Border Water Issue Steering Committee, development of Murrumbidgee Water Strategy and establishment of ACT-NSW Water Trading Framework.
- CMTEDD is currently in the process of developing the terms of reference for the cross-border committee. They are also preparing a paper in collaboration with other ACT government agencies regarding regional strategic land use and water planning. This is expected to be shared with the regional Councils via the CBRJO. Icon Water provided content for the paper originally in 2019 however are yet to see an updated version.

### **ICRC: Regulatory submission and ICRC reviews involving public consultation**

- Current 18-23 determination, prices for the current five year window:
  - Costs includes opex \$705m envelope and capex \$416m envelope
  - Volumes assume:
    - 18/19 orig forecast 41.3GL pa
    - Warmer summer and autumn AND lower rainfalls
    - Forward view - consumption will increase by less than 1% pa driven by population growth, the underlying per capita is decreasing (circa 3% lower by 2024)
    - Pop growth 11% increase, customer numbers 9% increase.
- The ICRC included three reviews as 'reset principles' under the 2018–23 price direction:
  - Incentive mechanisms (complete): the ICRC's final decision (August 2020) was to maintain its existing mechanisms for service standards and form of price control, and not to introduce new incentive mechanisms. This followed from a community consultation process and found that existing mechanisms have been effective in strengthening Icon Water's incentives to operate, invest and deliver services efficiently.
  - Weighted Average Cost of Capital (WACC) (in progress): Icon Water's submission to the issues paper (November 2020) identified several aspects of the ICRC's existing methodology that are working well and should continue and requested that five aspects of the existing methodology be addressed. Two of these areas are: (1) the lack of consistency between the risk-free rate and market risk premium estimates, (2) the ICRC's treatment of inflation. The draft decision has been released earlier this month and has a consultation workshop is imminent.
  - Demand forecast (not yet started): the ICRC's review is expected to set the demand forecast methodology that will be used for setting prices for the 2023–28 regulatory period. The scope of the review will be confirmed when the ICRC releases its issues paper in March 2021.
  - In November 2020, the ICRC also released a consultation paper on the utility licence update. In our submission, we advised that we are broadly comfortable with the proposed changes and provided some comments on the requirement to notify the UTR of material breaches and the continued inclusion of firefighting clauses in the licence. The licence review was finalised and the new licence issued on 9 February 2021. The revised licence will commence on 1 March 2021. The licence update achieves three main objectives:
    - ensures licence reflects the current regulatory framework

- reduces regulatory duplication and reporting burden on licenced utilities
  - clarifies certain clauses so their intent is clear.
- We are preparing for the ICRC's 2023–28 price investigation and price decision process, which is expected to formally start in December 2021 when the ACT Treasurer releases the terms of reference.

## Water trading and Murray Darling Basin Water Efficiency Program (MDBWEP)

### Water Trading

- From an ACT Government perspective, we understand that a water trading framework is required for the following purposes:
  - Enable the ACT's potential involvement in the Murray-Darling Basin Water Efficiency project.
  - Support water security and supply within the ACT and surrounding NSW region.
  - Enable the participation of the Ngunnawal Traditional Custodians in the Basin water trading market and access to water entitlements.
  - Enable market access to ACT water license holders within the connected resources.
- From Icon Water's perspective our objectives for a trading scheme are: to balance social, economic and environmental considerations to achieve the best value for our water entitlements and ensure long term water security to meet the needs of Canberra and its regions. An agreed framework would allow us:
  - To purchase paper water from other Murray Darling Basin regions to effectively increase the sustainable diversion limit (SDL); and
  - To sell physical water to maximise return on value of our assets
- The ACT Government is currently working through a mediation process with NSW and the Commonwealth in order to develop an agreed framework.
- This could have implications for Icon Water depending on the preferred approach accepted by all parties, both in respect to Icon Water being the major entitlement holder in the ACT and also as a system operator (releases from dams or discharge from Lower Molonglo).
- There are still a number of issues to resolve, Icon Water is a key stakeholder and is being kept informed of progress. We will also be required to provide input into modelling activities at later stages. Whilst negotiations are underway they could take a long time to resolve.

### Murray Darling Basin Water Efficiency Program (MDBWEP)

- The ACT Government has committed to investigating up to 15GL<sup>2</sup> of water savings to contribute to improved environmental outcomes in the Murray-Darling Basin. The Commonwealth Murray Darling Basin water efficiency program offers up to 1.75 times the market value of water to pay for water savings projects that will enable the transfer of entitlements to the Commonwealth Environmental Water Holder (CEWH).
- The transfer of entitlements will result in the reduction of the ACT SDL. The current SDL is 42.7GL with current consumptive use around 25GL. Icon Water allowance under the ACT Water Resource Plan is 35GL.
- A program of work to understand the regulatory requirements, the technical feasibility, socio-economic impact and impact on security of supply is currently being undertaken by the Environment, Planning and Sustainable Development Directorate (EPSDD).
- Icon Water is a key stakeholder and we are working closely with the ACT Government to understand any impacts on our business, our customers and the broader community.

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<sup>2</sup> This was committed by the ACT at a Ministerial Council meeting in June 2018, however the technical feasibility report shows that the volume to be considered will be less than this.

- One of the key criteria of the Commonwealth program is that the projects must have neutral or positive socio-economic outcomes.
- Icon Water will continue to work closely with EPSDD and Treasury as the Options paper is developed and will form an overall position based on the ability of the selected option to protect our water security and minimise any impact on our customers and community. The Options paper is due to be finalised in Quarter 1 of 2021.

## Community Service Obligations

**Annual Report: page 126**

### Community Service Obligations

- Water and sewerage services are provided at 50% price discount for the consumption charges to community organisations such as schools and churches. In 2019–20 there were 467 half price sewerage customers (14,243 fixtures) and 370 water customers. Typically these rebates total approximately \$6m pa.

### ACT Government Economic Survival Package

- Two water and sewerage supply charge rebates have been administered on behalf of the ACT Government in response to the economic downturn brought on by COVID-19. During the period 1 March 2020 to 31 December 2020 \$1.6m of rebates were provided to the following customers:
  - All 66 club customers deemed eligible by the ACT Government received the rebate for 2 quarters until 30 September 2020 (\$0.4m).
  - 69 of 71 eligible hotel customers have applied and received the rebate (\$1.2m). The rebate will continue until 30 June 2021 with a similar rebate expected for the remaining quarters.

### Staying Connected Hardship Program

- At 30 June 2020 there were 207 customers with an average debt of \$1,259 (total of \$260,613). If a customer makes 5 consecutive payments, Icon Water will credit an amount equal to the payments being made up to \$50. The program resulted in Icon Water making incentive payments of \$28,158 during the financial year.
- Since June 2020 there has been a small increase in the number of customers entering the hardship program. At 31 January 2021 there were 277 customers on the program who had an average debt of \$1,322 (total of \$366,143). Icon Water increased the credit amount up to \$100 from July 2020.

## Water security and outlook

**Annual Report: pages 58 to 61**

### **Before the drought**

- The ACT's level of water security was high. The ACT Government has set a service level – to meet unrestricted water demand 95% of the time i.e. we operate the system to ensure that in any given year there is a less than 5% chance of water restrictions according to modelling. The last major review of the modelling assumptions was undertaken in 2012 (these are critical to the water security assessment). Note that the modelling does include a climate change projection. The reasons for confidence in the water security were:
  - We were meeting the required level of service level comfortably (~1.4% chance of restrictions when up to 5% is satisfactory).
  - With 50,000 years of stochastic data we never run out of water.
  - We would need a drought significantly worse than the Millennium Drought (the worst drought on record) to enter temporary water restrictions – or said another way, a repeat of the worst drought on record would not even require water restrictions.

- The high level of water security was due to the major infrastructure projects constructed during the Millennium Drought.

### **The Recent Drought**

- Icon Water's total dam storage volumes fell from capacity to a low of 44.4% in February 2020 over three and half years. Temporary water restrictions could have been required in 2020 if the rain had not come. Note that whilst the duration was shorter, the recent drought was significantly more severe than the Millennium Drought.
- Decreased rainfall saw the 2019 calendar year being the driest year on record in terms of dam inflows.
- In response Icon Water worked with the community, Queanbeyan Palerang Regional Council (QPRC) and various partners to reduce community water use with the launch of the Care for Water Campaign.
- The conditions also triggered actions in the Source Water Strategy including:
  - Review the modelling assumptions
  - Create a drought contingency plan
- These actions have evolved into a Water Resources Model (WRM) upgrade and development of a Drought Management Plan (DMP). These actions are ongoing and will be completed in 2021.
- The need to upgrade the WRM came from the review of the assumptions and lessons from using it during the recent drought. Also, the last eight years of data can now be incorporated into the model.
- The DMP was developed to provide a planned and adaptive approach to respond to worsening drought conditions. We now have our first version and are using it to define actions that need to be built into a second version. In accordance with the DMP, we now consider that we are in recovery phase.

### **Recovery Phase**

- According to DMP Version 1, Icon Water is now in recovery phase. Our storages have recovered to 98.03% (19 February 2021) and even under 90th percentile conditions, it is not expected that total dam storage volume will fall below 90% over the summer period. With a strong La Niña event forecast to continue through until February 2021 it is likely that we will remain above 90% through until at least mid-2021.
- A Lessons learned workshop regarding Icon Water's response and preparedness for the drought has been held. These lessons will be incorporated into version 2 of the DMP, which will also describe our adaptive drought portfolio of supply and demand options.
- Whilst the urgency has reduced with respect to the timeframes of some water conservation activities, staff are continuing to progress the DMP to embed our planning and processes in preparation for future droughts.
- Both Icon Water and the ACT Government undertook separate consultative forums related to water security during 2020 and both of these forums identified that there is a need to review the current definition of water security. Icon Water intend to pursue this with ACTG as part of the review of its Source Water Strategy (to commence 2021).
- Once the WRM upgrade is complete the water security assessment will be repeated using the new model and modelling assumptions (Q1 2021). This will then also feed into the review of the Source Water Strategy.

- The Canberra community is water-wise and we will continue to proactively encourage the community to apply the permanent water conservation measures in place.

### Water sources

The table below shows when each source was last used and the estimated cost (using updated cost values from 2020).

Source	Year Built	Usage	When last used
Bendora	1961	Cheapest, preferred source when supply is plentiful	Current Source 29/01/2021
Googong	1979	2 x Bendora cost	December 2020
Murrumbidgee to Googong	2012	3 x Bendora cost	August 2020
Cotter	1915 (2013 enlarged)	3 x Bendora cost	January 2021 for pump maintenance August 2020 for water supply
Murrumbidgee to Stromlo	2007	3 x Bendora cost	April 2010

- Now that the drought is over we have been sourcing from the cheapest source; Bendora/Corin. However, overdue maintenance on some assets has meant that Googong has also been sourced in the past 12 months. This has significantly reduced operational costs due to reduced pumping of raw water.

### Murrumbidgee to Googong pipeline (M2G)

#### Annual Report: page 59

- The final report of the Public Accounts Committee (November 2018), published in March 2019, recommended that Icon Water include in the annual report a clear definition of each operating mode of the M2G pipeline and record the time and associated costs in each mode. Icon Water's actions to meet this recommendation include: providing information on M2G in our Business Strategy and this year's Annual Report. Our response to the Committee's QToN-12 and QToN-13 provided detail on costs.
- Depending on the climate conditions, rainfall, river flows and water demand, the M2G can be in one of three modes.
  - Operational mode:** the system is operating and transferring to increase Googong reservoir storage levels.
  - Standby mode:** the system is ready to run, all components are in place and being operated routinely for maintenance purposes.
  - Suspension mode:** parts of the system may be decommissioned requiring lead time before start up. No water can be transferred.
- The M2G moved into Operational Mode in late September 2019, however it only began pumping water from late February 2020. This was predominately due to low Murrumbidgee River flows but also a short period where poor water quality prevented operation.

- The M2G delivered approximately 4.5GL of water over 6 months. Whilst it was not operated during the peak of the drought, the quicker recovery of storages in Googong Dam would have been invaluable in the case that the winter rains missed the ACT.
- Mini hydro on the M2G helps reduce operating costs. During 2019-20 use of the mini hydro during M2G operation generated ~594,000 kWhs, equivalent to 17% of the energy to run M2G .
- The M2G was moved to Standby Mode from Operational Mode on 27 August 2020 as storages had recovered sufficiently to not require transferring water from the Murrumbidgee.
- M2G originally cost circa \$141m. The carrying value is fair value and is independent of the mode.

## Energy investment

### Annual Report significant references:

Page	Summary of content
6	We manage an investment in the ActewAGL Joint Venture valued at approximately \$1.0bn.
10	Overview of our energy investment, including the formation of the joint venture, an overview of ActewAGL Retail and ActewAGL Distribution.  This page also outlines our investment objectives, being to: <ul style="list-style-type: none"> <li>○ Maximise return for our shareholder; and</li> <li>○ To have regard to the ACT Government's ambitions in relation to liveability, planning, sustainability and climate change, and a commitment to CSR.</li> </ul> There is also an overview of the high level governance arrangements in place within the JV (more information on this is provided below in the 'Background and governance' section).
11	ActewAGL JV corporate structure
62	Although not specifically related to our investment, there is a minor mention of the activities we are undertaking to develop our sourcing strategy, noting that this involves ActewAGL.
97	Reference to our investment ActewAGL as a proportion of total assets (being \$1.04bn or 27% of a total asset base of \$3.8bn).
108	Likely developments and expected results of operations: Mention of proposed formation of ActewAGL New Energy (AANE). Further information on this is provided in the relevant section below.
229	ActewAGL SPR
Various	There are various references to ActewAGL in the financial statements for Icon Water, Icon Distribution Investments Limited (IDIL) and Icon Retail Investments Limited (IRIL) and in the interests of brevity they have not been included here.

### Background and governance

- Icon Water manages an investment in an energy joint venture (ActewAGL) through two partnerships. The ActewAGL Retail (AAR) partnership is owned 50% by Icon Water and 50% by AGL Energy. The ActewAGL Distribution (AAD) Partnership is owned 50% by Icon Water and 50% by Jemena.

- Icon Water has two subsidiary companies, Icon Retail Investments Limited (IRIL) and Icon Distribution Investments Limited (IDIL) that manage the respective interests in AAR and AAD. The boards of IRIL and IDIL (each comprising the same board directors as the Icon Water Board) are held to discuss matters relating to the performance of the energy investment at the same frequency of the Icon Water Board.
- Icon Water maintains oversight of the energy investments via: three of the six appointed directors on the ActewAGL JV Partnerships Board; the IRIL and IDIL Boards, and an Icon Water Board annual energy investment strategy discussions. These entities are supported by a small team within Icon Water's Finance and Strategy Group which is responsible for providing advice on the performance of Icon Water's investment in ActewAGL.
  - Of the six directors that sit on the ActewAGL JV Partnerships Board, three are nominated by Icon Water, two directors are nominated by Jemena and one from AGL.
  - The role of the Chair of the Board is rotated between the joint venture partners every two years according to the following sequence: Icon Water, Jemena, Icon Water, AGL. As of October 2020, Damien Nicks of AGL was appointed as the Chair of the Board following the completion of a two year term by Dr Tom Parry (one of Icon Water's representatives). Wendy Caird is the current Deputy Chair of the Board.
  - Management representatives of each of the three joint venture partners meet from time to time to discuss matters relevant to the ActewAGL joint venture.
- Icon Water's two subsidiary boards (IRIL and IDIL) regularly monitor the performance of the energy investment using a range of performance metrics including;
  - IRIL
    - Gross margin
    - Customer churn
    - Long term retail price
    - New revenue streams
    - Staff engagement
    - Customer satisfaction
  - IDIL
    - Return on investment (ROI)
    - Safety
    - Reliability of supply
    - Staff engagement

#### ActewAGL Distribution significant matters

##### *Electricity networks – 2019-24 regulatory period*

- Evoenergy is currently in the second year of a five-year regulatory period the electricity networks (covering the period 1 July 2019 to 30 June 2024). Prices are broadly flat for this current period.
- The Australian Energy Regulator (AER) is responsible for determining the prudent and efficient costs for Evoenergy to safely operate its electricity network over the five-year period.

- Electricity network costs make up approximately 27% of the total retail electricity bill, with other components comprising; wholesale energy costs, transmission costs, retail costs, jurisdictional charges (i.e. large-scale Feed-in-Tariff costs) etc.

#### *Gas networks – 2021-26 regulatory period*

- Evoenergy provided a final submission to the AER on 13 January 2021 for the gas network access arrangements for the period 1 July 2021 to 30 June 2026. The submission puts forward the prudent and efficient costs to safely operate the gas network in the ACT over the five year period, noting that the costs of doing so are recovered through customer pricing.
  - The final submission builds on the draft submission put forward by Evoenergy in July 2020 and the AER's draft decision in November 2020.
    - In its draft decision, the AER materially accepted a number of key elements of Evoenergy's GN21 plan, including a forecast rate of return and opex which included a proposal to reduce the economic lives of some ACT new gas assets from 80 to 50 years (high-pressure mains) and from 50 to 30 years (medium-pressure mains).
    - In its draft decision, the AER materially accepted Evoenergy's capex forecast however requested additional information to support assumptions regarding demand for gas over the 2021-26 period.
  - The final submission also takes account of updated demand for gas on the back of the ACT Government's announcements (within its recently released Parliamentary and Governing Agreement) regarding its proposal to investigate ceasing mandatory connections to the gas network in Brownfield developments from 2023.
    - The intention to cease mandatory connections within Greenfield suburbs was included in Evoenergy's draft submission and accepted by the AER in its draft decision. This was on the basis that the intent to do so was clearly articulated in the ACT Climate Change Strategy 2019-25.
- In the coming months, the AER will commence engaging with customers and community participants on Evoenergy's submission ahead of making a final decision in April 2021 for prices to take effect from 1 July 2021.

Extract from AER draft GasAA determination Nov 2020 for 2021-26:

*The revenue we allow Evoenergy forms the distribution network component of retail gas bills, making up 28 per cent of a typical residential bill and 22 per cent for small businesses.*

*Other key components of the bill include wholesale gas, transmission and retail costs. While we do not regulate retail prices, we estimate that if this draft decision is implemented, compared to current levels, average annual bills for Evoenergy's consumers would:*

*decrease by \$26 (2.1 per cent) for residential consumers and \$232 (1.7 per cent) for small business consumers in the first year*

*increase by \$8 (0.6 per cent) for residential consumers and \$69 (0.5 per cent) for small business consumers in each of the next four years of the 2021–26 period.*

*By the end of the 2021–26 period, bills for residential and small business consumers will have increased by \$5 (0.4 per cent) and \$44 (0.3 per cent), respectively.*

#### *Large scale feed-in-tariff (FiT)*

- The large scale FiT scheme started in 2012–13.
- The ACT Government has contracts with renewable energy suppliers, using a FiT to provide them with a constant market price.

- The FiT is equal to the ACT Government contract price less the current market price and is collected from customers by Evoenergy on the ACT Government's behalf and passed onto renewable energy suppliers.
- By 31 December each year, Evoenergy is required to submit an Application for Reasonable Cost Determination (RCD) to the Minister for Climate Change and Sustainability. This application details the amounts to be recovered from customers to cover the forecast payments to large-scale generators for the coming financial year, as well as taking into account amounts over or under-recovered from customers in prior years. Once approved, the amounts in the RCD are submitted to the AER by Evoenergy in circa March each year ahead of the AER making a final annual pricing determination for the coming financial year.
  - When forecasting customer prices each year, Evoenergy applies a forecasted market price. If market prices are higher than forecast, the FiT payments to suppliers are lower and if market prices are lower, the FiT payments to suppliers are higher.
- Due to significant fluctuations and volatility in the National Energy Market, historically there have been over-recoveries of FiT payments from customers which have been returned to customers via lower prices in subsequent years.
  - In its 2020-21 pricing proposal to the AER, Evoenergy included the repayment of the following amounts to customers that were over-recovered:
    - Repayment of the final (third) instalment of the 2017-18 over-recovery.
    - Repayment of the final (second) instalment of the 2018-19 over-recovery.
    - Repayment of the first (of two) instalments of the 2019-20 over-recovery.
- During 2020, the wholesale electricity price was substantially lower than forecast and led to an under-recovery of FiT payments from customers in the first half of 2020-21. These amounts are proposed to be recovered from customers in 2021-22 subject to approval by the Minister for Climate Change and Sustainability as part of the existing RCD process, the outcome of which is currently unknown.
- Continued volatility in the energy market is likely to impact on the FiT in future years and network charges will be balanced by Evoenergy accordingly.

*Premium feed-in-tariff (FiT) (same as small and medium scale FiT scheme)*

- Premium FiT was offered to residents in the ACT from March 2009 to July 2011. It provides a tariff for customers who generate electricity from eligible solar photovoltaic systems, for 20 years from the date of installation, provided they stay connected to the network.
- Evoenergy is responsible for the administration of the ACT Government's premium solar feed-in tariff scheme (FiT) under the Electricity Feed-in (Renewable Energy Premium) Act 2008.
- An internal audit into Evoenergy's reporting of data about the territory's feed-in-tariff scheme was completed in September 2019 by Protiviti on behalf of the Environment, Planning and Sustainable Development Directorate (EPSDD). The report highlighted some weaknesses regarding Evoenergy's systems, internal controls and monitoring / reporting of the scheme at the time. The report noted that Evoenergy had undertaken a number of actions to remedy the issues identified and provided a range of recommendations to address further matters identified.

## ActewAGL Retail significant matters

### *Utilities concession scheme*

- From 1 July 2017, all concession card rebates are applied to an electricity account. The intent of this change is to make the concessions accessible to more households. This now provides extra relief to eligible renters who previously were not able to access the water and sewerage rebate. The water and sewerage rebate was available to community members with an eligible concession card to reduce their water and sewerage charges and assist with the cost of living.
- The maximum rebate is currently \$700 per household.

### *COVID-19 response*

- From March 2020, ActewAGL Retail has implemented a range of measures to support customers as they navigate the challenges associated with COVID-19. This includes offering various support options to residential and business customers who may need assistance paying their bills
  - Offering tailored payment extensions and payment plans
  - Ceasing any electricity disconnections of residential customers provided they are in contact with ActewAGL
  - Immediate reconnection of electricity to residential premises when requested, including waiving associated fees.
  - Pausing late payment fees and debt collection activities for customers suffering financial hardship
  - Providing advice on available concessions and rebates, including \$750 rebate for small business customers, \$1,000 rebate for cafes and restaurants (in addition to existing utilities concession of \$700 and one-off \$200 rebates for eligible residential customers).
  - Providing access to ActewAGL's 'Staying Connected' Program where financial support can be tailored to individual customers (including being extended to small business customers).
  - Enabling customers to check they are on the best energy plan
  - Providing advice including energy saving tips.

### *Retail electricity regulation*

- In the ACT, ActewAGL's retail electricity prices are regulated by the ICRC (Independent Competition and Consumer Commission) each year. The current regulatory arrangements will remain in place at least until 30 June 2024.
  - Retail gas prices are not regulated in the ACT.
- In June 2020, taking into submissions from ActewAGL, other retailers and interested community participants, the ICRC handed down its retail electricity price determination for the 2020-21 financial year. The outcome was a decrease in retail electricity prices equal to 2.56%.
  - An average residential household consuming about 6.500 KWH per year would see a \$43 reduction in their annual bill.
- As part of the decision, the ICRC recommended to the ACT Government two enhanced price transparency measures to assist consumers in making a decision about their retail electricity provider (refer below).
  - In January 2021, the ACT Government asked the ICRC to implement measures for improving the transparency and comparability of electricity price offers. These

measures include determining an appropriate reference bill and varying the Consumer Protection Code to improve the information available to energy consumers for comparing offers.

#### Other significant matters

##### *New energy*

- At the time the Annual Report was published, ActewAGL management had been progressing with a proposal to establish a new entity within the Joint Venture (jointly owned by the three existing owners) to explore new energy activities Annual report reference (pages 108 / 179 / 209).
- Whilst the new energy entity is not yet established, ActewAGL continue to pursue new energy activities complementary to their core distribution and retail businesses. This includes:
  - Holding a 50% investment in SolarHub since 2017, a local residential and commercial solar panel and battery installer.
  - ActewAGL is in the process of building a hydrogen refuelling station at the existing compressed natural gas (CNG) refuelling station on Mildura Street in Fyshwick. The refuelling station will initially supply hydrogen to a fleet of 20 hydrogen-powered vehicles purchased by the ACT Government and is expected to commence operating in the first half of 2021.
  - Investigating the production and injection of renewable hydrogen into the gas network via a demonstration facility located at the Fyshwick CIT campus. The project is seeking to determine whether hydrogen could be safely and reliably transported via the ACT gas network by utilising a range of materials and instrumentation used across the ACT in a small scale, closed loop network.
  - Owning and operating a small fleet of circa 13 public electric vehicle (EV) charge points located across the ACT.

##### *Net Zero by 2045*

- The JV is supportive of the ACT Government's target to achieve net zero emissions in the ACT by 2045.
- ActewAGL is focussed on how it can support the ACT Government's target to transition away from natural gas by 2045. At present, natural gas emissions account for circa 20% of the ACT's total greenhouse gas emissions (as of 1 October 2019 when 100% renewable electricity was achieved).
- Both renewable gas and renewable electricity are on the table

**Renewable gas** is combustible fuel that is obtained from renewable resources and is carbon-neutral.

- Some examples of renewable gas include:
  - hydrogen, where water is split into hydrogen and oxygen by electricity obtained from renewable wind, solar or other renewable electricity sources
    - Evoenergy is working with the Australian National University on a research initiative around three elements: producing hydrogen from excess renewable energy: hydrogen usage as a storage medium: and a renewable energy source that can be used directly or injected into the ACT gas distribution network. Evoenergy is also actively working with the industry bodies and ACT Government on a number of trials to facilitate introduction of Hydrogen in gas network and path to convert ACT gas distribution network to meet ACT Government's net zero emission targets.

- bio-methane, extracted from waste streams that would otherwise emit methane when decomposing for example in landfill
    - Evoenergy is working on a business case for a pilot scheme to convert organic waste to biogas in an anaerobic digester, to inject the renewable gas into the ACT's gas distribution network. to capture CO2 for reuse and to generate soil enrichment fertiliser as part of the contribution to a closed cycle carbon neutral economy.
  - renewable hydrogen and carbon dioxide which are combined to make renewable methane.
- Evoenergy is working in partnership with CIT, ANU and Deakin University to research and test the use of hydrogen on the existing gas network.
- Other network distributors like Evoenergy around Australia are investing in large-scale hydrogen and bio-methane projects and sharing their research findings—all aimed at transforming Australia's energy economy in the shortest possible timeframe.
- With renewable gas, we can create a system where all energy is sourced from renewable sources, at any time of day, throughout the year, creating a reliable, quality, affordable network.

### **Renewable electricity**

- The ACT is already 100% renewable for the existing electricity consumption. Evoenergy is responsible for collecting receipts from customers (via energy retailers) and making payments to large-scale generators for renewable electricity on behalf of the ACT Government. Via these arrangements the ACT officially achieved 100% renewable electricity on 1 October 2019.
- Transitioning our current gas customers to renewable electricity for all their energy requirements is another option we can consider to achieve the net zero greenhouse gas emissions target while maintaining use of the gas network. Some considerations of gas network electrification include the:
  - additional peak demand for energy on the electricity network
  - investment required to upgrade the electricity network peak capacity
  - need to upgrade capacity of electricity transmission infrastructure to bring more electricity to the ACT, and
  - retiring the gas network and upgrading and disposal of existing gas appliances.
- The key consideration of network electrification is the additional demand on the electricity network. Around 75 per cent of all Canberra households use gas, and over winter, gas provides 55 to 60 per cent of Canberra's total energy needs. Residential consumers mainly use their gas for space heating and water heating, which creates defined daily demand peaks on the gas network that are hard to satisfy using the equivalent electricity.
- To cope with the addition demand, we would need to install around 3,000 MW of new generation capacity in large-scale and small-scale renewables and batteries, which represents double the current theoretical electrical capacity and triple what is generally achievable. Given the majority of this investment would be passed directly onto customers through network charges, we need to consider the cost impact network electrification would have on Canberrans.
- AAD is transitioning to becoming a Distribution System Operator. Building a two-way energy market for customers that enables efficient utilisation of customer and network assets, to both generate electricity and access new energy products.
  - With growth in batteries, EV, solar (aka distributed generation, energy storage, electrification of transport and decarbonisation) then EvoEnergy need to respond accordingly and transition to be a DSO.

- Active innovation projects include:
  - Community batteries in West Belco and Jacka
  - Residential battery trial in Ginninderry
  - Realising EV to Grid services

Partnering with others such as Energy Networks Australia, ARENA, Jemena, developers.

## INFRASTRUCTURE

- To maintain Icon Water’s level of service to our users and communities, we have adopted an integrated approach to the long-term provision of water and sewer networks ensuring consideration to future growth and needs of our community.
- Current and future capacity challenges have been identified within our sewerage assets, particularly at the Lower Molonglo Water Quality Control Centre (LMWQCC). This is reflected in the high priority projects at the LMWQCC. On the other hand the capacity of our water network is meeting demand. However, investment in water distribution (particularly at distribution reservoirs) will be necessary to renew the assets to continue sustainable delivery of service.
- “Planning for retirement for replacement of major end of life assets“ is recognised as a Business priority. This priority seeks to review the long-term plans for our assets, in particular set the future direction of the Canberra sewerage to ensure prudent and efficient investment in the upcoming regulatory periods.

### Capital expenditure

#### Annual Report: pages 65 to 70

- In 2019–20, Icon Water delivered \$110m of capital works to further grow and improve the network to meet future demands and protect our natural environment. We achieved our budgeted spend this financial year.
- Our biggest investment has been a major program of works at the Lower Molonglo Water Quality Control Centre (LMWQCC) to replace aged assets at risk of failure and to meet environmental regulations, as well as the renewal of a significant amount of aging pipes in both the sewer and water networks. Our Annual report provides detail on several of the major projects for 2019-20.
- Icon Water’s capital program is \$417m nominal over the regulatory period from 2018–23.
- The capital expenditure commitment for 2020–21 is approximately \$102m, with the outer years of the regulatory period anticipated to be \$89m and \$48m in 2021–22 and 2022–23 respectively.
- The key Capital Work projects are shown below:

	Expenditure in 2019/20	Estimated total project cost	Estimated completion date
Belconnen Trunk Sewer Augmentation	\$1.5m	\$27.2m	May 2022
LMWQCC High Voltage Asset Renewal	\$2.7m	\$44.2m	October 2023
O'Connor Reservoir Roof Replacement	\$0.4m	\$9.9m	January 2023
Water mains renewals	\$14.5m	\$27.6m	September 2021
Sewer main renewals	\$10.3m	\$24.7m	February 2022
Googong WTP Clarifier Renewals	\$6.6m	\$14.5m	March 2022
One Tree Reservoir	\$3.9m	\$10.0m	June 2021
LMWQCC Tertiary Filters and Disinfection System Upgrade	\$10.7m	\$43.1m	March 2022

LMWQCC Solids Handling	\$9.7m	\$73.2m	October 2021
Water Network EIMC	\$5.4m	\$20.8m	June 2024
Mugga Reservoir Roof Replacement	\$2.9m	\$7.4m	March 2021
Crace Ginninderra Ventilation Stack Relocation	\$3.2m	\$5.7m	June 2021

## Belconnen trunk sewer augmentation

### Annual Report: page 68

- The Belconnen trunk sewer was constructed in the 1960s and its capacity needs to be increased to meet population growth.
- Details of the Belconnen Trunk Sewer Augmentation is on page 68 of the Annual Report.
- The detailed design is nearing completion with construction expected to commence in mid-2021.
- The Belconnen trunk sewer upgrades will comprise four projects. The revised Environmental Impact Statement (EIS) and concurrent Development Application (DA) for Project 1, 2.4km pipeline and Odour Control Unit (OCU) at North Latham were resubmitted in June 2020 to EPSDD. The EIS has now been deemed complete with approval of the DA provided by EPSDD on 23 December 2020. The DAs for Projects 2-4 (OCUs at Latham, Florey and Evatt) were approved in the first half of 2020.
- Revision of the DA for Project 1 included amendments based on feedback: reduction of impact areas to reduce the number of impacted trees, open cut trenching over Companion Crescent (rather than tunnelling), and relocation of a secondary construction compound. Pre-DA consultation also resulted in relocation of the Latham OCU (Project 2) and partnering with Ginninderra Catchment Group to restore the pipeline corridor to enhance ecological value by planting native grasses.
- Assessment of upgrades to the pipe bridge over Ginninderra Creek to accommodate a pedestrian and bike path concluded that whilst a bike path would provide benefit to the local community, these upgrades were cost prohibitive (and such costs would be borne by the broader Canberra community).
- Delays to the project timeline have been experienced due to prolonged negotiations prior to the award of the D&C contract, impacts of COVID-19 and additional time associated with completing the detailed design phase.
- Construction works are expected to commence in the first half of 2021 and be completed in 2022 (this includes site restoration).
- Significant consultation informed the DA and EIS submissions. Consultation included drop in sessions, community newsletters, community walks, email update to those who registered an interest into project, BCC meetings
- There is ongoing consultation on:
  - Finishes for OCUs (we expect to be using muralled art).
  - Delany Court playground (Melba): Ongoing discussions with ACT Government regarding playground.

## Lower Molonglo Water Quality Control Centre upgrades

### Annual Report: page 66

- LMWQCC was constructed in the 1970s and as such significant components of the plant are now in the process of being replaced or upgraded.
- The major projects continued or completed at LMWQCC over 2019–20 works are detailed on page 66 of the Annual Report.
- Works are progressing on the High Voltage Asset Renewal project to replace aging electrical assets that currently pose a risk to reliable operation of the plant.
- Icon Water is currently investigating suitable ways for biosolids treatment and end use at LMWQCC to enable us to recover resources as efficiently as possible. This work will help us develop a long term management strategy to potentially replace the existing treatment system when it reaches end of its service life around 2030.
- Works are progressing on the waste stream investigation project which will lead into the planned closure of the Coppins Crossing discharge site which is required by late 2020. Consideration of management of the existing biomass stockpiles at LMWQCC and management of alum sludge coming from the WTPs will also be included in this investigation.

## Network

- We operate and maintain more than 3,300 km of water and 3,300 km of sewer pipes across ACT.
- Works within the network are summarised below:

Activity	2019-20	2018–19
Proactive Sewer mains cleaning	247.5 km	216 km
Burst water mains repair	456	491
Sewer mains and Ties chokes unblocked	5743	4854
Sewer mains renewal	14.68 km	14.28 km
Water mains renewal	14.84 km	4.56 km

- These programs ensure we are continually maintaining and renewing the aging water and sewerage networks and replacing sections of infrastructure where faults have historically occurred.
- Over the 2019–2023 period, 47.8kms of sewer mains and 26.3kms of water mains are planned to be replaced or renewed.
- We are faced with a trade-off between network reliability and providing fair and affordable pricing. The decision to maintain the current level of sewer asset performance has been informed by the customer preferences and willingness to pay studies which identified that households were not willing to pay for increased spending on proactive investment in the sewerage network.
- Our sewer blockage rate has increased from 72.1 blockages per 100km in 2018–19 to 83.8 blockages per 100km in 2019–20 per year.
- Our proactive maintenance programs aim to clear tree roots and identify sewer mains for repair or replacement to manage the number of blockages.
- 90% of blockages are caused by tree roots infiltrating our sewer mains. This is predominately due to the dry weather conditions which has led to a decrease in the soil moisture content. There is a correlation between the decrease in soil moisture content and the increase in sewer blockages. However, there are some factors within Icon Water's control which also impact on the number of sewer blockages. The UTR have previously been briefed on a range of improvement initiatives that have recently been implemented including a review of the methodology for cleaning, resource utilisation and cleaning equipment. Further initiatives have been identified across the business that may address the risks associated with sewer blockages.

- Rains received since July have increased soil moisture and consequently sewer blockages/chokes have decreased. Between July and December 2020 we saw a 28% decrease in total blockages relative to the same period in 2019. This trend seems likely to continue whilst we continue to receive rain.

### Dam safety

- Our recent reviews and routine inspection programs provide assurance that there are no significant structural issues with the dams, or dam safety risks to staff or to our community.
- Every 10-20 years, an independent external Safety Review is required for each dam. The status of this review for each of our dams is as follows:
  - Bendora Dam interim review is complete. Full review due 2021-22
  - Cotter Dam was reviewed when constructed and the next review is due 2028
  - Googong Dam review completed 2018 and accepted by the UTR
  - Corin Dam review completed 2018 and accepted by the UTR
  - LMWQCC bypass dam review completed 2018 and accepted by the UTR.
- In June 2015, JACOBS presented their **Initial Assessment of Potential Flood Mitigation for Communities Downstream of Googong Dam Final Report**, to Icon Water and Queanbeyan City Council. The purpose of the report was to undertake a review of the potential benefits and costs that could be associated and flood mitigation options – such as flood hydrology, hydraulics, flood damage and flood damage assessment methodologies. The review was undertaken specifically in the context of the 2010 flood event.

### Fireflows

- In December 2018, we signed a renewed Deed of Agreement with ACT Fire & Rescue, which provides for flows significantly greater than required in many major cities in Australia.
- We have higher fireflow standards than other jurisdictions. The non-complying sections of our water main were identified by a theoretical model which we are in the process of verifying against actual network performance.
- We are working closely with ACT Fire & Rescue, who have not reported any practical concerns on low flow or pressure experienced in these areas.

### Drinking Water Quality

#### Annual Report: 56

- Overall our water quality is high. We provide over 130 million litres of treated water each day and we take drinking water quality very seriously.
- In 2019-20 there were seven notifiable events to ACT Health as per the Public Health (Drinking Water) Code of Practice (2007). These did not affect our compliance. In 2018–19 there were six notifiable events.
- Our [Annual Drinking Water Quality Report 2019–20](#) was publicly released in October 2020.

### COVID-19 testing of sewerage

- Icon Water has facilitated two parties access to raw sewage samples from the Canberra community. Australian National University is provided with and analyses a single sample on a weekly basis. The sample is collected by Icon Water staff from the LMWQCC and is an aggregate representation of the sewage entering that day.

ACT Health has engaged a contractor to access five locations within the sewerage network across the ACT on a weekly basis. They arrange all transport and analysis of these samples via a Sydney laboratory. To date, one sample from the Belconnen District, taken on the 26<sup>th</sup> January 2021, has returned a positive COVID-19 detection.

## DIGITAL

### Digital projects

#### Annual Report: page 64

- As the Canberra region grows and the regulatory environment changes, it is critical that we upgrade our systems and utilise technology to improve operational efficiencies.
- Icon Water, like many other businesses, is faced with the reality that many of our existing systems and applications are at end-of-life. This gives us an opportunity to consider new investments which will improve our ability to efficiently and effectively manage our assets, operations and service our customers.
- Our system renewals will ultimately bring about greater levels of support for our customers. At the moment, benefits are primarily only visible internally. This will shift to the customers, as we progress with the digital projects.
- Our current focus is on improving the reliability, quality and efficiency of our operational technology, reporting and analytics as opposed to information technology platforms which will be addressed as part of our longer term plans (NOVA and Digital Strategy)
  - Operational technology – systems that are central to the management and operation of a water business that are key to our sustainable success (e.g. Geographic Information Systems, SCADA, Works & Asset Management)Information technology – general technology employed by a business of our size (e.g. financial, human resources, payroll, billing).
- Initiatives and Projects include:
  - Stabilised the works and asset management system and transitioned to BAU support. Enhanced capability in automated scheduling of planned maintenance programs, reporting functionality, replacing paper-based processes and work crews able to create follow on works from the field.
  - Enhanced cyber security maturity by introducing management and technical controls including governance, threat awareness and increased monitoring.
  - Coordinated rapid COVID-19 response to ICT operational needs of the business, including facilitating all office based staff to work from home.
  - Migration to 200+ online forms and workflows replacing paper and manual processes.
  - Commenced upgrades to the fleet management system.
  - Optimised cloud infrastructure to improve performance, resilience and reduce costs.
  - Commenced upgrades to the risk and incident management system.
  - Commenced upgrades to the SCADA core network and system software to improve system security, performance, reliability and provide operational insights and reporting on OT data sets.
  - Upgraded the SharePoint Online system which has improved electronic document management practices, efficiencies and collaboration.

### Works and asset management replacement

- A works and asset management system is fundamental to our business. It manages our water and wastewater assets and the works required to maintain those assets. This project replaced the existing end-of-life WASP (scheduling) and Waterworks (emergency corrective work in the network) and is based on the Oracle Works and Asset Management (WAMS) utility solution.

- Our new works management platform is aimed at improving performance and reducing impacts to customers.
- The Oracle WAMS product suite (WAM- Work and Asset Management, MWM – Mobile Workforce Management, OUA – Oracle Utilities Analytics) was selected through a competitive procurement process.
- This project was completed in May 2019 and has delivered a functioning system with implementation and migration activities still underway across the business. These include decommissioning of legacy systems like WASP, Water Works, and Permits. Since operational, the business has identified multiple enhancements as business improvements to bring about greater efficiencies in their day-to-day operations.
- Support of the systems (WAM, MWM and OUA) through Oracle is shifting due to a number of factors:
  - Oracle has focused its investment from WAM to its cloud based offering WACS. Oracle is having reservations in implementing any enhancements / support requests in their non-cloud offerings (WAM and MWM). This means that Icon Water may not be able to take advantage of enhancement/ advancements in the product roadmap.
  - MWM is reaching its end of life by 2023 and is being replaced by OFSC (Oracle Field service cloud) by Oracle. This gives us an opportunity to consider new investment in Mobile work force area.
  - Oracle has replaced OUA with OUAV (Cloud-based offering) and does not have a roadmap for OUA.
- It is important to structure / timeline the upgrades (WAM – WACS) or replacements (MWM to either OFSC or a similar mobile solution) along with business improvements and undelivered functionality so that applications in use are supportable by vendor as well as meeting our business needs.
- As such we have are developing a 5 year road map setting the direction for Icon Water Asset Systems including development of Business Enhancements. Options will consider timing, value for money, fitness for purpose and support.

## Cyber-security and privacy controls

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- Cyber security remains a top priority to protect our critical infrastructure environment, customer, and billing information.
- We face the same challenges that all businesses do in this evolutionary digital environment.
- While we are not aware of any successful cyber-security attacks, we are regularly looking at the areas of vulnerability and continuously reviewing our cyber threats.
- Icon Water has a joint internet traffic monitoring program in place with ActewAGL. This has provided us with a number of minor alerts from time to time. Icon Water has taken a holistic risk management approach to Cyber-security ensuring security is built into all digital solutions and processes from the ground up, thereby reducing risks to acceptable levels. We continue to undertake technology upgrades, infrastructure upgrades, staff education and improved processes to support our ability to detect, prevent, respond to and recover from any cyber based event.
- Icon Water has implemented a number of information security management and governance controls such as an Information Security Management System (ISMS) in alignment with ISO27001:2013 to help and support information security management of the organisation.

- Icon Water has reviewed its cyber security maturity and developed an appropriate risk response to address immediate cyber security risks. We are currently revising our Security Strategy and have also completed an independent assessment of our cyber security readiness, which has informed our security program priorities.
- As part of our cyber security uplift, all suppliers of cloud-based offerings that Icon Water consume have prior cyber-security checks and independent assurance before go-live, this includes ensuring applications throughout their development lifecycle are subject to secure-by-design principles and practices in alignment of security standards. All new cloud based applications undergo independent penetration testing and are the subject of architectural reviews prior to going live.