

**BUDGET ESTIMATES HEARING**  
**18 JUNE 2019 2:00pm to 2:45pm**

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## Executive, Digital and Infrastructure

### Executive Remuneration

- The salaries of key management personnel, our executive, are published in Icon Water's Annual Report and available on our website.
- We have in place an executive remuneration framework that is primarily based on a combination of corporate and individual performance and does not include any short or long term incentive payments. (Note: incentives are prevalent in the utilities industry).
- This framework has been independently reviewed by a remuneration specialist. The most recent review was in 2018.
- Icon Water has a Remuneration Committee and the Committee's charter is publicly available from our website. The Committee's role is to:
  - Meet Icon Water's responsibilities in relation to the remuneration and performance of the CEO
  - Ensure the Executive remuneration strategy supports the recruitment and retention of appropriately qualified and experienced executives
  - Provide the Icon Water Board with a forum for reviewing Icon Water's remuneration framework to ensure it supports business objectives.
- The Remuneration Committee liaises with the Voting Shareholders on non-executive director remuneration.

### Employee remuneration

- All Icon Water employees are covered by the *Icon Water and Combined Unions Enterprise Agreement 2017* (the Agreement), and the salary structures contained within the agreement, which outline provisions for generous remuneration and salary progression through the Single Salary Spine (SSS) or competency based arrangements.
- The Agreement was approved by the Fair Work Commission on 4 September 2017 and expires on 1 July 2020.

### ActewAGL operational matters

- ActewAGL is a public private partnership. Management of ActewAGL is independent of the ACT Government.
- Icon Water has joint ownership of ActewAGL as an investor with two other private companies. Icon Water has three representatives on the ActewAGL Board, and provides management oversight at the strategic level and is not involved in the operational management of the energy investment.
- *Where we are not able to provide a response to a question* - I acknowledge the issues raised and note that as this is an operational matter for ActewAGL Retail or Evoenergy we are unable to provide you with any more detail at this moment.

### Digital projects

- 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.
- Typically a utility would invest **around 10% per annum** on technology maintenance and upgrades, whereas over the last ten years or so, **we have only invested an average of 1% per annum**.

- Many of our existing systems and applications are at end-of-life and 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 great levels of supports 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 focus for the next 2 years is on improving the reliability, quality and efficiency of our **operational technology**, reporting and analytics and customer platforms as opposed to **information technology platforms** which will be addressed as part of our 3-5 year plan.
  - Operational technology – systems that are central to the management and operation of a water business that are key to our sustainable success (e.g. GIS, SCADA, Works & Asset management, Water quality management, Smart Metering).
  - Information technology – general technology employed by a business of our size (e.g. financial, human resources, payroll, billing).
- Initiatives include:
  - Upgrading ageing infrastructure to improve overall performance and reduce costs
  - Upgrading core applications to optimise capabilities provided to staff
  - Removing legacy applications to reduce costs and lower risk
  - Better managing digital data to improve protection of this key organisational asset
  - Increasing cyber-security safeguards to better protect our digital assets.
- We are mid-way through several digital projects aimed at ensuring we have integrated and streamlined ICT capability across the business. This includes:
  - renewing core GIS, SCADA, Drawing Management, Document Management to improve security and performance
  - a new Works and Asset Management System
  - integrating mobility capability to increase operational efficiency
  - adding new business and asset analytical systems to improve data-driven decision-making
  - better use of cloud infrastructure to improve performance, resilience and reduce costs.

#### Key digital project: 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 replaces 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 was selected through a competitive procurement process.
- Icon Water has recruited and contracted the services of professional and experienced technology developers, and also seconded internal staff, in order to ensure a seamless and embedded rollout of our new systems and technology upgrades.
- Icon Water has adopted a resourcing strategy that includes in-house, local and overseas resources to ensure we have the right people with the unique product knowledge we need right now.

- The project plans to complete this financial year and has a total forecast spend of \$36m.
- Initial releases have successfully delivered into production. The business is already seeing benefits.

### Completed digital project: Geographic Information System – (GIS) - Geospatial asset repository upgrade

- We have upgraded our mapping system and created a new schema that is specific to our water and sewerage network. A schema defines the way data is set up, named and managed. We now have the flexibility to manage and change the system to meet our own needs and priorities.
- The upgraded GIS gives us a more advanced 'connected model' of our water and sewer network; more ways to use the information in the GIS and makes it much easier to keep our data up to date.
- Outage maps can be published on our website that show planned or unplanned interruptions to supply. Our customers won't have to ring us to find out if/why their service is interrupted.
- This is the first application to move into production utilising our new cloud infrastructure.

### Capital Expenditure

- In 2018–19, Icon Water will invest around **\$103 million** in capital works to further grow and improve the network to meet future demands and protect our natural environment.
- 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 (**\$35m in 2018–19 - \$120m** approximately overall).
- Following acceptance from the ICRC of Icon Water's capital program of **\$416m nominal** over the regulatory period from 2018–2023, we are on track to achieve our budgeted spend for the 2018–19 year.
- The anticipated capital expenditure commitment for 2019–20 is approximately **\$105m**.

### Lower Molonglo Water Quality Control Centre upgrades

- LMWQCC was constructed in the 1970s and as such significant components of the plant are now in the process of being replaced or upgraded. Over 2018–19 this has included: aeration system renewal; solids handling upgrade; tertiary filters and disinfection upgrade; replacement of portions of the electrical instrumentation and control systems; renewal of roof structures.
- Wastewater treatment requires the separation of solid wastes - biosolids. The incineration system has been in place since the 70s when the plant was built. This existing process creates beneficial heat recovery to aid the treatment process and delivers environmental benefits. It effectively reduces the solids mass by 15 times and generates a soil conditioning ash that is used by the agriculture market. Due to the land constraints, the current alternative (to stockpile solids or transport to landfill) is neither viable nor environmentally sound.
- Over the coming financial year upgrade works on the LMWQCC solids handling system will be completed. The project will deliver a new Sludge Holding Tank, upgraded centrifuges, new band screens, new foul air system and an upgraded furnace with enhanced operational capabilities.
- The coming financial year will also see the continuation of the Filters project with at least one filter being taken offline, overhauled and returned to service.
- LMWQCC will also benefit from the commencement of the HV upgrade/renewal project as well as the second phase of the LMWQCC solar panel project which will allow a total of 1,092kW (peak output) of site power.

- Icon Water is currently investigating suitable directions 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 planned for late 2019. Consideration of management of the existing biomass stockpiles at LMWQCC and management of alum sludge coming from the WTP's will also be included in this investigation

### Engineering Design Standards

- Updated engineering design standards came into effect on 1 July 2018. The standards are closely aligned to WSAA guides and include the production of new template drawings, mostly represented in 3D. An annual amendment to the standards will be released on 1 July 2019 with minor changes to address feedback received from our customers such as developers and their design consultants.

### 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 as below:

Activity	2018–19 YTD (to end Apr-19)	2017–18
Proactive mains cleaning	176 km (target 300 km)	300 km
Burst water main repairs	282	541
Sewer main chokes unblocked	3982	3661
Sewer mains renewal	7.48 year to date 24.41 km (incl 0.21 km trunk) - projected	18.69 km
Water mains renewal	2.4 year to date 11.8 km - projected	9.05 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, **80kms of sewer mains and 28kms of water mains** will be replaced or renewed.

### Sewer chokes/overflows (UTR Annual Compliance Report 2017-18)

- We continue to meet our service levels as per the Consumer Code. However, we are aware of the impact on our customers in the event of a network issue, either sewer or water related.
- 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 blockage rate has increased from 48.9 blockages per 100km in 2016–17 to 55.6 in 2017–18 blockages per 100km per year mainly due to ongoing dry weather conditions. Total rainfall recorded in Canberra Airport was 500mm which is below the average annual rainfall of 629mm. Reduced rainfall leads to decreased soil moisture content which in turn can cause increased tree root intrusion into sewers.
- There is a strong correlation between weather conditions (soil moisture deficit) and blockage rates. 90% of blockages are caused by tree roots infiltrating our sewer mains. Our proactive maintenance programs aim to clear tree roots and identify sewer mains for repair or replacement to manage the number of blockages.
- We anticipate that with the introduction of a new sewer mains enterprise decision analytics tool we will improve analysis of sewerage main breaks and chokes and enable more targeted preventative cleaning and inspection program.
- To date in 2018–19, there have been **seven surcharges into dwellings** (compared to 9 total for the 2017–18 year).

### Dam Safety (UTR Annual Compliance Report 2017-18)

- In the UTR Annual Compliance Report 2017-18, they noted that we were not yet fully compliant with regard to dam safety. The outstanding issue related to an administrative requirement which we successfully completed by December 2018. Testing of rock anchors at three dams has also been completed in 2018–19.
- 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 2020–21
  - Cotter Dam was reviewed when constructed and the next review is due 2028
  - Googong Dam review completed and accepted by the UTR
  - Corin Dam review completed and accepted by the UTR
  - LMWQCC bypass dam review completed and accepted by the UTR.

### Fireflows (UTR Annual Compliance Report 2017-18)

- We have been working collaboratively with UTR on this. We have higher fireflow standards than other jurisdictions. The Agreement we have with ACT Fire Brigade, which was signed in December 2018, provides for flows significantly greater than required in many major cities in Australia.
- 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. ACT Fire & Rescue has not reported any practical concerns on low flow or pressure experienced in these areas.
- This agreement was renewed in December 2018.

### Drinking Water Quality

- 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.
- To date, in 2018-19 there have been **five notifiable events** to ACT Health as per the Public Health (Drinking Water) Code of Practice (2007). These did not affect our compliance. In 2017–18 there were five notifiable events.
- Our Annual Drinking Water Quality Report 2018–19 will be released in October 2019.

## Business Services and Customer

### Work health and safety

- 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.
- During 2018–19 there has been a 36 per cent reduction in total recordable injuries. This sustained injury reduction is due to a focus on musculoskeletal injury prevention in our Maintenance Services Branch as well as engineering out hazardous manual tasks such as manual valve operation.
- There were three incidents reported to the safety regulator in 2018–19. This is two less than the 2017–18 period. The incidents reported involved underground service strikes and a chemical leak at LMWQCC. There were no injuries involved.
- A drug and alcohol education and monitoring program has been implemented. This involves random unannounced drug and alcohol testing at Icon Water office locations and major treatment plants.
- The Courageous Conversations program has commenced implementation. This program builds on the foundation of our safety engagement program and represents the final module of four, the earlier three being *Switch On*, *Safe to Start* and *Act on It*.
- In the current financial year there have been 16 new cases raised through the Employee Assistance Program. This is inclusive of both employees and their direct family members.

### Workforce

- Formal complaints of bullying and harassment in Icon Water are externally investigated. In 2018–19, there has been 1 complaint that has been externally investigated.
- We have **411 FTE staff (as at 11 June 2019)** with an average of 10.3 years of service. The FTE count six months ago was 398. We have established new roles in the Digital Technology Group, as well as in the Project Delivery Branch of our Infrastructure Services Group.
- As the Budget paper indicates, our FTE is estimated to be **420 in 2018-19** and **432 in 2019-20**. The increase in FTE is largely due to investments in the digital technology and grates teams, and further improving the diversity and nature of our workforce (explanation in Budget Statements B, page 208).
- **25%** of our workforce are women and **75%** are male.
- **2.2%** of our workforce identify as Aboriginal and Torres Strait Islander; **16.4%** have culturally diverse backgrounds, **8%** speak a language other than English, and **2.7%** have a disability.

### Attraction and retention

- We currently have **four graduates (2 female and 2 male)** and **four trainees (2 female and 2 male)**. We will advertise shortly to take on 4 more graduates on two year contracts in 2020.
- The initiative to attract females into non-traditional roles is progressing, the total number of females in non-traditional roles has grown to 41 (being 13 percent) – from xx in the previous year, this includes trades, non-trades, STEM and leadership roles.

### Leadership development

- The second iteration of the **Next Wave Leadership Program** for emerging leaders is currently running.

## Engagement

- We are currently running our employee engagement survey through Gallup with results expected to be finalised in late June 2019
- Once the results are released, we will work with our leadership teams to implement action plans targeting any specific focus areas.
- The 2018 engagement survey identified our top strengths are our safety culture, our customer-centric approach and our commitment to quality. Areas for development were around clearly communicating expectations of staff and recognition of performance and achievements.

## Risk and bushfire risk management

- Icon Water's *Bushfire Operations Plan 2018–19* saw bushfire hazard reduction works completed at two water treatment plants, two sewage treatment plants, two major supply dams, 37 service reservoirs, four pump stations, three sewer vent fans, one effluent absorption facility and two bulk water mains.
- **A total of 53 assets** had hazard reduction works completed during 2018–19 with the Bendora Gravity Main works continuing until 30 June 2019.

## Emergency management and business continuity

- During 2018–19, Icon Water has conducted **11 internal** exercises.

## Internal audit

- The Board's Risk and Assurance Committee approved 14 audits to be conducted in 2018–19 under the internal audit program. These audits included: operational controls – water and sewerage network; ICT security management; management of environmental aspects and impacts; customer management; procurement; chemical management.
- The 2019–20 internal audit program includes audits in relation to: capital expenditure management, water quality and waste management, metering and billing, compliance with the Work Health and Safety Regulation – working at heights and excavation.

## Asset management

- We have in place an Asset Management System that helps us maintain a line of sight between our customer requirements, business objectives and asset lifecycle management.
- We continually improve our AMS, which includes components relating to strategy and planning, asset management decision-making, lifecycle delivery, asset information, organisation and people, communication and risk and review.
- Over the last 18 months we have refreshed our Asset and Works Management system. Our focus in improving asset management will be on embedding the system and ensuring that Icon Water has the appropriate skills and culture to leverage the capabilities of the system to deliver sustainable value to customers.
- Icon Water is proactively engaged with the ACT Government on reviewing the infrastructure required to service new growth and urban infill areas. We have identified areas of existing constraints and options to resolve these constraints. We will be working with the ACT Government planning departments to ensure that our current capacity forecasts are reflective of the ACT Government's revised planning strategy, population growth forecasts and urban infill targets.



## Source Water Strategy

- Our source water system is very secure. In the next 20 years, each year has a probability of experiencing water restrictions well below the target (that there will be a less than 5 per cent (1 in 20) chance of needing water restrictions in any given year).
- Icon Water assumes that climate change is influencing ACT weather and has considered the potential impacts of climate change when determining Canberra's water security. We factor in anticipated reductions in inflow due to Australia's changing climate.
- We use the ACT Government population projections to forecast our future water demand. We also factor in a small allowance for possible future supply to NSW.
- Climate change, population and demand growth are all difficult to predict with confidence over a long period. However, given our current high level of water security, it is expected that our existing system can satisfy the required level of service for at least several decades.
- Since the Millennium Drought our customers have achieved a sustained per capita water usage reduction of almost 40%. While consumption has increased in the past two years, this is primarily driven by hotter and drier weather conditions and is not necessarily indicative of a trend in water usage.
- **Cotter Dam** has supplied almost 25 GL of water in the last 12 months, or 47 per cent of total demand. This frees up space to capture natural runoff and high environmental releases from Bendora Dam during winter and spring.

## Murrumbidgee to Googong pipeline (M2G)

- We have reached the trigger to transition to operations for M2G where it is available and efficient as defined in our sourcing strategy. Environmental monitoring (as previously agreed with the Environmental Reference Group) was carried out in autumn 2019 in preparation for operations in winter 2019. River flows have been sufficient to consider extraction from the river in recent months. Engagement will be carried out with the Environmental Reference Group before transitioning to operations.
- The M2G modes are:
  - *Suspension*: parts of the system may be decommissioned requiring lead time before start up. No water can be transferred.
  - *Standby*: ready to run, all components in place and being operated routinely for maintenance purposes.
  - *Operating*: operating and transferring to increase Googong reservoir storage levels.
- In our response to QTON 12 asked by Mr Coe at the PAC hearing on 12 November 2018, we noted that in Standby mode the system can be operated for a number of days or weeks every three months. Based on costs incurred to date in operating and maintaining the M2G pipeline, operational costs are in the order of \$2,000 per day for Standby mode and \$220 per day in Suspension mode.

## Drought

- Inflows to Icon Water's dams over the past two years have been very low. In over 100 years of recorded streamflow, only the Millennium Drought has worse inflows.
- 97.5% of NSW is currently declared in a drought or drought affected following ongoing dry conditions since 2017. Sydney Water has introduced water restrictions in response to the drought.
- A positive Indian Ocean Dipole event is likely to develop in the coming months, this condition often result in reduced rainfall. The Bureau of Meteorology currently forecasts only a 30% chance of reaching the median rainfall in winter. It is quite likely that the drought conditions will persist throughout 2019.

- Icon Water storages have been impacted and are currently 57% full (as at 30 May 2019). However, water restrictions in the next 12 months are very unlikely. Icon Water's water security (as reported in the Source Water Strategy) means that it would take a drought more severe than the Millennium Drought for water restrictions to be required.
- If these dry conditions continue or worsen over the next two years then Icon Water may consider the need to implement temporary water restrictions. The Canberra community is water-wise and will continue to be proactively encouraged to apply the **permanent water conservation measures** in place.
- Icon Water recommends introducing water restrictions when storage levels drop to 35-40 per cent (a range is given because the decision depends upon the time of year and climate outlook). After enlarging the Cotter Dam, Icon Water has more storage per person than most utilities and can introduce restrictions at a lower percent storage than Sydney or Melbourne.

### Environment and sustainability

- We have committed to climate resilience and resource recovery strategies in our Business Strategy. We are acting in accordance with the **Water Services Association of Australia Climate Change Adaptation Guidelines** to assess, plan, respond, embed, monitor and review.
- A comprehensive **waste management action plan** is supporting the delivery of our Waste Management Strategy to reduce waste to landfill and find alternative beneficial reuse alternative disposal options.
- A three year **Sustainability Action Plan** has been implemented to improve sustainability across the organisation.
- 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 have continued to deliver **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.
- We released the Googong Catchment **Actions for Clean Water Plan** prioritising erosion hotspots for potential natural resource management investment.
- We met with government and community stakeholders regarding the potential impacts from **feral horse management** in Kosciuszko National Park adjacent to the Cotter Catchment.

### Energy management strategy

- Over 2018–19 we generated less renewable energy than the previous year 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** in operation: 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 Mt Stromlo mini-hydro is now included as a renewable energy asset of the ACT Region Renewable Energy Trail. Tours of the mini-hydro are provided to the public as part of the South East Region of Renewable Energy Excellence community open day in November each year.
- A major program is underway to deliver solar PV energy generation at several sites including Cotter Dam, Stromlo WTP and LMWQCC over the next twelve months.

## Customer

- We have approximately **179,000 water connections** and **178,000 sewer connections**, with a service reach of approximately 460,000 people. 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 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 (refer to QTON 24 provided to the Public Accounts Committee on 23 November 2017).
- Overall customer satisfaction with our services is steady at **91%**.
- In 2017–18 we received **around 970 customer complaints** with the main issues related to site restorations and billing queries. This is an increase on last years' figure of **905**.
- Our performance in 2018-19 shows a **20% decrease in overall complaints** compared to the prior financial year. Performance in the billing complaint category year-to-date has slightly improved on last year.
- In January 2018, our new self-service platform myiconwater.com.au went live. This portal enables our customers to manage their accounts online. The number of our customers that have signed up to receive e-bills is **27,644**.
- In our Business Strategy we have included new performance indicators against our objective to enhance the customer experience. In addition to satisfaction we are also measuring positive word of mouth or advocacy (net promotor score) and ease of doing business, which are both accepted measures in the retail environment.

## Billing issues

- In December 2018, we had an issue with our delivery of accounts which resulted in water bills being bundled and packaged, and sent to customers other than the account holder. This affected approximately 5000 customers.
- An investigation revealed that this was caused by a programming error at the printing and mailing house.
- Upon identification of the issue, billing was suspended and was only re-commenced when Icon Water management was satisfied that the error had been resolved and satisfactory quality assurance processes were in place.
- We encouraged customers who had received other accounts to contact us and we made arrangements for these to be returned, collected or destroyed. Our customers greatly helped with these efforts and more than 90% of invoices have been accounted for.
- The data breach was reported to the Office of the Australian Information Commissioner (OAIC) and the Independent Competition and Regulatory Commission (ICRC).
- The process to reverse and re-bill customers is complete and we have written to all affected customers regarding the breach incident.
- Various arrangements have been put in place to ensure that this does not re-occur including:
  - The system change request processes have been reviewed to ensure appropriate testing and approval protocols are in place.
  - Additional governance arrangements have been developed.
  - Improved capability in the corporate IT service function to administer changes on systems owned and operated by third party service providers has been identified.

## Cyber-security

- We face the same challenges that all businesses do in this technological environment.
- While we are not aware of any successful cyber-security attacks, we are regularly looking at the areas of vulnerability.
- Icon Water has a joint internet traffic monitoring program in place. This has provided us with a number of alerts from time to time. Cyber-security remains an active initiative and we consider continued investment in this area worthy. Solutions relate to technology upgrades, infrastructure upgrades, staff education and improved processes to support our ability to detect, prevent, respond and recover to any Cyber based event.
- Icon Water recently revised its Security Strategy and completed an independent assessment of its Cyber Security readiness, this has informed our security program priorities.
- All new cloud based applications undergo independent penetration testing and are the subject of well architected reviews (WAR) prior to going live.

## Higgins water main burst

- On 2 May 2019 a 600mm water main on Kingsford Smith Drive intersection with Wirraway Street Higgins caused flooding of roads and multiple properties in the area.
- Customer Service Officers visited impacted properties within one hour of the incident to assess the damage and assist the customers.
- Eleven properties were impacted. There was no structural damage to any property and water did not enter homes. However, there was significant landscape damage to all properties. A landscaping contractor has been appointed and rectification works are underway.
- There was no interruption to water supply. However, several suburbs in Belconnen experienced dirty water from approximately 11.30am until water ran clear at 10pm that same evening.
- Seven schools were in the dirty water zone. One school sent children home at lunchtime (St Francis Xavier) out of concern. This decision was a school-based one, and was not raised with the Catholic Education Office or Icon Water. All other schools remained open.
- To ensure no residual dirty water issues in any of the seven schools, two officers attended every school between 7am and 8am the next morning and spoke with each Principal. No dirty water was detected and all seven schools were open.

## Community

- Our *Business Strategy* identifies our vision to be a **valued partner in our community**.
- The table below shows sponsorships \$10,000 or greater, for 2018-19 and Board-approved funding 2019–20 to 2021–22.

Organisation – event/donation	Classification	2018–19	2019–20	2020–21	2021–22
Lifeline – gala dinner, women of spirit awards, boot camp and book fairs	Wellbeing	50,000	50,000	50,000	50,000
Menslink – business breakfast and various campaigns	Children/Youth	40,000	40,000	-	-
Canberra Symphony Orchestra – Music by the	Community Event Children/Youth	35,000	-	-	-

Organisation – event/donation	Classification	2018–19	2019–20	2020–21	2021–22
River and Canberra schools education program					
Orange Sky Laundry – Canberra shower van/shower van operations	Homelessness	20,000	20,000	20,000	-
Karinya House – mother’s day ball and various campaigns	Women/Domestic Violence	18,000	20,000	20,000	20,000
OzHarvest – education program	Social Inclusion	18,000	18,000	18,000	-
Ginninderra Catchment Group – Frog Watch program	School education	17,500	12,500	12,500	-
Domestic Violence Crisis Support (DVCS) – various campaigns	Men/Women/Domestic Violence	15,000	15,000	15,000	-
YWCA Canberra – Hidden Women Program	Women Domestic Violence/Homelessness	15,000	15,000	15,000	-
St John Ambulance – schools education program and PAD program	Children/Youth and Wellbeing	11,606		-	-
Camp Quality Ltd – ACT giggle ball, 2 events in the same FY	Children/Youth	11,000	-	-	-
Royal Life Saving ACT – day at the lake/ACT water safety week	Children/Youth	10,000	10,000	-	-
Barnados Australia – charity golf day	Children/Youth	10,000	-	-	-
Physical Activity Foundation Ltd – schools education program	Children/Youth	10,000	-	-	-
Crimestoppers – Canberra conference	Wellbeing	10,000	-	-	-
SouthFest – Tuggeranong community festival	Social Inclusion	10,000	-	-	-
Greening Australia – bush tucker program	Aboriginal/Torres Strait Islander	10,000	10,000	10,000	-

- We engaged with the community on:
  - Infrastructure and network education
  - Googong Dam – appropriate recreation and management of the drinking water catchment.

- Belconnen Trunk Sewer projects. DA and Draft EIS for Project 1 (2.4km trunk sewer and North Latham OCU) now publically notified. DAs for projects 2, 3 and 4 (Latham, Florey and Evatt) and lodged on 7 June.
- We **provided tours of our assets** to students and members of the public (3,305 people).

### Metering

- The total domestic meter reactive and planned replacement figures for the previous regulatory period was **30,000** and the planned replacement figures for this regulatory period is **35,800**.

### 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.
- A number of smart meter trials have been conducted within the water industry. Icon Water is participating in Evoenergy's Smart Network in Denman Prospect, with the intent to install and **trial 400 smart water meters**. The ACT Government Smart City network which is currently being rolled out, is likely to provide opportunity for further smart metering trials. The NB-IoT network offerings from the telecommunication companies will also provide opportunities for smart metering technologies to be trialled in the short to medium term.

### Liquid trade waste

- Icon Water has a legislative requirement to manage liquid trade waste discharges under the Utilities Act and connections for the discharge of non-domestic sewage must be approved by Icon Water.
- We have been consulting with our customers to identify the best mechanisms to manage liquid trade waste and to understand what customers expect. Customers are seeking ongoing conversation on matters such as digital solutions to applications and approvals, improved communication through planning of audits and inspections and notifications of outcomes.
- The underlying aims of a future liquid trade waste system is to: minimise the environmental and sewage system impacts; educate trade waste customers towards sewage discharge compliance; and determine the requirements for the fair apportionment of the cost impact of liquid trade waste across our customers.
- The latest UTR Compliance Report, UTR note that they consider there to be risk in Icon Water's current practice in identifying and completing liquid trade waste inspections and encourages Icon Water to enhance our monitoring and reporting, including conduct of random field audits.
- Our trade waste inspection program is risk-based, focussing on customers who discharge waste that could present a hazard to workers or assets in the sewerage network. We are working with the financial regulator to establish a system that ensures fairness and equity for all our trade waste customers.

## Finance topics

### Forecast 2018–2019

- In 2018–19, Icon Water is forecast to achieve strong financial results with profit after tax of **\$88.8m (Budget: \$76.8m, 2017–18: \$107.7m)**
- In 2018–19 the dividend payable to shareholders is forecast to be **\$70.6m (Budget: \$63.9m, 2017–18: \$89.6m)**. Additionally the income tax equivalent is forecast to be **\$37.9m (Budget: \$39.2m, 2017–18: \$42.2m)**.
- The improved result compared to budget can be attributed to increased water and sewerage revenue (**\$11.1m**) increased consumption and customer base despite lower prices from final ICRC decision. There are increased operating costs (**\$7.0m**), primarily electricity, as a result of drawing water from higher cost sources. The depreciation costs has also risen (**\$8.9m**) as a result of the asset revaluation at 30 June 2018 offset partially by a reduced interest cost (**\$10.0m**) related to lower CPI and interest rates.

### SCI Budget 2019-20

	2018–19 Forecast \$'000	2019–20 Budget \$'000	2020–21 Estimate \$'000	2021–22 Estimate \$'000	2022–23 Estimate \$'000
Water Revenue	186,253	186,292	190,772	197,872	205,347
Sewerage Revenue	129,633	131,504	133,714	136,060	138,446
Joint Venture Dividend	91,886	71,033	68,347	84,172	84,807
Other Income	28,471	31,563	34,068	38,216	33,913
Less Expenses	309,457	315,555	317,778	330,526	336,809
Net Profit before Tax	126,786	104,837	109,123	125,794	125,704
<b>Less Income Tax (ITE)</b>	<b>38,036</b>	<b>31,451</b>	<b>32,737</b>	<b>37,738</b>	<b>37,711</b>
Net Profit after Tax	88,750	73,386	76,386	88,056	87,993
Less Gifted Assets	18,200	12,998	15,151	19,005	14,251
<b>Profits available for Dividend 2019–23 SCI</b>	<b>70,550</b>	<b>60,388</b>	<b>61,235</b>	<b>69,050</b>	<b>73,741</b>
<b>2018–2022 Budget</b>	<b>63,907</b>	<b>68,038</b>	<b>73,765</b>	<b>78,719</b>	<b>N/A</b>
<b>Increase/Decrease</b>	<b>6,643</b>	<b>(7,650)</b>	<b>(12,530)</b>	<b>(9,669)</b>	<b>N/A</b>

- The table above shows the profit available for dividend over the four years 2018–19 to 2021–22 is forecast to be \$23.2 lower than the previous SCI.
  - The annual water revenue is \$3-4m favourable compared to the previous SCI. The revenue reflects the updated ICRC prices which have a \$4-5m unfavourable impact on water revenue offset by an increase in the demand for water of 1.5GL annually.
  - Sewerage revenue is unfavourable \$1-3m annually compared to the previous SCI reflecting the updated ICRC prices.

- The joint venture 10 year forecast has been revised down after finalisation of the Australian Energy Regulator’s final decision for Energy Networks and the Final Gas Network Access Arrangement. The decision reduced the Electricity and Gas Weighted Average Cost of Capital (WACC) and the related returns affecting the Distribution business.
- The large feed in tariffs continue to have an impact on the returns as past over-recoveries are returned to customers.
- Increased customer competition has also affected the forecast for the Retail business.
- Expenses are unfavourable to the previous SCI by \$2-8m annually. This is a result of the increased electricity cost reflecting the higher demand for water and related water source assumption combined with additional depreciation affected by the 30 June 2018 revaluation, offset by a reduced cost of interest.
- The overall impact on the payments (dividends, tax and WAC/UNFT) to the ACT government is expected to be a reduction of \$7m in 2019–20, \$20m in 2021–22 and \$10m in 2022–23. This result has been largely driven by the final ICRC prices and the returns from the joint venture.

### 2019-20 water prices

- Icon Water expects ICRC water and sewerage prices to increase customer bills by \$22 (1.9%) as a result of the CPI and Water Abstraction Charge (WAC) impacts. This is in line with the ICRC’s determination of Icon Water’s price path for its five year regulatory period.

### Debt strategy

- Icon Water is forecasting receipt of **\$10.1m in gifted assets** in the 2018-19 financial year.
- We hold a legislative instrument from the Treasurer approving a maximum \$2.3b borrowing facility.
- We have borrowed \$85m on a short term facility in May (6 months).
- In 2019-20 we will need to refinance a maturing facility of \$215m as well as the 2019–20 requirement and the \$85m short term facility.
- Icon Water is able to service its existing debt for the foreseeable future. Our gearing ratio is forecast to be **54.3%** at 30 June 2019.

### Energy investment

- Icon Water is unique in Australia as it is also manages an investment in electricity and gas networks through partnerships with private companies.
- To manage the energy investments Icon Water has two subsidiary companies
- Oversight of the energy investments is undertaken through: representation on the ActewAGL JV Partnerships Board; the IRIL and IDIL Boards, and annual energy investment strategy discussions.

### Renewable and alternative energy

- From a water and sewerage perspective we actively look to manage our energy, the focus during the year has been on implementing solar panels on our assets in order to manage our electricity costs. Our longer term LMWQCC strategy includes exploring alternative ways to for **biosolids management to generate energy**
- From an energy investment perspective, ActewAGL continue to explore opportunities such as hydrogen and biogas. During the year the exploration has been preliminary, including considering the acceptable levels of hydrogen that could be injected into the existing gas network. There needs to be further investigation, trials, validation and consultation.



- In May 2019, ActewAGL publicly announced its intention to build and operate a hydrogen refuelling station at the existing compressed natural gas (CNG) refuelling station on Mildura Street in Fyshwick. The intent is for the hydrogen refuelling station to be operational by December 2019 to initially provide hydrogen fuel to a fleet of 20 ACT Government vehicles.

### Regional relationships

- We continue to collaborate with our regional partners on a range of topics of common interest.
- We have a MoU with Yass Valley Council promoting collaboration.
- We continue to work with Riverview developers on the water and sewerage infrastructure required to support the development at West Belconnen.
- We spent considerable time working with QPRC to explore options for a joint regional treatment plant. Following analysis of the options, we determined this joint regional solution would not deliver the best outcome for the region and therefore we have ceased exploration.
- We continue to have a positive working relationship with QPRC.

### Regulatory Strategy

- We operate in a highly regulated and multi-jurisdictional environment. Our multiple regulators mean that there are multiple objectives to be understood and balanced. Our regulatory strategy aims to drive greater coordination between regulators and work towards meeting a range of regulatory requirements at a sustainable cost to customers.

### Water trading, efficiency measures and sub-regional water security

- ACT Government are leading an exploration into whether introducing interstate water trading will benefit the ACT. This also includes identifying opportunities for water efficiency projects to achieve Sustainable Diversion Limits reduction targets and forming a position on potential trade and delivery options to support regional water supplies.
- Icon Water are a key stakeholder and have been part of the working group. Our primary objective is to understand if revenue can be raised without compromising ACT's water security.
- Icon Water considers water security to be of paramount importance, both now and into the future.

### Capital Contributions Code

- Canberra continues to experience considerable growth and this places pressure on our infrastructure.
- The Capital Contributions Code introduced in January 2018 involves arrangements for funding augmentations required to support growth of our network and community in Canberra's established areas.
- This provides a fairer funding structure. Previously, there was inequity in the way costs were recovered for developments that triggered water and sewerage asset augmentation or upgrade in established suburbs.
- There is a transition period of 18 months during which customers who purchased their property before 1 January 2018 do not have to pay the charge for new developments provided that their development application is lodged before 1 July 2019.
- The charge for 2019–20 has been reviewed and remains unchanged from the previous financial year at \$1,200. Development applications with an increase in Equivalent Population, lodged after 30 June 2019 will be therefore calculated at **\$1,200 per Equivalent Population**.

## Consumer protection code

- We are required to meet certain standards in relation to the service we provide to our customers. In circumstance 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 [iconwater.com.au/my-home/my-account/rebates/consumer-protection-code-service-rebates](http://iconwater.com.au/my-home/my-account/rebates/consumer-protection-code-service-rebates).

## Hardship provisions

- Icon Water has a financial hardship policy for residential customers that may, at times, be unable to meet their payment obligations. Icon Water recognises that it provides essential services and strongly supports working in conjunction with customers to resolve and manage any issues that customers face as a result of financial hardship.
- Our financial hardship policy (Staying Connected) allows customers to set up a flexible and affordable payment plan if they experience times of hardship. The program stops debt recovery action and provides payment options, such as Even Pay or Budget Pay. It also connects customers with other organisations who provide additional budgeting advice and support, such as Saint Vincent de Paul.
- Other supports include: setting up automatic deductions; referring customers to the ACTSmart program which provides water usage audits and financial assistance to switch to water saving appliances; suspension of interest; payment plans etc.

## Utilities Concession Scheme

- From 1 July 2017, all pensioner 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 maximum rebate is **\$604 per household**.
- We have a range of ways to assist our customers experiencing hardship, including: setting up automatic deductions; referring customers to the ACTSmart program which provides water usage audits and financial assistance to switch to water saving appliances; suspension of interest; payment plans etc.

## Services contracts – Independent Arbitrator

- On 2 November 2018, the Speaker of the ACT Legislative Assembly, Ms Joy Burch MLA announced that the independent legal arbitrator, Justice Refshauge, had reviewed our customer and corporate services contracts and upheld in part our claim for public interest immunity.
- We respect the Legislative Assembly processes and accept the decision of the independent arbitrator, which recognised that Icon Water is commercial entity with obligations to maintain the confidentiality of commercially-sensitive and third party information.
- We have consistently been as open and transparent as possible and have provided as much information as we have been able to on our public website, while meeting our confidentiality obligations.

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

- The current services contracts expire in 2023. In preparation for and well in advance of this date, Icon Water will assess its ongoing service requirements and options.
- A key focus for Icon Water will be to ensure that we can maintain access to the services required to operate our business efficiently and effectively, so that we can continue to provide high quality affordable water and sewerage services to our customers.
- A project has been initiated to define a sourcing strategy for the required services. The project is broken up into four phases with the first phase: project initiation completed. Implementation of the sourcing strategy will follow from completion of this project.
- We have made information available on our website and will be providing regular updates on the project.