

## Meeting #2 Outcomes – 11 August 2016

The second meeting of the forum was held on 11 August 2016. The meeting was attended by the Managing Director John Knox, General Manager Finance Sam Sachse, Principal Economist Ben McNair, Manager Water Price Regulation Phillip Deamer, Manager Customer and Community Affairs Lisa Quinn, chaired by General Manager Business Services Jane Breaden and seven members of the 13 member forum. Apologies were received from six members.

The agenda for this meeting was focused on a presentation from Icon Water Principal Economist, Mr Ben McNair to educate the forum members and encourage open discussion on the tariff review process.

The presentation started with an overview of the Icon Water tariff structure review, including information on the current tariff structure for water and sewerage, Icon Water's objectives during the review, a comparison of the proposed structure with the current structure and the possible impacts to customers based on the different pricing options.

The forum discussed the scope of the review process and clarified that it does not include recycled or non-potable water pricing nor does it include water pricing for the surrounding region. However, it was noted that Queanbeyan Palerang Regional Council (QPRC) has a bulk water supply agreement with Icon Water but the price the QPRC charge their customers is determined through the NSW regulatory process.

The forum discussed the current tariff structure and noted that it applies to both residential and non-residential customers. There was suggestion that the current structure disadvantages large water users and those households with a large number of occupants.

The presentation provided an overview of the economic theory used by the ICRC to determine marginal cost and also their process for examining whether the current tariff structure is sending suitable price signals to customers about the efficient costs of water and sewerage services in the ACT. This initiated deeper discussion by the forum on whether the structure should be solely based on economic theory or whether there is merit in also considering consumption practices and preserving supply.

The presentation then continued with an overview of Icon Water's proposed direction for tariff reform including a single usage price, separate tariffs for residential and non-residential customers, charging regime for liquid trade waste and drought pricing arrangements. The forum agreed that Icon Water had an obligation to continue to encourage customers to conserve water outside periods of drought; the objective should be to have a price structure that works through a drought period. The discussion then moved to the pros and cons of smart meters, which could have water conservation advantages and disadvantages for low income households who may reduce usage and in turn compromise their health and wellbeing due to affordability.

The Managing Director commented that the role of this forum is to bring a community perspective to the classic economic view of the ICRC, which will provide the opportunity to move the spectrum.

A presentation was then provided on the preliminary findings from the recent Icon Water tariff review surveys. Mr McNair clarified that the intent of the surveys was to understand views on the structure of the tariff not what drives a customer's usage.

Forum members provided the following feedback on the survey, including different options for presenting the results:

- Members had the overall view that the survey questions may have been misleading or confusing to respondents.
- Less surveys and more dialogue with the community would provide more valuable feedback.

- Looking at the survey results it would appear that the respondents did not have enough knowledge to answer the questions. The results of the survey questions are not helping to provide answers to Icon Water problems.
- Members indicated a method of mapping a range of customer types against proposed tariff structures might better help the Forum visualise and understand the impact on the community of the various options.
- Looking at the survey results it would appear that the respondents did not have enough knowledge to answer the questions. The results of the survey questions are not helping to provide answers to Icon Water problems.
- A suggestion that conducting in depth interviews (maximum 5) with a cross section of customers would provide Icon Water with more valuable insight in to what the community needs and understands about water.
- Members discussed a range of competing imperatives: economic efficiency, affordability, conservation/environmental and liveability. Members noted that tariff structure is not the only mechanism for managing behaviour and outcomes in regard to these imperatives.

Icon Water finished the presentation with an overview of the ICRC tariff review timeline noting that solid community engagement is a clear principle of Icon Water's submission and the new tariff structure will not be set and implemented until the middle of 2018. Icon Water's draft submission is due to the ICRC in July 2017.

Members discussed how this forum could help with Icon Water's final submission to the Regulator, comments included:

- Noting that the ICRC is looking for submissions from the public, Ms Helyar suggested that Forum members should be communicating with the Regulator and be on the mailing list.
- Winners and losers should be mapped so that people can see that Icon Water have considered the common good.
- Don't just fix issues through the tariff structure, include other mechanisms.
- It is important to include in the submission the position of low income households' incapacity to pay.

In closing, the Chair said that the stand out message from this meeting was the matter of competing imperatives of conservation verses cost of usage.

Forum members concluded with the following messages for Icon Water:

- Icon Water's needs should also be considered in future forum discussions. The forum relationship needs to be beneficial to both parties.
- Don't try and solve all the problems through water pricing, look to use other strategies.

**A full list of Forum members; the final Terms of Reference; Minutes are all located at [www.iconwater.com.au/talkingiconwater](http://www.iconwater.com.au/talkingiconwater).**