



ICRC
independent competition and regulatory commission

ISSUES PAPER

Review of sewerage tariff and liquid trade waste charging

Report 7 of 2025, November 2025



The Independent Competition and Regulatory Commission is a Territory Authority established under the *Independent Competition and Regulatory Commission Act 1997* (the ICRC Act). We are constituted under the ICRC Act by one or more standing commissioners and any associated commissioners appointed for purposes. Commissioners are statutory appointments. Richard Owens is the current Senior commissioner who constitutes the commission and takes direct responsibility for delivery of the outcomes of the commission.

We have responsibility for a broad range of regulatory and utility administrative matters. We are responsible under the ICRC Act for regulating and advising government about pricing and other matters for monopoly, near-monopoly and ministerially declared regulated industries, and providing advice on competitive neutrality complaints and government-regulated activities. We also have responsibility for arbitrating infrastructure access disputes under the ICRC Act.

We are responsible for managing the utility licence framework in the ACT, established under the *Utilities Act 2000* (Utilities Act). We are responsible for the licensing determination process, monitoring licensees' compliance with their legislative and licence obligations and determination of utility industry codes.

Our objectives are set out in sections 7 and 19L of the ICRC Act and section 3 of the Utilities Act. In discharging our objectives and functions, we provide independent robust analysis and advice.

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Correspondence or other inquiries may be directed to the Commission at the following address:

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We may be contacted at the above address, or by telephone on (02) 6205 0799. Our website is at www.icrc.act.gov.au and our email address is icrc@act.gov.au.

Acknowledgement of Country

The Independent Competition and Regulatory Commission acknowledges the Ngunnawal people as traditional custodians of the land and recognise any other people or families with connection to the lands of the ACT and region.

We acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region.

How to make a submission

This issues paper provides an opportunity for stakeholders to give feedback and evidence to inform the development of the commission's draft report. It will also ensure that relevant information and views are made public and brought to the commission's attention.

Submissions on the issues paper close on **10 February 2026**.

Submissions may be mailed to the commission at:

Independent Competition and Regulatory Commission
PO Box 158
Canberra City ACT 2601

Alternatively, submissions may be emailed to the commission at icrc@act.gov.au. The commission encourages stakeholders to make submissions in either Microsoft Word format or PDF (OCR readable text format – that is, they should be direct conversions from the word-processing program, rather than scanned copies in which the text cannot be searched).

For submissions received from individuals, all personal details (for example, home and email addresses, and telephone and fax numbers) will be removed for privacy reasons before the submissions are published on the website.

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The commission may be contacted at the above address, by telephone on (02) 6205 0799 or via the commission's website at www.icrc.act.gov.au.

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Summary

We are undertaking a review of the sewerage tariff structure applied by Icon Water and the need for a liquid trade waste tariff in the Australian Capital Territory (ACT). The current sewerage tariff structure has remained largely unchanged for over 20 years. Residential customers pay a fixed annual charge, while non-residential customers pay a fixed charge plus an annual fee per flushing fixture above two. The ACT does not have a separate charging framework for liquid trade waste, meaning businesses that discharge high-impact wastewater are not paying their share of the costs they place on the sewerage network.

Past reviews have identified a number of issues with the current tariff structure. These include potential misalignment between charges and the actual cost drivers of providing sewerage services and concerns about the flushing fixtures being an inequitable proxy measure. Issues have also been raised regarding cross-subsidisation, where households and low-impact discharging businesses are effectively covering for the network costs incurred by high-impact discharging businesses in the absence of a liquid trade waste tariff.

By revisiting these areas, the commission aims to address these long-standing issues and promote better economic, social, and environmental outcomes for the ACT community. A well-designed tariff framework can provide stronger incentives for efficient water use and responsible waste management, helping reduce pollution and protect sewerage infrastructure. It also ensures costs are allocated fairly, supporting affordability for households and encouraging businesses to invest in sustainable practices that benefit the broader community.

This review focuses on the structure of the tariff, rather than the pricing of the tariff. It is intended to be revenue neutral, meaning total revenue for Icon Water will remain broadly the same, with changes only impacting how charges are distributed among customers. The emphasis of the review is on sewerage and trade waste tariffs for non-residential customers, although the commission also welcomes feedback on sewerage tariffs for residential customers. The commission expects to implement changes resulted from this review in the 2028 regulatory period.

This issues paper is the first step in the consultation process, and we invite all stakeholders, including households, businesses, and community groups, to provide their views by making submissions during the consultation process. After we release our draft report, we will call for further submissions and may hold a public forum to hear directly from interested people, depending on the level of public interest. We expect to release our final decision in February 2027.

The closing date for submissions on this issues paper is 10 February 2026.

1. Introduction

Icon Water provides sewerage services to customers in the ACT and recovers the costs of service provision through the sewerage tariff. As the ACT's economic regulator, the Independent Competition and Regulatory Commission (the commission) regulates the sewerage tariff to ensure customers pay no more than they need to for safe and reliable services.

The commission is conducting a review to examine whether the current sewerage tariff structure – a fixed supply charge applied annually to all customers and, for non-residential customers, an additional charge applied per flushing fixture above two – remains fit for purpose. The review will also assess the need for a dedicated liquid trade waste pricing framework, noting the ACT is the only Australian jurisdiction that does not currently charge for liquid trade waste.

This review presents an opportunity to address historical concerns associated with the wastewater charging framework and promote long-term economic efficiency for the ACT community. We are seeking feedback on the economic, social, and environmental issues identified and views on the need for a more effective wastewater charging regime for the ACT. Any recommended changes resulting from this review are expected to be implemented in the regulatory period commencing 1 July 2028.

1.1 Purpose and scope of the review

The purpose of this issues paper is to formally notify stakeholders that the commission is reviewing the sewerage tariff structure and will seek input on all relevant issues.

The review focuses on the structure of sewerage tariffs for non-residential customers and the potential introduction of a dedicated liquid trade waste charging framework. However, the commission is also interested in views on the sewerage tariff structure for residential customers. The objective is to ensure that the charging framework remains cost-reflective, equitable, transparent, and capable of supporting efficient use of the sewerage network.

The review's scope is limited to the tariff structure – that is how charges are designed and allocated across different customer groups – rather than the overall level of prices or revenue allowance. The overall price level and revenue allowance are determined separately through the commission's periodic price investigation.

Box 1.1 Prices versus tariffs

- **Price** – The monetary amount a business charges a customer for a good or service. Prices can be expressed on a per unit basis (e.g., x dollars per kilolitre of potable water), or as a fixed amount for a particular service (e.g., x dollars for an annual service fee).
- **Tariff** – A structured collection of individual prices or charges that defines how costs are allocated and recovered among customer groups. A tariff schedule specifies both the structure and level of these prices, including any differentiation between customer classes (e.g., residential vs. non-residential).

For sewerage service, a typical tariff combines a fixed annual charge to recover infrastructure costs, with a variable component based on usage. The consumer's final bill is the sum of the fixed charge and the volumetric usage multiplied by the applicable price.

1.2 Understanding wastewater streams

Sewerage services manage wastewater from both domestic and non-domestic sources. Understanding the differences between these sources is important because they have different characteristics, impose different costs on the sewerage network, and may warrant different tariff structure.

Domestic wastewater refers to wastewater generated from common household activities, such as flushing toilets, bathing, and laundry. It is generally consistent and predictable in both volume and composition.

Non-domestic wastewater includes all other wastewater discharged to the sewer other than domestic wastewater, originating from commercial, industrial, and community premises. Its volume and characteristics can vary widely. Within the non-domestic category, wastewater can be further divided into 2 main types based on their impact on the sewerage network:

- Low-impact discharges, which are similar in nature to domestic wastewater and can be managed within standard treatment processes
- High-impact discharges, commonly referred to as liquid trade waste, which may contain fats, oils, grease, chemicals, or other pollutants that increase the risk of blockages, corrosion, and infrastructure damage and require additional or more intensive treatment.

Across Australia, non-residential customers generally pay the standard sewerage access charge applicable to all properties and may pay an additional liquid trade waste charge, reflecting the higher treatment costs and risks.

In the ACT, non-residential customers currently pay only the standard sewerage charges. No separate liquid trade waste charge exists, meaning costs of managing the liquid trade waste are being shared across all sewerage customers, regardless of the characteristics or impact of the wastewater they discharge.

1.3 Concerns raised in past reviews

Icon Water's current sewerage tariff has remained unchanged since 2003-04, but several limitations have emerged:

- **Lack of cost reflectivity:** The 2016 Tariff Structure Review¹ noted that the current tariff structure does not provide effective price signals to promote efficient provision and use of the sewerage services. However, we maintained the tariff structure due to the predominantly fixed nature of Icon Water's service costs and the absence of a reliable measure of actual discharge volumes.
- **Flushing fixture as an inequitable proxy for usage:** During the 2023-28 Price Investigation², hotel and accommodation providers raised concerns that using flushing fixtures to measure wastewater is inequitable and inefficient. They claimed that hotels and accommodation properties often have more flushing fixtures but place less demand on the sewerage network than residential or commercial office properties.
- **Cross-subsidisation for liquid trade waste dischargers:** While Icon Water is required to approve and manage liquid trade waste, the current tariff framework does not charge for liquid trade waste. This results in high-impact commercial and industrial dischargers not contributing proportionally to the costs they impose on the sewerage network, creating cross-subsidisation from residential and low-impact commercial customers. The 2016 Tariff Structure Review noted support for introducing a cost-reflective liquid trade waste tariff in the future.

In light of these issues, the commission included a requirement to review the sewerage tariff structure in the 2023-28 Price Direction³. This review presents an opportunity to address these concerns and promote economic efficiency in the long-term interest of the ACT community.

1.4 Review timeline

We propose to adopt the indicative timeline set out in Table 1.1.

Table 1.1 Indicative timeline for the sewerage and liquid trade waste charging review

Release of issues paper	6 November 2025
Submissions on issues paper close	10 February 2026
Release of draft report	September 2026
Submissions on draft report close	October 2026
Final report	February 2027

The closing date for submissions on the issues paper is 10 February 2026. We will consider written submissions received by the closing date in developing our draft report and may conduct a public hearing after we release the draft report.

¹ A final report of the tariff structure review 2016-17 is available on our website: <https://www.icrc.act.gov.au/water-and-sewerage/tariff-review-2017>

² A final report of the regulated water and sewerage services prices investigation 2023-28 and submissions are available on our website: <https://www.icrc.act.gov.au/water-and-sewerage/regulated-water-and-sewerage-services-prices-202328>

³ The price direction of the regulated water and sewerage services 2023-28 is available on our website: https://www.icrc.act.gov.au/data/assets/pdf_file/0004/2215462/Price-Direction-2023-28.pdf

1.5 Structure of the paper

This issues paper is structured to facilitate a logical discussion and consultation process:

- Chapter 2 outlines the commission's pricing principles and the regulatory framework guiding the review.
- Chapter 3 describes the current structure of sewerage tariffs in the ACT and compares it with approaches used in other Australian jurisdictions.
- Chapter 4 examines the rationale for establishing a dedicated liquid trade waste charging framework.
- Appendix 1 lists our objectives under the ICRC Act.
- Appendix 2 provides an explanation of the pricing principles.
- Appendix 3 compares residential and non-residential sewerage tariffs across Australian jurisdictions.
- Appendix 4 compares liquid trade waste charging frameworks across Australian jurisdictions.

2. Our objectives and pricing principles

2.1 Our role and objectives

The commission is the independent economic regulator for Icon Water's water and sewerage services in the ACT. Our regulatory approach is governed by the ICRC Act, which requires us to adopt a balanced approach to decision-making.

Our statutory objectives, set out in section 7 of the ICRC Act, are to promote effective competition in the interests of consumers while facilitating an appropriate balance between economic efficiency, environmental and social considerations.

When making price directions, section 19L of the ICRC Act also requires us to focus on the long-term interests of consumers by promoting efficient investment in, and operation of, regulated services into the future, with regard to price, quality, safety, reliability and security.

This framework requires us to perform a critical balancing act: ensuring consumers receive reliable services at the lowest price, while enabling Icon Water to recover its prudent and efficient costs and earn an appropriate return on investment. In achieving this, we must consider environmental and social factors, service quality standards, and consumer preferences. Our regulatory approach is designed to deliver both safe, high-quality utility services and reasonable prices.

Our detailed objectives under sections 7 and 19L of the ICRC Act and the provisions we must consider under section 20(2) of the ICRC Act, are provided in Appendix 1.

2.2 Government policy context

There are ACT Government policies and national agreements that are relevant to tariff design and pricing in undertaking this review.

The ACT Water Strategy 2014-44: Striking the Balance

The ACT Water Strategy sets out the ACT Government's long-term framework for managing the Territory's water resources. It aims to achieve three overarching outcomes: (1) a safe and secure water supply; (2) a sustainable water supply used efficiently; and (3) healthy catchments and water bodies.

The Strategy's objectives have direct implications for sewerage services. Maintaining water quality and promoting water recycling require investment in advanced wastewater treatment and reuse infrastructure. Coordinated planning across the water cycle ensures sewerage services are resilient to population growth, urban densification, and climate change, while supporting efficient cost recovery through tariffs.

National agreements

The ACT is a signatory to the *Murray–Darling Basin Agreement*, an intergovernmental agreement that sets limits on water diversions from Basin resources. While primarily focused on water quantity, these limits indirectly influence the volume of wastewater returned to the system and the overall management of water resources in the Territory.

The *National Water Initiative (NWI)*, to which the ACT is a party, commits governments to adopt best practice water pricing and institutional arrangements. The *NWI Pricing Principles*⁴ provide a national reference point for economically efficient pricing of water and sewerage services, including guidance on cost recovery, tariff structures, and treatment of externalities.

2.3 Our pricing principles

The pricing principles are drawn from the ICRC Act, supporting government policy, and accepted regulatory practice. They ensure our decisions are transparent, principled, and recognise that trade-offs between competing objectives are inevitable. These principles have been consistently applied in previous major reviews, including the 2016 Tariff Structure Review, and water and sewerage price investigations.

We use economic efficiency as our starting point but weigh this against social and environmental impacts. Efficiency is critical, as emphasised by section 19L of the ICRC Act, but the ultimate objective is to serve the long-term interest of consumers, which requires consideration of equity and other social impacts.

The principles that guide our work are detailed in Table 2.1 with further explanation in Appendix 2.

⁴ Details of NWI pricing principles are available on Australian Government website: [National Water Initiative pricing principles - DCCEEW](#).

Table 2.1 Regulatory objectives and pricing principles for water and sewerage tariffs

Objective	
Overarching interpretation	To promote efficient investment in, and efficient operation and use of, regulated services for the long-term interests of consumers in relation to the price, quality, safety, reliability and security of the service. The various aspects of economic efficiency are given emphasis but with the ultimate objective being the long-term interests of consumers. ‘Economic efficiency’ when properly defined encompasses environmental objectives. Consumer interests must take account of equity and other social impacts, as required by the ICRC Act. Economic efficiency considerations related to pricing are a starting point but need to be balanced with environmental and social considerations.
Pricing principles	
1. Economic efficiency in use	Regulated prices should promote the economically efficient use of Icon Water’s water and sewerage services infrastructure and should also encourage economically efficient use of the water resource itself. This includes having regard to uneconomic bypass where water supply is sourced from a higher cost alternative.
2. Economic efficiency for investment and operation	Regulated prices and supporting regulatory arrangements should facilitate the efficient recovery of the prudent and efficient costs of investment and operation. The finance recovery aspect of this principle is often described as ensuring revenue adequacy or financial viability. Costs also need to be efficient, which is primarily dealt with by auditing and incentive-sharing mechanisms.
3. Environmental considerations	Regulated prices and complementary mechanisms should ensure that environmental objectives are effectively accounted for.
4. Community impact – gradual adjustment	Any change to prices or other regulatory arrangements that will have substantial consumer impacts should be phased in over a transition period to allow reasonable time for consumers to adjust to the change.
5. Community impact – fair outcomes for low-income households	Adverse impacts on households with low incomes need to be limited or moderated by phasing and other compensating mechanisms or limits on changes to regulated prices or other regulatory arrangements.
6. Regulatory governance – simplicity	Regulated prices and their form should be simple for consumers to understand and straightforward for the utility to implement.
7. Regulatory governance – transparency	Regulated prices should be set using a transparent methodology and be subject to public consultation and scrutiny.

Question 1

Do you have any comments on our pricing principles?

3. Sewerage service tariff

This chapter examines the ACT's current sewerage tariff framework, compares it with those used in other Australian jurisdictions, and identifies key issues with the current framework.

3.1 Sewerage services and pricing in the ACT

Icon Water is the ACT's sole provider of sewerage services which include the collection, transport, and treatment of wastewater discharged from residential and non-residential properties. In 2023-24, 203,431 properties were connected to Icon Water's sewerage system, with 36,718 megalitres of sewage collected and treated.

Since 2003-04, the ACT has applied a simple charging framework where:

- residential customers pay a uniform fixed annual supply charge, regardless of property type, occupancy, or usage.
- non-residential customers pay the same fixed supply charge, plus an additional annual charge per flushing fixture (in excess of two).

Table 3.1 shows sewerage services tariffs in the ACT over the past 10 years.

Table 3.1 Sewerage tariffs, 2016-17 – 2025-26 (\$, nominal)

	2016-17	2017-18	2018-19	2019-20	2020-21
Supply charge (\$/year/connection)	529.38	537.34	531.19	527.34	521.13
Fixture charge* (non-residential, \$/year/fixture)	517.73	525.51	519.50	515.74	509.66
	2021-22	2022-23	2023-24	2024-25	2025-26
Supply charge (\$/year/connection)	506.30	502.18	535.79	579.25	617.21
Fixture charge* (non-residential, \$/year/fixture)	495.16	491.13	524.00	566.50	603.63

Note: *For every additional flushing fixture greater than two.

The current sewerage tariff structure provides transparency, administrative ease, and stable revenue. However, it does not differentiate between customers with varying wastewater volumes or characteristics, limiting incentives for efficient water use and wastewater management.

For non-residential customers, the fixture-based charge introduces a basic form of capacity-based element, as the number of flushing fixtures serves as a proxy for the potential load a property may place on the sewerage system. While this provides some recognition of capacity requirements, it remains a simplified approach that does not reflect actual discharge volumes or strength, and provides only limited alignment with cost drivers.

The 2016 Tariff Structure Review considered potential alternatives such as volumetric pricing, but concluded that the existing structure should be retained due to practical implementation considerations, such as the absence of reliable wastewater metering and the limited efficiency gains relative to the administrative effort.

Box 3.1 Key sewerage charging concepts

Sewerage tariffs can be designed to align more closely with the costs imposed on the system. Two key concepts commonly applied in Australian jurisdictions are:

- **Capacity-based charging** allocates costs according to the potential load a customer places on the sewerage system and treatment capacity. This can be measured through connection size, the number of fixtures, or assessed peak discharge. By doing so, customers who require greater network or treatment capacity contribute proportionally to system costs, ensuring a fair allocation based on demand.
- **Volumetric-based charging** determines part of the customer's bill based on actual or estimated wastewater discharge volumes. This approach provides a strong incentive for efficient water use and effective management of trade waste. Volumetric-based charges can also be adjusted for discharge strength or pollutant load, allowing the costs of treatment to be more accurately reflected in customer bills.

3.2 Sewerage charges in other jurisdictions

Across Australia, sewerage charging approaches are generally more complex than those of the ACT. Many jurisdictions have moved beyond simple fixed charges to better align bills with the costs of service provision, particularly for non-residential customers. See Appendix 3 for a sewerage tariff comparison across jurisdictions for 2025-26.

3.2.1 Residential sewerage charges

Residential sewerage tariffs in Australia remain predominantly fixed, with a small number of utilities incorporating volumetric charging components.

Most jurisdictions adopt a fixed-only approach, where households pay a single, flat sewerage charge regardless of property characteristics or wastewater volume discharged.

Some utilities apply a variation of the fixed charge, linking it to a proxy measure of the property's potential sewerage load (i.e. capacity-based charging). For example, Hunter Water in New South Wales charges a higher fixed rate for a house than for a unit or townhouse, while TasWater in Tasmania bases its fixed charge on Equivalent Tenements⁵.

Other utilities apply a fixed-plus-variable approach that includes a volumetric component in addition to the fixed charge. The volumetric charge is usually calculated based on households' water consumption. For

⁵ ETs are a standard unit used by TasWater to assess the sewerage impact of different properties. One ET represents the typical sewage load from a standard residential property, with non-residential properties assigned ETs based on factors such as floor area, number of occupants, or other relevant measures. Charges are proportional to the number of ETs assigned. TasWater plans to transition to a fixed-plus-variable approach for both residential and non-residential tariffs from 2026-27.

example, Unity Water in Queensland charges a fixed service fee plus a volumetric charge based on 90% of a household's water usage.

3.2.2 Non-residential sewerage charges

The fixed-plus-variable model is the dominant charging approach for non-residential customers, particular in metropolitan areas. This approach is preferred because non-residential wastewater profiles vary drastically in volume and characteristics, making a simple fixed fee both inequitable and inadequate for cost recovery. Under this approach,

- The fixed component is generally based on the size or number of water meters on the site (a capacity-based measure), which recovers the cost of providing and maintaining sewerage infrastructure.
- The variable component is determined based on the estimated volume of wastewater discharged, typically adjusted using discharge factors⁶ to account for variations in water use across different property types.

For example, Sydney Water applies a fixed annual service charge that varies by meter size, ranging from \$600 (for a small 20mm connection) to nearly \$600,000 (for a large 600mm connection). Additionally, the utility applies a volumetric charge (e.g., \$1.44 per kilolitre of water consumed), which is then adjusted by a discharge factor (e.g., 95% for most commercial properties) to estimate the flow into the sewer.

Only a small number of utilities currently maintain fixed-only charges for non-residential customers:

- Icon Water and PowerWater apply a fixed service charge supplemented by fees for flushing fixtures or sanitary fittings, which is a capacity-based approach.
- TasWater bases charges on ETs and plans to transition to a fixed-plus-variable approach from 2026-27.
- SAWater applies property value-based charges.

In summary, most Australian jurisdictions have adopted, or are moving toward, a hybrid tariff model that combines fixed and volumetric elements to better reflect the underlying costs of service delivery. Box 3.2 provides an illustrative comparison of non-residential sewerage charging approaches. Further detailed analysis and comparative data will be provided in the draft report.

⁶ A discharge factor is the percentage of metered water consumption estimated to enter the sewerage system from a non-residential property. It reflects the type of property and the activities conducted on-site. For example, Sydney Water assigns a discharge factor of 50% for public reserves and 95% for most commercial or industrial properties.

Box 3.2 Comparing sewerage charges under different charging approaches

To illustrate the difference in sewerage charges under 2 types of charging approaches, we compare charges for 3 typical office buildings in Canberra using Icon Water's current fixed-only model and a hypothetical fixed-plus-variable model. The buildings differ in water usage and number of flushing fixtures.

Assumptions:

- Standard sewerage charge: \$617.21/year
- Additional charge for flushing fixtures above two: \$603.63/fixture
- Hypothetical volumetric charge: \$1.36/kL (illustrative only)*
- Wastewater discharge factor: 95% of water usage

Scenario 1: Fixed-only (Icon Water current approach)

Building	Water usage (kL/year)	Number of fixtures	Standard sewerage charge	Additional fixture charge	Total annual charge
A	4,000	7	\$617.21	$\$603.63 \times 5 = \$3,018.15$	\$3,635.36
B	6,000	7	\$617.21	$\$603.63 \times 5 = \$3,018.15$	\$3,635.36
C	4,000	20	\$617.21	$\$603.63 \times 18 = \$10,865.34$	\$11,482.55

Scenario 2: Fixed-plus-variable (usage-based, hypothetical)

Building	Water usage (kL/year)	Number of fixtures	Standard sewerage charge	Usage-based charge	Total annual charge
A	4,000	7	\$617.21	$\$1.36 \times 4,000 \times 95\% = \$5,168$	\$5,785.21
B	6,000	7	\$617.21	$\$1.36 \times 6,000 \times 95\% = \$7,752$	\$8,369.21
C	4,000	20	\$617.21	$\$1.36 \times 4,000 \times 95\% = \$5,168$	\$5,785.21

Note: *\$1.36/kL is a notional figure used to illustrate how a fixed-plus-variable approach would affect different buildings. This purpose is to demonstrate the relationship between water usage and sewerage costs under a usage-based model, rather than to reflect an actual Icon Water's rate.

Key insights

- Under Icon Water's current approach, sewerage bills are driven primarily by the number of flushing fixtures rather than water usage. Buildings with many fixtures can pay significantly more, even if their water consumption is relatively low.
- A fixed-plus-variable approach follows a 'user pays' principle, where bills increase with water consumption. Water-intensive buildings would therefore pay more under a volumetric approach.

3.3 Issues with the current framework

The ACT's sewerage tariff framework has remained largely unchanged for more than two decades. Evolving customer profiles and national best practice have exposed several limitations in the current design. The current structure provides simplicity, bill predictability, and administrative ease but is increasingly seen as misaligned with the principles of cost reflectivity, efficiency, and equity that underpin modern utility pricing.

3.3.1 Limited differentiation for non-residential customers

The current tariff structure applies the same fixed supply charge to all customers, with an additional fixture-based charge for non-residential properties. While this approach ensures transparency and stable revenue, it does not account for the vastly different wastewater discharge profiles of customers.

Residential wastewater tends to be predictable and relatively uniform in strength, making a flat charge both administratively efficient and effective in providing customers with predictable bills.

Non-residential customers, however, vary widely in both the volume and pollutant load of their discharges. Businesses such as offices, restaurants, and industrial sites impose very different demands on the network, and yet the current structure provides little differentiation between them. This lack of granularity weakens the link between tariffs and cost drivers, reducing fairness and efficiency. As the 2016 Tariff Structure Review noted, the current structure provides limited price signals to encourage prudent water use or investment in pre-treatment systems.

3.3.2 Inadequacy of flushing fixtures as a usage proxy

The current use of flushing fixtures as a basis for non-residential charging provides a crude indication of a property's potential impact on the sewerage network. While the number of fixtures may reflect the scale of plumbing installations, it does not necessarily correspond to the actual quantity or strength of wastewater discharged.

Concerns about this proxy have been raised repeatedly by stakeholders, particularly within the accommodation sector during the 2023-28 Price Investigation. Hotels, for example, often have numerous fixtures to accommodate guests but significantly lower overall discharge volumes compared to commercial offices or restaurants, which may have fewer fixtures. This results in inconsistent and sometimes inequitable outcomes, where businesses with lower system impacts face disproportionately high charges.

The reliance on fixture counts also fails to account for operational factors such as water efficiency measures, occupancy rates, or trade waste management practices. These shortcomings suggest the need to explore more accurate and equitable bases for determining non-residential charges.

These limitations highlight the need for more accurate customer classification and data to support tariff structures that better reflect actual system impacts. Many jurisdictions adopt hybrid models, combining both capacity-based and volumetric-based charging approaches: a fixed capacity component recovers network and infrastructure costs, while a volumetric component reflects actual discharges, sometimes adjusted for pollutant load or trade waste concentration. This approach enhances fairness and aligns charges more closely with cost causation while maintaining revenue stability. For the ACT, adopting a hybrid model would require improved customer classification, data collection, and billing systems but could deliver a more equitable and efficient pricing framework consistent with national best practice.

3.3.3 Absence of a dedicated liquid trade waste charging framework

liquid trade waste discharges are a material driver of sewerage treatment costs and network management requirements. Yet, unlike most Australian jurisdictions, the ACT does not currently levy separate liquid trade waste charges. Instead, all customers – residential and non-residential – share the costs of managing high-strength or high-risk discharges through the general sewerage tariff.

This approach results in cross-subsidisation, where low-impact users effectively subsidise businesses that impose higher treatment costs or greater risk to the network. The commission has previously recognised this issue and noted industry support for the introduction of a cost-reflective liquid trade waste tariff in future regulatory periods. Implementing such a framework would bring the ACT into alignment with national best practice and strengthen the “user pays” principle, ensuring that costs are borne by the customers who impose them.

3.3.4 Summary

In summary, the ACT’s current sewerage tariff structure has functioned effectively for many years but appears to be reaching the limit of its effectiveness. It provides little distinction between customer types, relies on an imprecise fixture-based proxy, and fails to account for the specific cost drivers associated with trade waste. The absence of volumetric or hybrid elements limits cost-reflectivity and weakens incentives for efficient network use, particularly among non-residential customers. This review offers an opportunity to address those issues with the tariff framework, with the aim to improve fairness and better align sewerage charges with the underlying costs of service delivery.

Question 2

Do you agree with the key issues identified for the ACT’s current sewerage tariff structure? Are there other issues you think should be considered?

Question 3

What are your views on the current sewerage tariff structure for residential customers?

Question 4

What proxy measure do you think should be used to determine the non-residential sewerage tariff in the ACT? What potential impacts or challenges might arise from implementing such a measure?

4. Liquid trade waste tariff

This chapter outlines the ACT's current approach to liquid trade waste management. It reviews national practices to highlight the ACT's deviation from the polluter-pays principle and explores the implications, benefits and challenges of introducing a dedicated liquid trade waste pricing framework.

4.1 ACT liquid trade waste management framework

Icon Water manages liquid trade waste through agreements and permits that require property owners to install and maintain appropriate pre-treatment systems. Compliance relies on customers correctly identifying their discharges and maintaining these systems. Businesses typically requiring liquid trade waste approval include food outlets, childcare centres, medical facilities, laundries, hair and beauty services, veterinary clinics, motor trades, and multi-use commercial premises.

Icon Water classifies liquid trade waste businesses into 4 categories – low (Category A), medium (Category B), high (Category C), and nightsoil (Category S) – based on the nature, volume, and pollutant load of the discharge.⁷

In 2023–24, 2,264 approved businesses in the ACT discharged trade waste, including 28 high-risk, 1,039 medium-risk, and 1,163 low-risk dischargers⁸. However, the actual volume of trade waste collected is not known, as there is no metering or systematic estimation in place.

Currently, Icon Water does not apply separate charges for liquid trade waste. All non-residential customers pay the same fixed and fixture-based sewerage charges, regardless of the volume, characteristics, or impact of their discharges on the network and treatment costs.

4.2 Liquid trade waste charging frameworks in other jurisdictions

Across Australia, liquid trade waste charges are standard practice. Utilities employ sophisticated frameworks that ensure businesses whose waste requires extra treatment pay their fair share, supporting the polluter-pays principle. These charges differ from the standard residential and non-residential sewerage tariffs, which typically cover only the cost of connecting to the sewer network and in some cases, the volume of wastewater discharged, without accounting for the type or strength of the waste.

⁷ Details are available on Icon Water's website: <https://www.iconwater.com.au/Developers-and-Renovators/LiquidTradeWaste/consultation-revised-liquid-trade-waste-acceptance-guidelines-now-closed>

⁸ These figures are based on self-reported data from businesses. The actual number of trade waste dischargers may be higher due to underreporting or gaps in data collection.

Most utilities combine fixed and variable charges and apply risk-based classification to determine the obligations of their liquid trade waste customers. The common components of their charging frameworks include risk-based categorisation, volume- and concentration-based charging, administration fees, and pre-treatment incentives. See Appendix 4 for a jurisdictional comparison of liquid trade waste charging frameworks.

Risk-based categorisation

Risk-based categorisation is the cornerstone of most liquid trade waste charging framework. Customers are grouped into categories (e.g., low, medium, or high risk) based on the nature and strength of their discharges, which determine the applicable regulatory requirements and charging arrangements. Higher-risk dischargers universally face higher fixed and variable charges. For example, Urban Utilities in Queensland applies a 3-tier system, where:

- Category 1 (domestic strength) entities are not subject to liquid trade waste charges
- Category 2 (medium strength) entities are subject to volumetric charges
- Category 3A (high strength) entities are subject to pollutant load-based charges.

Volume- and concentration-based charging

Volume- and concentration-based charging method supports the polluter-pays principle by linking charges directly to the volume discharged and pollutant load. Dischargers that release higher pollutant loads or greater volumes of waste face higher charges. All utilities reviewed apply this method. For instance, Sydney Water applies waste quality charges for key pollutants (such as biochemical oxygen demand, suspended solids, grease and oils, nitrogen and phosphorus) with rates differentiated according to the type of receiving treatment plant.

Administrative fees

Utilities charge administrative fees to recover costs of managing liquid trade waste arrangements and undertaking compliance activities. They include application fees, annual management fees, inspection and monitoring fees, and non-compliance penalties. SAWater, for example, applies a quarterly subscription fee based on the site's risk rating, plus explicit penalties on customers who fail to maintain pre-treatment.

Incentives for pre-treatment

Some utilities – including Sydney Water and TasWater – provide incentives like discounts or rebates to encourage businesses to install and maintain pre-treatment systems, reducing the overall pollutant load on the sewerage infrastructure.

4.3 Implications and considerations for an ACT liquid trade waste tariff

Icon Water is currently the only major water utility in Australia without a dedicated liquid trade waste pricing framework. The absence of such a framework creates economic, environmental and equity concerns that undermine efficiency and sustainable management of the sewerage network.

4.3.1 Implications of the absence of a liquid trade waste tariff

The primary issue arising from the absence of a dedicated liquid trade waste tariff is cross-subsidisation, undermining the "polluter-pays" principle and creating adverse financial and environmental outcomes.

- **Financial and equity impact:** Households and low-impact business customers are effectively subsidising the costs of managing, treating and disposing of higher-strength trade waste.
- **Environmental impact:** Without targeted charges, liquid trade waste dischargers have little incentive to minimise pollutant loads or maintain pre-treatment systems. This increases the likelihood of higher quantum or concentrations of pollutants entering the sewerage network, which can compromise treatment performance and environmental outcomes.

4.3.2 Benefits of introducing a liquid trade waste tariff

Introducing a dedicated, cost-reflective liquid trade waste tariff in the ACT would deliver significant benefits across economic efficiency, equity, and environmental protection by operationalising the "polluter-pays" principle.

Such a tariff would ensure that high-volume or high-strength dischargers pay proportionally for the burdens they impose on the system, minimising cross-subsidisation and securing full cost recovery for Icon Water. It also provides clear and accountable pricing for the trade waste services.

The tariff also serves as a strong signal to drive economic efficiency. By charging based on volume and pollutant concentration (e.g., biochemical oxygen demand, grease and oils, or heavy metals), the tariff incentivises businesses to invest in cleaner production technologies and pre-treatment facilities to minimise their waste output. This supports broader water conservation goals and reduces overall pressure on the system. This, in turn, would extend the life of key infrastructure and reduce the cost pressure for the utility and its customers by delaying the need for infrastructure upgrade.

Importantly, the liquid trade waste framework reduces regulatory and environmental risk. Proper pre-treatment reduces the risk of corrosion, blockages, and sewer overflows, thereby mitigating the utility's exposure to regulatory fines and reputational damage. Furthermore, by protecting the sewage treatment processes from high-strength discharges, the tariff helps ensure that treated effluent meets required environmental quality standards. Compliance with these standards also improves the quality of treated biosolids, supporting resource recovery and the circular economy.

In summary, a well-designed liquid trade waste tariff aligns pricing mechanisms with the true cost of service, encourages economic efficiency in waste management, and systematically reduces the environmental and financial risks carried by the utility and its general customer base.

4.3.3 Implementation challenges

While the benefits are clear, implementing a liquid trade waste tariff introduces considerable regulatory complexity and potential economic impacts that need to be carefully considered.

A key issue is the lack of reliable data on discharge volumes and pollutant loads. Without metering or robust estimation methods, it is difficult to accurately link charges to the actual cost and impact of trade waste. This means a data collection and monitoring strategy is needed prior to implementation of the tariff.

Introduction of a new tariff would also increase administrative complexity for Icon Water. Systems would be required to classify customers, calculate charges, manage billing, monitor compliance, and engage with businesses. At the same time, the commission must carefully consider the potential impact on customers, particularly small and medium enterprises, to ensure affordability and avoid unintended economic consequences. Transitional arrangements – such as phased implementation, temporary price caps, or targeted education programs – may be necessary to allow businesses time to adapt and to support a smooth rollout of the new regime.

Question 5

Do you agree with the impacts identified for the absence of a liquid trade waste tariff?

Question 6

Should the ACT introduce a separate liquid trade waste tariff to reflect higher costs of treating high-risk or high-strength discharge? Why or why not?

Question 7

Are there any other implications or considerations regarding the absence or introduction of a liquid trade waste tariff?

Question 8

If a liquid trade waste tariff were to be considered, what type of tariff structure would be appropriate for the ACT? What potential impacts or challenges might arise from implementing such a tariff?

5. Consolidated list of questions

Chapter 2: Our objectives and pricing principles

1. Do you have any comments on our pricing principles?

Chapter 3: Sewerage service tariff

2. Do you agree with the key issues identified for the ACT's current sewerage tariff structure? Are there other issues you think should be considered?
3. What are your views on the current sewerage tariff structure for residential customers?
4. What proxy measure do you think should be used to determine the non-residential sewerage tariff in the ACT? What potential impacts or challenges might arise from implementing such a measure?

Chapter 4: Liquid trade waste tariff

5. Do you agree with the impacts identified for the absence of a liquid trade waste tariff?
6. Should the ACT introduce a separate liquid trade waste tariff to reflect higher costs of treating high-risk or high-strength discharge? Why or why not?
7. Are there any other implications or considerations regarding the absence or introduction of a liquid trade waste tariff?
8. If a liquid trade waste tariff were to be considered, what type of tariff structure would be appropriate for the ACT? What potential impacts or challenges might arise from implementing such a tariff?

Appendix 1 Objectives under the ICRC Act

Objectives under sections 7 and 19L of the ICRC Act and the provisions we must consider under section 20(2) of the ICRC Act

A.1.1 Sections 7 and 19L: Commissions objectives

Section 7:

- (a) to promote effective competition in the interests of consumers;
- (b) to facilitate an appropriate balance between efficiency and environmental and social considerations;
- (c) to ensure non-discriminatory access to monopoly and near-monopoly infrastructure.

Section 19L:

To promote the efficient investment in, and efficient operation and use of regulated services for the long-term interests of consumers in relation to the price, quality, safety, reliability and security of the service

A.1.2 Section 20(2): Commissions considerations

- (a) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies (including policies relating to the level or structure of prices for services) and standard of regulated services; and
- (b) standards of quality, reliability and safety of the regulated services; and
- (c) the need for greater efficiency in the provision of regulated services to reduce costs to consumers and taxpayers; and
- (d) an appropriate rate of return on any investment in the regulated industry; and
- (e) the cost of providing the regulated services; and
- (f) the principles of ecologically sustainable development mentioned in subsection (5);
- (g) the social impacts of the decision; and
- (h) considerations of demand management and least cost planning; and
- (i) the borrowing, capital and cash flow requirements of people providing regulated services and the need to renew or increase relevant assets in the regulated industry; and
- (j) the effect on general price inflation over the medium term; and
- (k) any arrangements that a person providing regulated services has entered into for the exercise of its functions by some other person.

Appendix 2 An explanation of the principles

Pricing principle 1: Economic efficiency in use

Regulated prices should promote the economically efficient use of Icon Water's water and sewerage services infrastructure and should also encourage economically efficient use of the water resource itself.

Regulated prices should provide a price signal to customers about the efficient costs of providing the services and recognise water supply circumstances in the ACT. In addition, this principle means that regulated prices should be set having regard to a risk of uneconomic bypass.

Pricing principle 2: Economic efficiency for investment and operation

Regulated prices and supporting regulatory arrangements should facilitate the efficient recovery of the prudent and efficient costs of investment and operation.

This principle covers two aspects of economic efficiency.

First, overall revenue needs to be sufficient to finance the efficient costs of operation and investment. If this is not the case, a regulated utility may not be able to attract sufficient funds to invest in maintaining, upgrading, renewing and replacing its assets. This could have a major adverse impact on services. The finance recovery aspect of the principle is often described as ensuring revenue adequacy or financial viability.

Second, the cost of investment and operations expenditure needs to be prudent and efficient, as defined here:

- Prudent expenditure. Whether the project, program or activity would reasonably be expected of a utility operating in the circumstances that apply. Evidence considered for prudence includes substantiation of the benefits of and the need for the project, program or activity.
- Efficient expenditure. Whether the project, program or activity is delivered or proposed to be delivered with the best value for money. Evidence considered for efficiency includes exploration of alternative delivery options, assessment of lowest cost over the life cycle, and the 'deliverability' of the proposed project, program or activity.

We use expenditure reviews and incentive mechanisms as the main means of meeting this objective. However, the tariff structure and the form of regulation (in particular, the extent to which revenues are guaranteed) can also affect these aspects of economic efficiency.

Pricing principle 3: Environmental considerations

Regulated prices and complementary mechanisms should ensure that environmental objectives are effectively accounted for.

Environmental objectives are typically imposed by specific legislated and government policy requirements. This includes giving priority to designated environmental flows and various permanent and temporary water conservation measures or restrictions. Therefore, regulated prices can reflect some costs associated with consideration of environmental impacts.

Pricing principle 4: Community impact – gradual adjustment

Any change to prices or other regulatory arrangements that will have substantial consumer impacts should be phased in over a transition period to allow reasonable time for consumers to adjust to the change.

Consumers typically prefer price stability in the overall bills they face as it helps them manage their budgets. An adequate transition period for any material changes in prices can ease adjustment costs.

Pricing principle 5: Community impact – fair outcomes for low-income households

Adverse impacts on households with low incomes need to be limited or moderated by phasing and other compensating mechanisms or limits on changes to regulated prices or other regulatory arrangements.

In implementing a set of pricing principles for water and sewerage services, we need to consider the impacts on households with low incomes. Identifying the impacts on all households with low income and forming a judgement about equity and fairness is a challenging task. We will carefully consider the likely impact of price changes on households with low incomes and apply relevant mechanisms to address or moderate any adverse impacts.

Pricing principle 6: Regulatory governance – simplicity

Regulated prices and their form should be simple for consumers to understand and straightforward for the utility to implement.

Consumers generally prefer regulated prices and regulatory arrangements that are easy to understand. Easy to understand tariff structures have the added benefit of being easier and cheaper for the utility to implement.

Pricing principle 7: Regulatory governance – transparency

Regulated prices should be set using a transparent methodology and be subject to public consultation and scrutiny.

This principle relates to good regulatory governance. Promoting community confidence in the regulatory arrangements requires a good understanding in the community of how regulated prices for water and sewerage services are decided. This also requires an adequate opportunity for community involvement in the regulatory process. The ICRC Act requires us to hold a public hearing and make draft decisions available for public scrutiny. In addition, we released this issues paper and will hold a community consultation forum.

Our open consultation process helps us understand the views and priorities of consumers and broader community. We recognise that stakeholders need confidence that their input will be considered in our decision-making and that the regulatory process can deliver outcomes that reflect their needs and interests. Our reports explain how stakeholder input (such as submissions) was considered and how it informed the outcome of the decision.

Appendix 3 Sewerage tariffs in Australian jurisdictions

Residential sewerage tariffs, 2025-26

Utility	Jurisdiction	Charging approach	Fixed charge (\$/year)	Volumetric charge (\$/kL)
Icon Water	ACT	Fixed only	617.21	Not applicable
Sydney Water	New South Wales	Fixed only*	697.60	Not applicable
Hunter Water	New South Wales	Fixed only*	816.19 (house) 778.46 (unit or townhouse)	Not applicable
Greater Western Water	Central region, Victoria	Fixed only	298	Not applicable
South-East Water	Victoria	Fixed + variable	401.65	Water and sewer usage charge: 3.7685 (0-440L per day) 4.8084 (over 440L per day)
Yarra Valley Water	Victoria	Fixed + variable	486.34	Water and sewer usage charge: 3.5724 (0-440L per day) 4.6871 (441-880L per day) 5.4456 (over 880L per day)
Urban Utilities	Queensland	Fixed only	715.77	Not applicable
Unity Water (Sunshine Coast)	Queensland	Fixed + variable	708.10	0.787 (sewerage usage being 90% of water usage, capped at 740L per day)
PowerWater	Northern Territory	Fixed only	953.89	Not applicable
TasWater	Tasmania	Fixed only	781.69 per ET	Not applicable
SAWater	South Australia	Fixed only	Quarterly rates per \$1,000 of property value: 0.1475 (metropolitan) 0.2280 (country)	Not applicable

Note: *Sydney Water and Hunter Water's fixed charge include a component reflecting a deemed charge for usage.

Source: Icon Water 2025; Sydney Water 2025a; Hunter Water 2025a; Greater Western Water 2025a; South East Water 2025a; Yarra Valley Water 2025; Urban Utilities 2025a; Unity Water 2025; PowerWater 2025; TasWater 2025; SAWater 2025a.

Non-residential sewerage tariffs, 2025-26

Utility	Jurisdiction	Charging approach	Fixed charge (\$/year)	Volumetric charge (\$/kL)
Icon Water	ACT	Fixed only	Supply charge - 617.21 (≤ 2 fixtures) Additional fixture unit charge – 603.63	Not applicable
Sydney Water	New South Wales	Fixed + variable	Service charge ranging from: 20mm connection - 639.76 to 600mm connection - 575,770.80	1.44
Hunter Water	New South Wales	Fixed + variable	Service charge ranging from: 20mm connection – 958.89 to 350mm connection – 293,660.06	0.77
Greater Western Water	Central region - Victoria	Fixed + variable	529.61	2.0801
South East Water	Victoria	Fixed + variable	476.97	1.9412
Yarra Valley Water	Victoria	Fixed + variable	607.57	2.2045
Urban Utilities	Queensland	Fixed + variable	Service charge ranging from: 20mm connection – 715.80 to Maximum – 111,844	2.950
Unity Water	Sunshine Coast - Queensland	Fixed + variable	708.10	1.570
PowerWater	Northern Territory	Fixed only	Supply charge - 953.89 (≤ 2 sanitary fittings) Additional sanitary fitting unit charge ranging from 508.87 to 649.40	Not applicable
TasWater	Tasmania	Fixed only	781.69 per ET	Not applicable
SAWater	South Australia	Fixed only	Quarterly rates per \$1,000 of property value: 0.22825 (metropolitan) 0.35325 (country)	Not applicable

Note: The table only contains a sample of the fixed sewerage services charges by connection size for Sydney Water, Hunter Water and Urban Utilities, and a sample of sanitary fitting charge for PowerWater.

Source: Icon Water 2025a; Sydney Water 2025b; Hunter Water 2025b; Greater Western Water 2025b; South East Water 2025b; Yarra Valley Water 2025; Urban Utilities 2025b; Unity Water 2025; PowerWater 2025; TasWater 2025; SAWater 2025a.

Appendix 4 Liquid trade waste charging frameworks in Australian jurisdictions

Utility	Jurisdiction	Categorises/Risk Framework	Volume & Pollutant Charges	Administrative Fees	Incentives/Notes
TasWater	Tasmania	Categories 0–4 (very low to high risk)	Volumetric (\$/kL) and pollutant charges (BOD, SS, TKN, TP, Na, oil & grease)	Application, annual management, catchment management, non-compliance penalties	Discounts for pre-treatment; high-risk on individual contracts
Sydney Water	New South Wales	Volume/business type for commercial; risk-based for industrial	Waste quality charges for BOD, SS, grease, N, P; surcharges for temperature and pH	Application, permit, inspection, grease trap, and quarterly consent fees	Reduced charges for maintaining pre-treatment; significant non-compliance penalties
South East Water	Victoria	Risk Rank 1–5 (location, volume, compliance, activity)	Charges for volume, BOD, SS, TKN; higher rates above thresholds	Application, annual agreement charge by risk rank	Thresholds encourage load minimisation; compliance history affects risk rank
Urban Utilities	Queensland	Risk based categories (1 to 3A)	Category 2 volumetric (\$/kL × discharge factor); Category 3A pollutant load (BOD, SS, N, P)	Sewerage service charges linked to meter size and discharge factor	Strong separation of domestic vs industrial; pollutant load drives charges
SAWater	South Australia	Risk-based categories (minimal–high)	Volume (\$/kL) and load based charging for BOD, SS, N, P; higher non-compliance rates	Quarterly subscription, inspection and non-compliance penalties	Exemptions for small dischargers; additional charges (e.g. macerator, grease solid profile)
Water Corporation	Western Australia	Permit-based system; risk reflected in pollutant charge bands	Detailed charges for BOD, SS, grease, nutrients, salts, and heavy metals	Annual permit, inspections, metering and sampling, grease trap fees, establishment charge	Highly granular charging provides strong polluter-pays incentives

Source: TasWater 2022, Sydney Water 2024a, Sydney Water 2024b, South-East Water 2025c, Urban Utilities 2025c, SAAWater 2025b, Water Corporation 2025

Abbreviation and acronyms

ACT	Australian Capital Territory
BOD	Biochemical Oxygen Demand
ET	Equivalent Tenement
FOG	Fats, Oils, and Grease
ICRC Act	Independent Competition and Regulatory Commission Act 1997
N	Nitrogen
Na	Sodium
NWI	National Water Initiative
P	Phosphorus
SS	Suspended Solids (sometimes TSS = Total Suspended Solids)
The commission	Independent Competition and Regulatory Commission
TKN	Total Kjeldahl Nitrogen
TP	Total Phosphorus
Utilities Act	Utilities Act 2000

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