



Attachment 13

Consistency with regulatory objectives

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13.1 Introduction

This attachment explains how Icon Water's price proposal for the 2023–28 regulatory period addresses the Commission's legislative objectives and principles.

When making a price direction under the *Independent Competition and Regulatory Commission Act 1997* (the ICRC Act), the Independent Competition and Regulatory Commission (Commission) is required to have regard to several objectives and other legislative requirements. These include the Commission's objectives, the price direction objective and directions about prices (see Box 13-1).

Box 13-1: the Commission's legislative objectives

Section 7 Objectives

- 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 Objective – pt 4

The objective of the commission, when making a price direction in a regulated industry is 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.

Section 20 Directions about prices

- 2) In making a decision under subsection (1), the Commission must have regard to –
 - 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 regulatory 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); and
 - 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 requirement 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.

In addition, the Commission has developed a set of pricing principles which reflect its interpretation of the legislative objectives. These pricing principles were developed during the Commission's review of Icon Water's tariff structure in 2016–17, and include:¹

1. Economic efficiency in use
2. Economic efficiency for investment and operation
3. Environmental considerations
4. Community impact – gradual adjustment
5. Community impact – fair outcomes for low-income households
6. Regulatory governance – simplicity
7. Regulatory governance – transparency.

¹ Independent Competition and Regulatory Commission, *Final Report: Tariff Structure Review 2016–17*, March 2017.

13.2 How the price proposal addresses the objectives

Icon Water's 2023–28 Price Proposal has been developed having regard to the Commission's legislative objectives and pricing principles. Table 13-1 provides references to the relevant attachments that address the objectives and principles to be considered by the Commission when making a price direction.

Table 13-1: Mapping of Icon Water's proposal to the Commission's objectives and principles

Objective / Principle	Reference to Icon Water's proposal
ICRC Act, Section 20	
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 regulatory services	<ul style="list-style-type: none"> Attachment 12: Tariff structure and proposed prices
b) standards of quality, reliability and safety of the regulated services	<ul style="list-style-type: none"> Attachment 3: Service standards Attachment 5: Asset management governance
c) the need for greater efficiency in the provision of regulated services to reduce costs to consumers and taxpayers	<ul style="list-style-type: none"> Attachment 4: Regulatory controls Attachment 6: Operating expenditure Attachment 7: Capital expenditure
d) an appropriate rate of return on any investment in the regulated industry	<ul style="list-style-type: none"> Attachment 9: Rate of return and forecast inflation
e) the cost of providing the regulated services	<ul style="list-style-type: none"> Attachment 6: Operating expenditure Attachment 7: Capital expenditure Attachment 10: Revenue requirement
f) the principles of ecologically sustainable development mentioned in subsection (5)	<ul style="list-style-type: none"> Attachment 1: Our role, operations and business context Attachment 5: Asset management governance
g) the social impacts of the decision	<ul style="list-style-type: none"> Attachment 2: Customer and community engagement Attachment 12: Tariff structure and proposed prices
h) considerations of demand management and least cost planning;	<ul style="list-style-type: none"> Attachment 6: Operating expenditure Attachment 7: Capital expenditure Attachment 11: Demand
i) the borrowing, capital and cash flow requirement of people providing regulated services and the need to renew or increase relevant assets in the regulated industry	<ul style="list-style-type: none"> Attachment 7: Capital expenditure Attachment 8: Regulatory asset base and corporate income tax Attachment 9: Rate of return and forecast inflation Attachment 10: Revenue requirement
j) the effect on general price inflation over the medium term	<ul style="list-style-type: none"> Attachment 12: Tariff structure and proposed prices

Objective / Principle	Reference to Icon Water's proposal
k) any arrangements that a person providing regulated services has entered into for the exercise of its functions by some other person.	<ul style="list-style-type: none"> Attachment 1: Our role, operations and business context
The Commission's pricing principles	<ul style="list-style-type: none"> Attachment 12: Tariff structure and proposed prices

Abbreviations and acronyms

Commission	Independent Competition and Regulatory Commission
ICRC Act	<i>Independent Competition and Regulatory Commission Act 1997</i>