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1.	Budget 2018-2019
Spokesperson	Sam Sachse
Previous media	No
Previous QoNs	No

- In 2017-18, Icon Water is expected to provide \$89.9m in dividend and \$45.6m of income tax to the ACT Government, as sole shareholder.
- Note: This result is significantly lower than the record profit in 2015-16 of \$122.3m but higher than the 2017-18 budget of \$67.1m.
- The 2018-19 budget is expected to provide \$63.9m in dividend and \$32.9m of income tax to the ACT Government, as sole shareholder.

2017-18 forecast v 2016-17 actual

- Icon Water's net profit after tax (NPAT) for 2017-18 is \$104.6m, an increase of \$7.7m compared to the 2016-17 actual result of \$96.9m in 2016-17.
 - Around \$89.9m of this profit is returned to the ACT Government as the shareholder of Icon Water compared to \$78.1m in 2016-17, an improvement of \$11.8m.
 - The income tax expense is \$45.6m, an increase of \$2.2m compared to the 2016-17 result.
 - Icon Water retains a small portion of profits (\$14.7m) that relate to assets gifted or contributed to Icon Water by developers. This compares to \$18.8m in 2016-17. (Icon Water then carries the obligation to own, maintain and operate these water and sewerage assets for the future).
 - The increase on prior year results is attributable to higher electricity and gas volumes and favourable margins in the Retail business (\$13.5m) partly offset by a reduction in the Evoenergy business (\$7.5m) due to higher operating cost and cost of sales in the Electricity business offset by reduced net FiT expenditure

2017-18 forecast v 2017-18 budget

- Icon Water's net profit after tax (NPAT) for 2017-18 is \$104.6m, an increase of \$27.5m compared to the budget.
 - Around \$89.9m of this profit is returned to the ACT Government as the shareholder of Icon Water compared to \$63.9m budgeted, an improvement of \$22.7m.
 - The income tax expense is \$45.6m, an increase of \$12.6m compared to the 2017-18 budget.
 - Icon Water retains a small portion of profits (\$14.7m) that relate to assets gifted or contributed to Icon Water by developers. The budget was \$10.0m.
 - The increase on budget expectation is due to favourable water consumption over a warm and dry summer period (\$5.0m) and a favourable outcome in the Energy Investment (\$21.7m). The Energy investment outcome is attributable to Evoenergy (\$14.9m) primarily due to a reduction in electricity feed in tariff expenses (FiT) and Retail (\$6.8m) primarily due to higher than budget electricity and gas volumes and favourable margins.

2018-19 budget v 2017-18 forecast

- Icon Water's 2018-19 budgeted net profit after tax (NPAT) is \$76.8m which is \$27.8m lower the 2017-18 forecast.
 - The profit available for dividend in the 2018-19 budget is \$63.9m which is \$25.9m lower than the 2017-18 forecast.
 - Income tax expense is budgeted to be \$32.9m, a decrease of \$12.7m compared to 2017-18 forecast.
 - The decrease is primarily due to a reduction in the Energy Investment profits (\$19.9m) a result of the repayment of the FiT obligation and also a reduction in water and sewerage prices (\$17.3m)
 - The capex budget is \$102.6m.

2017-18 to 2020-21 SCI period

- Forecast profit and dividends over the period 2017-18 to 2020-21 have reduced by \$5.0m and \$27.6m respectively compared to the 2017-18 Statement of Corporate Intent (SCI). The reduced profit is driven by the reduction in revenues, partially offset by new capital contribution revenue, reduction in expenditures and tax expense.
- Income from the energy investment over the period 2017-18 to 2020-21 has increased by \$30.4m respectively compared to the 2017-18 SCI primarily due to an improved electricity and gas margin and productivity initiatives
- Water and sewerage revenue over the period 2017-18 to 2020-21 has reduced by \$49.3m and \$22.7m respectively compared to the 2017-18 SCI. This is due to a reduction in prices and a reduction in water volumes and tier mix.
- Contributed assets over the period 2017-18 to 2020-21 has increased by \$20.4m compared to the 2017-18 SCI due to recognition of revenues from the capital contributions code.
- The table below summarises the movements between the 2018-19 Final Budget and the prior year SCI Budget.

SCI Budget 2018-19 Variance to 2017-18 Budget	2017-18 Estimated Outcome \$000	2018-19 Budget \$000	2019-20 Estimate \$000	2020-21 Estimate \$000	Total Estimate \$'000
Revenue	10,877	(18,897)	(15,899)	(22,741)	(46,660)
Energy Investment	21,740	67	4,453	3,888	30,148
Expenses	5,127	(7,667)	(4,186)	(4,843)	(11,569)
Net Profit After Tax	27,490	(11,163)	(7,260)	(14,010)	(4,944)

Assumptions and other issues

- Water and sewerage revenue is based Icon Water's proposed pricing response to the ICRC draft pricing decision and Icon Water's demand model for water consumption volumes.
- The Final ICRC price determination, issued on the 1 May 2018, is expected to further reduce water and sewerage revenues by approximately \$6.0m per annum. This will reduce ACT Government payments by \$4.8m dividend reduction and \$1.2m in tax payments.

Background on the Water Abstraction Charge

The WAC is set by the Minister for the Environment and Sustainable Development who is responsible for administering the Water Resources Act (WRA). In practice, the Environment and Sustainable Development Directorate proposes the amount of the WAC to the Minister, who makes a determination under the WRA. Icon Water is not consulted on the determination of WAC.

As the only licensee for urban water supply, Icon Water pays \$0.55 per kilolitre (\$/kL) of water abstracted quarterly, at the end of February, May, August and November each year. In 2017-18 this totalled \$30.1m

The WAC is charged to recover catchment management costs and environmental costs associated with water extractions.

2.	Service contracts with ActewAGL
Spokesperson	John Knox
Previous media	Yes
Previous QoNs	Several

We are committed to being as transparent as possible and late last year we published the non-commercial information in the contracts on our website along with background information.

In the year ahead, we will start to consider our options for ongoing service requirements so we will be prepared well in advance of the 2023 expiry of the agreements. This will include:

- where possible, structuring technology and systems to optimise flexibility in how we are serviced
- developing a sourcing strategy to determine whether to insource or outsource each of the services to best meet business requirements

We're also undertaking an internal audit of the agreements and will be actively working to explore future options that are in the best interests of our customers and the community.

In terms of external validation, the ICRC has undertaken three independent assessments of our operating expenses, including the services we obtain through the service agreements, and found them to be prudent and efficient.

ICRC noted in the 2018-23 water and sewerage services prices Media Release: *Under the Commission's final decision, prices will be lower than initially proposed by Icon Water in June 2017. **The lower prices result from efficiencies in Icon Water's planned operating and capital expenditure, lower interest rates and the Commission's decision on how to calculate the return on Icon Water's capital investments.***

History

- As emphasised on our public website, there is extensive history related to these service contracts.
- In June 2012, **ACTEW Corporation signed two contracts with ActewAGL**, which enabled a **continuation of the existing arrangements** for the provision of a range of corporate and customer services. The contracts are due to expire on 30 June 2023.
- Continuing with the existing arrangements was the **only option available** as it offset **considerable break costs** and service **re-establishment costs** and would've come with **significant business risk**.
- The contracts were simply a **continuation of the package of services** that had been in place since 2000.
- The corporate service contracts with ActewAGL reflect the **unique service requirements of the utilities sector**.

ACT Shared Services

- As advised in our responses to questions on notice following last year's Estimates Committee hearing, Icon Water is not subject to the ACT Government's Procurement Act and does not have access to ACT Shared Services.
- The range and type of services provided to Icon Water under the service contracts with ActewAGL are significantly different to those that are provided through the ACT Government Shared Services Centre.
- In particular, the services we receive include customer-facing services such as meter reading, household billing and first response contact centre calls, which are not replicated within the ACT Shared Services Centre.

Publication of the service contracts

- It is important that Icon Water respects sensitive information such as the personal information of our customers and the commercial information of those with which we do business. We ensure that we act with integrity and provide our customers and contracted service providers with the confidence that their information is protected.
- Maintaining confidentiality ensures that future procurement can occur without contractors having an unfair advantage.
- For these reasons, we did not publish commercially sensitive information within the service contracts. This ensures that we can approach an open field of tenderers as the expiry of the contracts approaches.

Governance arrangements

- Icon Water actively manages these contracts to make sure the services are right for our business. This includes:
 - individual contract **representatives from Icon Water to oversee each of the services,**
 - working groups to discuss opportunities and synergies in services (IT and retail working groups)
 - a **Contract Control Group that meets quarterly**
 - an internal audit is underway and covers the management arrangements in place for the service contracts with ActewAGL and outcomes are expected to be reported to the Risk and Assurance Committee in August 2018.

Timeline

Date	Action / Activity
1995	ACT Electricity and Water Authority (ACTEWA) was corporatised and became ACTEW Corporation Limited
1988	Provision of water and electricity brought together in ACTEWA.
1998	On 8 October 1998, the then Chief Minister, Kate Carnell, announced plans to privatise ACTEW Corporation Limited (ACTEW)
2000	Customer and corporate services provided by ActewAGL under the Water and Sewerage Managing Contract Alliance Agreement
2004	Customer and corporate services provided by ActewAGL under the Utilities Management Agreement (UMA) . This agreement was set to expire in 2023

2011	ACTEW Corporation sought to bring the water business back under its own direct control and discussions commenced with ActewAGL and the Voting Shareholders. At this time, ACTEW Corporation was a holding company with less than 40 employees.
2012	The operation and maintenance of the ACT's water and sewerage network transferred back to ACTEW Corporation, now Icon Water (with around 400 employees)
2012	Customer and corporate services provided by ActewAGL under the Customer Service and Community Support Agreement (CSCSA) and the Corporate Services Agreement (CSA) . These agreements are set to expire in 2023, as anticipated under the previous UMA.

3.	Corporate structure and governance
Spokesperson	John Knox
Previous QoNs	Several

Icon Water is separated from the direct functions of government. It is governed by an independent board of directors who exercise a governance, strategic and oversight role in relation to the operation of Icon Water.

- The Board consists of seven (7) non-executive members and the Managing Director, who are appointed by the Voting Shareholders. **Five of the eight members are women.**
- The Board has a diverse range of skills and experience across government, Company directorship, water and energy sectors etc.
- **In line with Recommendation 3.4 of the Cohen Review, recruitment of new Directors has involved a national public advertising process and a rigorous candidate evaluation process.**
- As a company under the Corporations Act each member of the Icon Water Board is subject to the duties and obligations imposed by this legislation. In particular, the Act sets out the statutory duties and powers of directors and officers of corporations. The TOC Act imposes additional obligations on the Icon Water Board, including notifying shareholders of significant events.
- The Voting Shareholders have responsibility for setting remuneration of non-executive Board directors.
- Voting Shareholders appoint all Directors of Icon Water Board and are required to approve Icon Water's appointments to the IDIL and IRIL Boards.
- Current non-Executive Director remuneration is within the range of Determination 21 of 2017 – Part-time Public Office Holders.
- Icon Water manages and operates circa \$2.2 billion worth of assets and manages a \$1 billion investment in the energy business – ActewAGL.
- **Value for Money - In addition to the objectives set out for us in the TOC Act, it is also our role to balance our service delivery, customer expectations and affordability, without compromising on compliance and safety.**

Role of Voting Shareholders under the TOC Act

- **Some activities of Icon Water require the Shareholders approval.**
- We need Voting Shareholder approval to form a new subsidiary, make significant changes to our interest in a partnership or joint venture or acquire a significant asset.
- We need approval from the Legislative Assembly (as well as the Voting Shareholders) to dispose of any main undertaking or if a company ceases to be a subsidiary.
- We need to notify the Voting Shareholders of any significant event.
- In addition, the Voting Shareholders are advised on operational and strategic matters through quarterly shareholder reports; face-to-face quarterly shareholder meetings and through formal correspondence. Over 2017-18, Shareholders were informed on a range of matters, which

included: incorporation of ActewAGL Distribution Investments Pty Ltd (AADI) and Illuminact; notification of AGM and minutes from the meeting; and signage at Googong Dam.

Public Accountability and Scrutiny

- Icon Water manages assets within a complex regulatory framework that include ACT NSW and commonwealth requirements (**approximately 73 acts and codes**). To operate and comply with these obligations we are **transparent and accountable**.
- **ICRC's periodic and detailed reviews of Icon Water's operating costs**, seek to examine whether our expenditure is prudent and efficient. **The most recent review of Icon Water is detailed in the ICRC's pricing determination tabled in the Assembly on Thursday 10 May 2018.**

Operating efficiently and transparently

- One of the main objectives of a territory owned corporation is to **operate as efficiently as any comparable business** (section 7, TOC Act 1990).
- We aim to achieve **efficiency** and participate in industry-wide benchmarking; and continual improvement of operational efficiencies (eg.BTP)

Results from National Performance Report

- The *National Performance Report 2016–17: Urban Water Utilities* (NPR) is published annually by the Bureau of Meteorology and is a comparison of the performance of urban water utilities across Australia and New Zealand. Icon Water is one of 15 utilities in the Major Utilities (Large) category which includes utilities with more than 100,000 customers.
- Overall our performance is broadly in line with other utilities. For example, Icon Water has the sixth lowest annual bill based on 200kL for water and sewerage (at \$1,152) which is \$30 higher than the lowest provider – Sydney Water.
- We are one of four utilities that reported an increase in the number of water main breaks per 100km of water main. Despite this, Icon Water had the fifth lowest rate of water main breaks in the category which is consistent with the previous year's result.

Energy investment decision-making

- Our energy investment decisions are based on sound investment criteria. The criteria ensures that each investment maximises value for shareholders and has regard to corporate social responsibility and ACT Government's smart/sustainable cities initiatives. **ACT Governments Smart City projects include: public wifi; smart parking; smart streetlights and renewable energy by 2020.**

TOC Act requirements

Source of requirement	Trigger action by IW, IDIL or IRIL	Requirement	Internal Comments
ss.16(1)(a) and 16(4) TOC Act	Disposal of any main undertaking	Prior written consent of Voting Shareholders Prior approval of the Legislative Assembly	Main undertaking is defined as: <ul style="list-style-type: none"> as interpreted in the accounting standards relating to materiality – 5%-10% of assets document (eg. SCI) describes it as a main undertaking MOU with shareholders describes it as a main undertaking declared by regulation to be a main undertaking (none at this date) <p>If consent is given, it must be tabled in the Legislative Assembly.</p>
s.16(1)(b) TOC Act	Acquisition of an undertaking that could reasonably be expected to become a main undertaking	Prior written consent of Voting Shareholders	See above for definition of 'main undertaking'. If consent is given, it must be tabled in the Legislative Assembly.
s.16(1)(c) TOC Act Clauses 95 and 97 Constitution	Participate in the formation of a company that will be a subsidiary	Prior written consent of Voting Shareholders	The definition of subsidiary is the same as in the Corporations Act (see Schedule 4 TOC Act). If consent is given, it must be tabled in the Legislative Assembly.
ss.16(1)(d) and 16(4) TOC Act Clause 97 Constitution	Enter into a transaction where a company becomes or ceases to be a subsidiary	Prior written consent of Voting Shareholders Prior approval of the Legislative Assembly	If consent is given, it must be tabled in the Legislative Assembly.
s.16(1)(e) TOC Act	Enter into or make a significant change to interest in a partnership, trust, unincorporated joint venture or similar arrangement	Prior written consent of Voting Shareholders	Significant is defined as: <ul style="list-style-type: none"> as interpreted in the accounting standards relating to materiality – 5%-10% of assets document (eg. SCI) describes it as significant MOU with shareholders describes it as significant declared by regulation to be significant (none at this date) <p>If consent is given, it must be tabled in the Legislative Assembly.</p>
s.16(1)(f) TOC Act	Acquire, dispose of, mortgage or give security over a significant asset or give a charge over the whole or a significant part of its undertaking or assets	Prior written consent of Voting Shareholders	See above for definition of 'significant'.
S.16A TOC Act	Become aware of any significant event that affects or is likely to affect: <ul style="list-style-type: none"> its value a significant part of its assets its performance the carrying out of a significant activity 	Notify the Voting Shareholders as soon as practicable	See above for definition of 'significant'. An example of a 'significant event' is a new venture. An example of a 'significant activity' is an activity involving significant risk or likely to attract adverse publicity.

4.	Workforce
Spokesperson	John Knox
Previous media	No
Previous QoNs	Yes

- As at May 2018, staffing numbers totalled **388** - (380 FTE, with 6 employees working part-time).
- Key demographics:
 - 380 FTE (In 2016-17 and 2015-16 this was 385 FTE)
 - 298 males and 90 females (In 2016-17 this was 294 males and 84 females)
 - 5 Aboriginal and Torres Strait Islander staff (In 2016-17 this was 4)
 - 18 languages other than English spoken
 - 30 staff from culturally diverse backgrounds (In 2016-17 this was 28)
 - 9 staff identify as having a disability (In 2016-17 this was 7)
 - Gender breakdown: 23% female (this is a 1% increase on last financial year)
- Our FTE has remained fairly steady over recent years. We are forecasting a slight increase in staff numbers of approximately 5.8% over the next financial year. This is due to increased focus on customer services, insourcing of capital works project management and graduate and trainee programs.
- The difference of 5.7% between the 2017-18 Estimated Outcome and the 2017-18 Budget for staff numbers is due to use of fixed term technology contractors rather than non-ongoing employees.
- Icon Water has a People Strategy that aims to improve employee engagement and increase diversity in the workplace.
- Particular emphasis has been placed on increasing representation of females in the workforce, particularly in non-traditional roles (such as engineers, technicians, field workers and operators). This is an industry-wide issue.
- To achieve this increase we are looking at different resource pools and channels such as Linked in and Facebook. We are actively reporting on gender diversity across our branches and we are consciously doing what we can to attract female applicants in non-traditional role.
- For example, we have attended University Career days, we have promoted the recruitment of females to engineering roles via a video of some of our female engineers talking about their experience at Icon Water and the benefits of working with us; we are working with FlexCareers and on 9 April 2018, we commenced paying superannuation on paid parental leave.
- The current benchmark for female workforce composition in the utilities industry is 25%. We are striving to achieve higher than this by 2020 (26-30%)
- As part of developing talent internally, 4 graduate Engineers (3 female and 1 male) commenced on a two year program. They will be rotating through the business on 6 month placements.
- In 2017-18, there were 45 new starters and 4 trainees commenced

- Staff development remains a priority. There has been a number of leadership development offerings to staff at all levels. These programs have had high attendance figures.
- On 4 September 2017, the Fair Work Commission approved the Icon Water and Combined Unions Enterprise Agreement 2017. The Agreement applies an annual increase of 3% for three years. Superannuation remains at 15%.

Gender profile by job categories

Based on ANZSCO code

Job category	Female	Male	Grand Total
Managers	15	37	52
Professionals	45	77	122
Technicians and Trade Workers	6	62	68
Community and Personal Workers	2		2
Clerical and Administrative Workers	23	10	33
Machine Operators		102	102
Labourers		12	12
Grand Total	91	300	391
% of Total	23%	77%	

Based on job role

Job category	Female	Male	Grand Total
Engineers*	11	22	33

*Engineers can be categorised both as Manager and Professional based on the ANZSCO code.

Based on authority level

Leadership role	Female	Male
Board	63%	38%
CEO	0%	100%
Division Head	25%	75%
Branch Manager	33%	67%
Section Manager	45%	55%
Supervisor	36%	64%
Team Leader	10%	90%

Staff Turnover

	FY 15-16	FY 16-17	FY 17-18 (as at 31 May)
Staff turnover rate	16.3%	10.2%	11.2%

Gender mix

Gender mix	Female	Male
New Leadership program – Next Wave	5	11

Gender Pay Gap

The unadjusted gender pay gap is 2% as at 31 May. This is based on the employee's basic pay hourly rate and does not take into consideration other remuneration components such as overtime, superannuation, retention allowance, performance bonus and other cash benefits.

Gender pay gap is being tracked through the Gender Equality Health Check which is being reported annually to the Icon Water Board.

5.	Media and corporate affairs
Spokesperson	John Knox
Previous QoNs	Yes

Icon Water's Corporate Affairs Branch is responsible for external and internal communications and stakeholder engagement.

Icon Water engages proactively with a range of media channels to:

- help customers to know who we are, what we do and the services that we offer
- inform customers and the community about the impact of reactive and programmed work across our network
- inform the community and stakeholders in relation to network and environmental safety and protection

- The Corporate Affairs Branch provides strategic advice on corporate communications, public and media relations, and developing and maintaining strong collaborative relationships with a wide range of key stakeholders, government agencies and the media.
- The Corporate Affairs Branch facilitates communications across business groups and functions and integrates organisational culture and business strategy. It also provides information, research and advice to the Icon Water Executive and Board to support the achievement of organisational goals, brand awareness and reputation. The Corporate Affairs branch prepares key annual publications: Annual Report to the ACT Government, Business Strategy, and Drinking Water Quality report.
- Over 2017-2018, articles in the media have focussed on:
 - Water and sewerage pricing following the ICRC's determination on pricing, May 2018
 - High quality water in ACT – winning taste test competition in previous year, April 2018
 - Service contracts with ActewAGL following the Budget Estimates hearings, June and July 2017
 - Capital Contributions code, August and December 2017.

Over recent months, a joint Icon Water and evoenerg 'Dial before you Dig' advertising campaign has been underway. These campaigns run regularly and are designed to assist in preventing damage and disruption to Australia's vast infrastructure networks which provide essential services that people use every day.

- **Over 2017-18, we have responded to 41 Questions on Notice (with many containing multiple questions) and contributed to several whole of government responses** related to Freedom of Information requests and Media and strategic communications.
- Over 2017-18, there have been four FOI requests and one third party request.

6.	Debt strategy
Spokesperson	Sam Sachse
Previous media	No
Previous QoNs	Yes

Dividend Policy

- Traditionally, Icon Water paid out 100% of profits as dividends to the ACT Government.
- In May 2016, the ACT Government confirmed that from 2016–17 financial year onwards the dividend policy will exclude the revenue associated with gifted assets received from developers.
- Icon Water received \$18.8m in gifted assets in the 2016-17 financial year that reduced the effective dividend payout ratio to 81%.
- Icon Water was granted \$42.0m of dividend relief for the 2015–16 financial year due to outperformance of its annual budgeted results. This relief reduced the effective dividend ratio 65% for the 2015–16 financial year. The reduced dividend payments resulted in Icon Water borrowing less by an equivalent amount.

Servicing of debt

- Icon Water is able to service its existing debt for the foreseeable future; in other words we have sufficient cash flows to meet the repayment obligations as and when they fall due each month.
- We will continue to manage the debt via refinancing and ensuring we can service our debt. Looking ahead, as Canberra grows and therefore our business grows, our debt levels will continue to grow but at a slower rate than our assets.
- We hold a legislative instrument from the ACT Government Treasurer approving a maximum \$2.3bn borrowing facility.
- This, along with measures to manage gearing, ensure Icon Water continues to trade solvently.
- Our directors are bound by section 588G of the *Corporations Act 2001* which sets out a director's duty to prevent insolvent trading.
- The CRC undertakes financial viability reviews of Icon Water and they indicated that pricing was sufficient for Icon Water to pay its debts.
- Looking ahead, as Canberra grows and therefore our business grows, our debt levels will continue to grow along with our growing asset base.
- Icon Water continues to work on numerous initiatives to ensure that debt and gearing levels are appropriately managed going forward. Icon Water's gearing is currently at 55% with gradual increase forecast over the forward estimate period.

Icon Water Limited										
Gearing Ratio and Dividend Payments										
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18 February Forecast	2018-19	2019-20	2020-21	2021-22
	Actual	Actual	Actual	Actual	Actual		Budget	Estimate	Estimate	Estimate
Gearing Ratio	57.6%	59.1%	54.9%	54.6%	55.0%	55.9%	56.8%	57.3%	57.8%	57.8%
Dividend Payout Ratio	100.0%	94.9%	96.1%	65.4%	80.6%	85.9%	83.2%	77.9%	82.4%	83.2%

7.	Water and sewerage pricing
Spokesperson	Sam Sachse
Previous media	Yes
Previous QoNs	Yes

The fall in the price of water and sewerage services is good news for all segments of the Canberra community.

The average residential customer (using 200kL of water per annum) will see a reduction of \$42 on their annual water and sewerage bill after 1 July 2018, which is a combined reduction of around 3.5%.

We welcome the prices set by the Independent Competition and Regulatory Commission (ICRC) which means that almost 100% of residential customers will see a reduction in bills this year, and bills are expected to stay in line with inflation over the following four years.

The ICRC has confirmed that Icon Water's combined bill for residential customers is lower than the national industry average for urban water providers.

The price reduction is a result of Icon Water efficiencies in operational and capital expenditure and a lower interest rate environment.

- Almost 100% of Icon Water's customers (service reach of 400,000 people) will benefit from the 1 July price decrease outlined in the ICRC's pricing determination on 1 May 2018.
- Most customers will receive a 3.5% (or \$42) bill reduction with some customers experiencing up to 10% reduction.
- Approximately 1% of our customers will not receive a decrease in their bills due to their water consumption being less than 30kL per annum.
- Over the following four years – to 2023 – combined bills for residential customers are expected to stay in line with inflation.
- The ACT community continues to be highly satisfied with our service, with a satisfaction rating of 89% in our latest customer survey (May 2017)
- This is not surprising given Icon Water's combined bill for residential customers is lower than the national industry average for urban water providers.
- In terms of the 'cost of living basket', a typical Canberra household pays around \$2.60 a day for their water and sewerage needs.
- We are continuing to deliver the outcomes that customers have told us are most important, which is reliable supply, quality drinking water, affordability, quality customer service and environmental sustainability.

10.1.2 Comparison with bills payable in other jurisdictions

As a result of the Commission’s final decision, the combined water and sewerage services bills payable by residential consumers in the ACT will be lower than the average of comparable jurisdictions.

Table 10.2 provides a comparison of annual water and sewerage services bills for a residential consumer consuming 200kL of water a year for a number of urban utilities in Australia. A simple comparison of prices across jurisdictions should be read with caution as the underlying costs of providing water and sewerage services may vary between water service providers.

Table 10.2 Comparison of combined water and sewerage services bills of Australian water utilities, assuming residential consumer with 200kL a year consumption (\$, nominal)

	Actual (2017–18)	Estimates (2018–19)	Notes
Sydney Water	1,096	1,132	d
Barwon Water	1,097	1,124	a,c
Hunter Water	1,130	1,185	d
SA Water (Adelaide)	1,149	1,177	a,c
TasWater	1,166	1,214	b
Icon Water	1,200	1,158	
South East Water	1,243	1,152	a,c
City West Water	1,270	1,301	a,c
Average	1,276	1,285	
Yarra Valley Water	1,392	1,311	b,c
Queensland Urban Utilities	1,487	1,524	a
Unitywater – Moreton Bay	1,811	1,857	a

Notes: a Indexed assuming inflation of 2.5 per cent from 2017–18. b: Based on Draft Determination. c: Victorian Government rebate applied but not parks or waterways charge. d: 2018–19 figures based on IPART determination (in 2015–16 values) adjusted by the CPI by the Commission.

Sources: Commission’s calculations and utility and regulator websites.

ICRC pricing determination: background

- The Commission released its draft decision for water and sewerage prices for the period 2018–19 to 2022–23 on 12 December 2017. Following a public hearing into the draft decision held by the Commission on 7 February 2018, Icon Water made a written response to the draft decision on 23 February 2018.
- The Commission considered Icon Water's response and released its final decision on 1 May 2018.
- The Commission's final decision:
 - accepts Icon Water's revised capex forecast of \$436.6 million (nominal, gross), reflecting an improved position relative to the draft decision;
 - accepts Icon Water's revised opex forecast of \$925.1 million (nominal);
 - includes a lower weighted average cost of capital (WACC) compared to Icon Water's response to the draft decision:
 - the Commission accepted Icon Water's proposal to adopt a trailing average cost of debt methodology, which means that the cost of debt parameter in the WACC will be updated annually as part of the annual price reset process;
 - the Commission did not accept Icon Water's proposed market risk premium of 7% and maintained their value of 6.5% from the draft decision;
 - since the draft decision, the cost of debt has declined, resulting in a lower WACC;
 - is based on an increase in the demand forecast relative to the draft decision, incorporating updates to actual water consumption (volume) data;
 - accepts Icon Water's proposal on tariffs to increase the fixed charge by \$20 per annum for each year of the regulatory period, but does not accept Icon Water's proposal to reduce the difference between Tier 1 and Tier 2 prices or agree to an annual pass through provision for prudent discounts to prevent uneconomic bypass; and
 - incorporates pass through amounts for the Water Abstraction Charge (WAC), Utilities Network Facilities Tax (UNFT), and Subvention Payments for 2016-17 and 2017-18, accepted by the Commission as per Icon Water's pass through submission in March 2018.
- There is no change to the ICRC-approved charge for co-funding with developers on suburban infrastructure upgrades.
- The ICRC approved the new development charging arrangements in December 2017, to ensure that all developments can proceed without the concern of triggering a major capital expansion under the previous "last man standing" contribution model.

CPI increases – was in Canberra Times regarding affordability

Canberra Times article titled "8900 children in poverty" which ran in the Canberra Times in May 2018 <http://readnow.isentia.com/Temp/130377/950168908.pdf>, referred to ABS CPI figures indicating that water and sewerage charges increased by 8.3% in the September 2017 quarter compared to the June 2017 quarter. The ABS advised that the 8.3% increase is due to the ACT water and sewerage rebate being combined with the energy and utilities concession into a single Utilities concession from 1 July 2017. The combined Utilities concession is now applied to a customer's electricity account, effectively removing the concessions for water and sewerage from the water and sewerage bills.

As a result, the ABS reported water and sewerage CPI increase is actually higher than the actual increase in the supply and usage charges for 2017-18 (which was about 2.1% for a typical customer and lower than the national average increase). Similarly, the ABS reported electricity CPI in September 2017 is lower than what it would have otherwise been (10.6% vs 19%) due to the combined utilities concession now applied to the electricity bill.

8.	Energy investment
Spokesperson	Sam Sachse
Previous media	No
Previous QoNs	Several related to our organisational structure and AAGL ownership

Icon Water is unique in Australia as it is a water and sewerage business that also manages an investment in electricity and gas networks through partnerships with private companies.

Under the Territory-owned Corporations Act, Icon Water must maximise sustainable financial returns to the Territory on its investment in Icon Water and ActewAGL.

In managing the energy investment, Icon Water pursues two objectives:

- to maximise value for shareholders; and
- to have regard to the ACT Government's commitment to corporate social responsibility and smart / sustainable cities initiatives.

The IRIL and IDIL boards have responsibility for the oversight of the energy investment.

- I am here as an executive of Icon Water. This question relates to an operational matter of the energy business. I am an owner representative on the board of the joint venture partnership.
- Icon Water manages the investment in the energy business and is not involved in the day-to-day operations of the business. If a major matter is raised at the Joint Venture Board; then it may subsequently be advised to the Icon Water Board at the next Board meeting.
- The profits from our energy investment are returned to the ACT Government for the benefit of the ACT community. ActewAGL also undertakes a range of community-focussed and socially responsible initiatives such as its Energy Support Fund to help people manage the cost of living; and its work with frontline service agencies - Care Financial, Salvation Army and St Vincent de Paul.
- **Icon Water has an obligation under the TOC Act to advise its shareholders about significant events that affect, or are likely to affect:**
 - **the value of the corporation**
 - **a significant part of the assets**
 - **the performance of the corporation; or**
 - **the carrying out of a significant activity such as new ventures or significant change to existing activities.**

This does not extend to the operational and business-as-usual matters of ActewAGL or evoenergy.

- To manage our energy investment Icon Water has two subsidiary companies:
 - Icon Distribution Investments Limited partners with Jemena Networks in the ActewAGL Distribution Partnership (became EvoEnergy from 1 January 2018) – the poles and wires
 - Icon Retail Investments Limited partners with AGL Energy Limited in the ActewAGL Retail Partnership.

Collectively, these two partnerships form the ActewAGL joint venture.

- Icon Water maintains oversight of its investment in the ActewAGL Joint Venture through:
 - Its three representatives on the ActewAGL JV Partnerships Board (Wendy Caird, Tom Parry and John Knox).
 - The IDIL and IRIL Boards, which comprise all members of the Icon Water Limited Board.
 - An annual energy investment strategy discussion whereby the Board Directors are able to review the performance ActewAGL against **defined investment objectives** and to provide feedback regarding future direction.
- Our Business Strategy and our website provide the public with information on our organisational structure, including companies established under the joint venture.
- ActewAGL Retail Investments is a holding company for new energy investments of the ActewGL Retail Partnership (Jemena Networks and Icon Distribution Investments Limited).
- AARI invests in services that are complimentary to the energy business.

9.	Best for Region
Spokesperson	John Knox
Previous media	Yes
Previous QoNs	No

Queanbeyan Palerang Regional Council (QPRC) has been exploring options to upgrade its existing facility located in Oaks Estate. Since 2015, Icon Water and QPRC have been discussing if there are opportunities for a borderless approach to sewerage management.

One option that has been investigated was a joint regional solution that would have involved Icon Water and QPRC partnering to build a single facility to treat sewage from customers in both the Queanbeyan and eastern parts of the ACT. The exploration and assessment of a joint regional treatment plant has been referred to as taking a “Best for Region” approach.

The overall objective of a Best for Region shared treatment solution was to ensure value for both communities. The assessments and analysis of options has determined that a regional solution would not deliver the best outcome for the region, and Icon Water has therefore determined to cease further investment in the exploration of a joint regional plant.

- Icon Water and QPRC have been working together to explore if there could be a regional solution to sewage treatment that benefits both our customers and the region.
- We have worked really well together and consider ourselves true business partners, not just regional neighbours. We will continue to nurture our partnership in addressing future shared issues, challenges and opportunities.
- Following analysis of the options, it has been determined that a regional treatment plant will not deliver the best for region outcome.
- In determining our decision – and throughout the whole process – we have been committed to weighing up all the options, and re-evaluating factors, to ensure a regional option has been thoroughly explored. Our investigations included technical and commercial analyses.
- We are committed to what is best for Canberra, Queanbeyan and our broader region and on the whole, there are greater benefits for the QPRC and ACT communities with the standalone treatment plants.
- We will work with QPRC to update our communities on the best for region outcomes for the Queanbeyan sewerage treatment plant upgrade.
- Our approach to partnering with QPRC is consistent with both the ACT-NSW memorandum of understanding on regional collaboration and the ACT Government and QPRC letter of intent for regional collaboration, which promote investigation of innovative approaches to borderless infrastructure.
- In terms of the future of Icon Water’s Fyshwick plant, the existing plant is still a suitable operation to meet the Canberra community’s needs for years to come (around 15 years).

- Although we're not proceeding with a regional solution, this investment has been worthwhile, as we've built a strong foundation to continue to collaborate with QPRC to explore borderless initiatives in the future.
- This investment in planning for new infrastructure is part of our normal operational planning and investment decision-making processes, so no additional cost to customers.
- We have been transparent about financial aspects of this project through advice in our recent pricing proposal submitted to the ACT regulator (ICRC).

10.	Regional relationships
Spokesperson	Sam Sachse
Media	Yes related to Riverview/Ginninderry development [neutral]
Previous QoNs	No

Icon Water and Yass Valley Council continue to collaborate on a range of topics of common interest.

Icon Water and Queanbeyan Palerang Regional Council have been exploring a best for region sewage treatment plant (see separate briefing paper).

Yass Valley Council

- On 16 August 2017, Icon Water and Yass Valley Council (YVC) signed a five year Operational Memorandum of Understanding (MoU).
- This MoU allows Icon Water and YVC to continue discussions focusing on two key areas:
 - Sharing knowledge, expertise and understanding each other's operations, including network monitoring and management systems.
 - Investigation into future regional solutions for water supply.
- The MoU encompasses the collaboration and sharing of ideas in areas including safety, assets, fleet and energy management, network control systems, and operational strategy.
- Cross border water supply is complex due to the differing bodies involved and specific regulations and legislation that apply within the different jurisdictions.
- Any decision to build a pipeline to the region requires the consideration and commitment of the ACT, NSW and Commonwealth Governments and the Canberra community.

Ginninderry / Riverview

- Icon Water and the Riverview developers are in discussions on water and sewerage infrastructure to support the development at West Belconnen. These discussions include understanding the challenges for Icon Water of servicing the NSW part of the development and working together to solve these challenges.
- Parts of the proposed development are in close proximity to the sewage treatment plant located at Lower Molonglo, and therefore discussions have been occurring with regard to odour impacts.
- The Territory Plan has been varied to permit the development of Riverview to proceed. This variation also increased the clearance zone for Lower Molonglo from 1km (a radius set in the 1970's) to 2.45km in line with the expert advice. Any residential development inside this zone requires approval from Icon Water and the ACT Environment Protection Agency. This development is also likely to trigger the need for increased odour control at Lower Molonglo.
- The developers are seeking approval to not supply gas to homes within stage 1' for environmental and customer cost reasons.

11.	Capital works 2017-18 and 2018-19
Spokesperson	Ray Hezkial
Variance in budget or performance	<ul style="list-style-type: none"> The 2017-18 Capital Works program is forecasted even higher than the 2016-17 financial year (\$100m) at \$111m compared to \$120.4m target. The engineering program for 2017-18 is forecasting behind at \$86m against a \$95.3m target due to delays in construction at LMWQCC.
Previous QoNs	No

A significant proportion of our water and sewerage infrastructure was constructed in the 1960's. The renewal of these important assets and aging infrastructure is to ensure that we can continue to maintain our current service levels.

- The Industry Panel capital expenditure allowance over the five year period from 2013–14 to 2017–18 is approx. \$460m. Icon Water is expecting to **spend around \$400m or 88% of its regulatory capex allowance to end 2017-18.**
- The ICRC has recently accepted Icon's capital program submission for the next regulatory period (2019-2023) of \$416m nominal.
- The 2018-19 Capital works program is currently being forecasted at \$108m (\$103m excluding capitalised borrowing costs) which will see the program slowly reduce to below \$100m per year thereafter.
- 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.
- Over the next regulatory period we will continue this focus, along with works to upgrade and expand the network to support population growth; improve assets to make sure we continue to meet our regulatory obligations and respond to opportunities to work more efficiently.
- Several major projects will be undertaken or completed in the next 5 years, including:
 - Deliver the Digital Strategy projects and implementation of an Enterprise Data Warehouse
 - Replacement of approximately 90kms of Sewer Mains and 42kms of Water mains to reduce risk of sewer chokes and water bursts
 - Begin work on increasing capacity of LMWQCC and North Canberra Sewer infrastructure to support Canberra's expected population growth
 - Multiple reservoir upgrades and repairs including a major replacement of the roof and floor joint sealing at Mugga Reservoir
 - Implementation of a Renewable Energy Program to optimise the use of hydro electric and solar power sources to support cost efficient and environmentally friendly asset operation
 - Continuation of replacement and upgrade programs including:
 - Meter replacement (residential and commercial)
 - Working at Heights (safe access infrastructure)
 - Water Valve and Hydrant replacement

- Electrical, Instrumentation, Monitoring and Control (EIMC) replacement.

Sustainability of Lower Molongolo

- We have a number of co-related strategies around our waste streams, our energy management and our solids management with life after the furnaces).
- These projects are being progressed as we incrementally upgrade our plant, and we are making decisions informed by long-term strategy.

Capital Works Budget 2018-19

Capital Expenditure ¹ \$'m, nominal	2017-18 Forecast	2018-19 Budget	2019-20 Estimate	2020-21 Estimate	2021-22 Estimate	2018-22 TOTAL
Icon Water Final Budget	112.7	102.6	100.6	92.8	65.4	361.4
Icon Water 2017-18 SCI	115.1	107.8	96.1	89.1	88.5	381.5
ICRC Draft Pricing Decision	n/a	102.1	79.2	77.5	65.0	323.8
Variance to the 2017-18 SCI	(2.4)	(5.2)	4.5	3.7	(23.1)	(20.1)
Variance to the ICRC draft pricing decision	n/a	0.5	21.5	15.2	0.4	37.6

1. Excludes capitalised borrowing costs

- Capital expenditure (capex) in the Final Budget, for SCI period to 30 June 2022 is forecast to be \$361.4m. This is a small increase compared to the regulatory allowance in the draft pricing decision due to deferral of projects from 2017–18 into 2018–19, which will not adversely impact prices or profits.
- The majority of the 2018–19 capital expenditure planned expenditure is already in delivery stages of Develop and Execute.
- Key capital works projects for Icon Water in 2018–19 include upgrading the Lower Molongolo Water Quality Control Centre, and Icon Water Information Technology infrastructure. Significant investment continues in the Main Rehabilitation Programs for both sewer and water, as well as the Water Meter Replacement Program. There will also be an increase in funding for the renewal and upgrade of electrical and instrumentation control systems across Icon Water facilities.

Additional Information on the Alliance

- In 2009, then ActewAGL Water Division (now Icon Water) entered into an alliance agreement which was back then Tenix Alliance Pty Ltd (now Downer) for the delivery of water and wastewater projects. The intention behind this agreement was to address some key challenges the organisation was facing, primarily:
 - Capex Delivery Resources were fully utilised
 - Leveraging Tenix's design and construction capability and capacity
 - Knowledge sharing of systems and processes.
- The Alliance contractual arrangement supports cooperative decision-making, risk sharing and financial transparency.
- The current Downer Program Alliance focuses solely on the major upgrade works at Lower Molongolo Water Quality Control Centre (LMWQCC).
- The contract is in its second 5 year term (10 years in total) and is currently ending in June 2018 (works already underway continue to 2020).
- To date, the total contract expenditure is approximately \$150m* with an additional \$39m forecasted to the end of the current contract term (FY18).

*figures are approximate at this point in time

The table below shows the capital works projects with the highest forecast expenditure in 2018–19.

Project Description	Program	Driver	Stage	2018–19 Forecast \$000	2019–20 Forecast \$000	Forecast at completion \$000
Lower Molonglo Water Quality Control Centre (LMWQCC) tertiary filters and disinfection system upgrade	Sewerage treatment	Growth	Develop	15,365	10,395	31,946
Works and asset management system	Information technology	Renewal	Execute	8,666		29,966
Sewer mains renewal program	Sewerage reticulation	Renewal	Envisage	7,159	7,159	35,795
Water network electrical instrumentation monitoring and control	Water pump station	Renewal	Develop	5,651	9,226	22,433
Solar photovoltaic rollout program	Water and sewerage	Efficiency	Plan	5,442		6,541
LMWQCC furnace and exhaust system upgrade	Sewerage treatment	Regulation	Execute	5,155	2,149	14,390
Water main renewals (Hydraulic failures + Structural failures)	Water reticulation	Regulation	Evaluate	4,430	4,478	22,832
LMWQCC solid handlings - screens, grit and ventilation upgrade	Sewerage	Efficiency	Execute	3,690	172	15,472
Water meter renewals	Water reticulation	Renewal	Envisage	3,500	3,500	17,500
Asset planning application suite	Information technology	Efficiency	Evaluate	2,299		4,114

12.	Engineering Services
Spokesperson	Ray Hezkial
Previous media	Yes – dam safety audits
Previous QoNs	Yes – dam safety audits [QON 640, Sept 2017]

Icon Water has water and sewerage assets worth over \$2.0 billion, including dams, water treatment plants, sewage treatment plants, reservoirs, sewage and water pumping stations, mains and other related infrastructure

Dam safety

- Safety is one of Icon Water's core values, which is demonstrated through the responsible management of our dams.
- **Our recent reviews and inspection programs provide assurance that there are no significant structural issues with the dams, or risks to staff or to our community.**
- Icon Water works to the ACT Dam Safety Code and best Australian practice represented by the Australian National Committee on Large Dams (ANCOLD) Guidelines for the management of our dams.
- Icon Water conducts routine inspection and surveillance programs for all of our dams and major assets, in accordance with the requirements of ANCOLD. **Each dam is inspected daily and we are confident that all dams are safe.**
- In addition, every 10 – 20 years, an independent external Safety Review is required for each dam. Dam Safety Review Status:
 - Interim review of Bendora Dam is complete. Full review due 2020/21
 - Cotter Dam was reviewed when constructed and the next review is due 2028
 - Googong Dam review complete and has been submitted to the Utilities Technical Regulator (UTR)
 - Corin Dam review finalised and will be presented to the UTR by 15 August 2018.
 - LMWQCC bypass dam review scheduled to be finalised in September 2018
- **In the UTR's Annual Compliance Report 2016-17, they noted that Icon Water was not fully compliant with regard to dam safety. The outstanding issue relates to an administrative requirement which we have committed to complete by December 2018.**

Engineering Standards

- The updated engineering standards have now been completed and reviewed internally and by a range of external stakeholders. The new standards come into effect on 1 July 2018. The standards are closely aligned to WSAA standards and includes the production of new template drawings, mostly represented in 3D.

Fire flows

- The issue with the fire flows as reported in the UTR's Annual Compliance Report 2016-17 relates to Icon Water's ability to theoretically demonstrate to the Regulator that we can meet current fireflow requirements.
- This current scenario-based model has indicated that in some isolated pockets of the network, the required flowrate could not be provided during periods of peak consumption.
- Our model is highly conservative. We have also had an independent report that advised us that in their opinion the model is typical of that used by any other water utilities in Australia and is sufficient for the purposes of modelling fire-flows.
- Icon Water is working collaboratively with the UTR to implement an action plan with the following objectives:
 - Address the small pockets of the network the model has identified as areas of concern.
 - Continue to refine the hydraulic modelling.
 - Physical validation of the model outputs.
- More importantly, Icon Water considers there to be no real risk to providing water for the purposes of firefighting, nor have any concerns been raised by ACT Fire and Rescue.
- The 2004 fire flow agreement with ACT Fire and Rescue (for urban fire fighting) requires that Icon Water provide high water volumes for fire fighting, as well as provide peak water demand to customers.
- **We have higher standards than other jurisdictions** – the agreement provides flows significantly greater than required in many major cities in Australia. Although the agreement was last published in 2004, it reflects outdated standards for fire flow from 1968.

Biosolids strategy LMWQCC

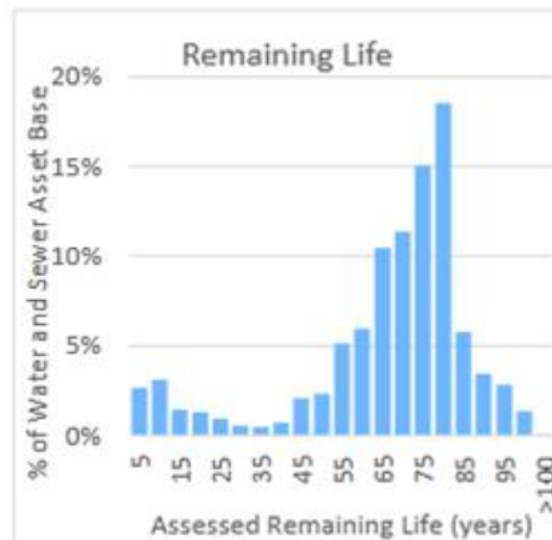
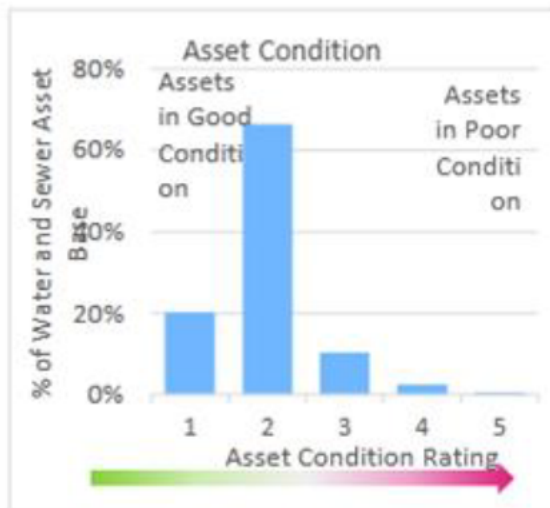
- Icon Water is currently sourcing advice on suitable directions for Biosolids treatment and end use at LMWQCC to enable us to develop a long term management strategy to replace the existing incineration system which it reaches end of service life about 2030.
- The options being explored include the opportunity to recover and reuse energy from our treatment process.
- A consultancy has been awarded to a group of experienced consultants with their work to be completed by the end of October 2018
- The scope of work includes a desktop review, stakeholder workshops, presentation of draft report and a final report
- The review will:
 - identify both feasible and non-feasible options to treat sludge, screening and grit and short list down to 3;
 - identify current and emerging discharge / emissions / reuse standards (occupational and environmental);
 - identify any impacts of selected options on the existing process train at LMWQCC;
 - identify long term sustainable environmental performance of each alternative and discuss compliance with regulatory requirements;
 - provide indicative costs for short listed options;
 - investigate energy recovery / efficiency / co-generation potential and / or resource recovery opportunities for shortlisted options

13.	Maintenance program
Spokesperson	Ray Hezkial
Previous media	No

Icon Water’s maintenance program comprises both reactive and preventative works **across 720,000 assets**, including: water sources, water treatment and distribution (including 3,290kms of pipework), sewerage (3,311kms), sewage treatment and non-drinking water assets.

Overall asset condition

- Knowledge of the current condition of our asset portfolio is an important consideration in determining whether our assets can meet and will continue to maintain our customer service levels. The figure below shows the condition of the overall water and sewerage asset systems.



Network preventative maintenance program

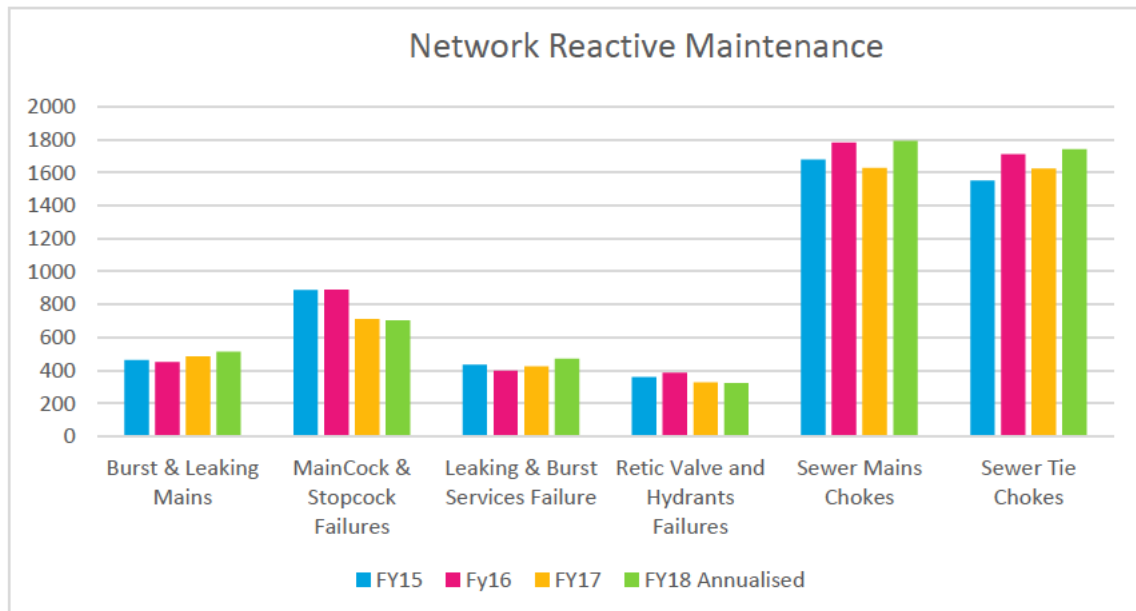
- Maintenance strategies are based on asset condition, testing and inspection regimes. The plant shutdown calendar allows planned inspections of each plant.
- The 2017/18 preventative maintenance program (see below) will be delivered in full (less CCTV) and on budget.

Program	Comp to End Apr 18	FY 18 Plan	FY 19 Plan
CCTV	36.49 km	74 km	74 km
Sewer Cleaning	219 km	300 km	300 km
Manholes Repairs	179	200	200
Sewer Repairs	176	226	226
Hydrant Inspections	6927	~ 6600	~ 6600
Valves Operations	3140	~ 4400	~ 4400
Small Meter Replacements	4038	6300	6300
Large Meter Replacements	374	450	450
Developer Connections	318 (full year est 410)	309	309

Network reactive maintenance program

Reactive maintenance KPIs include:

- sewerage chokes restored with 6 hrs 98% (target 95%)
- sewer surcharges inside customer dwellings 8 (target <15)
- frequency unplanned water interruptions per 1000 properties 57 (target 63-127)
- average duration unplanned water interruption 92.5 min (target 111 -150).



Notes:

1. Increase in bursts in FY18 due to 2017 cold winter and dry summer – autumn.
2. Increase in sewer chokes due to dry summer-autumn.

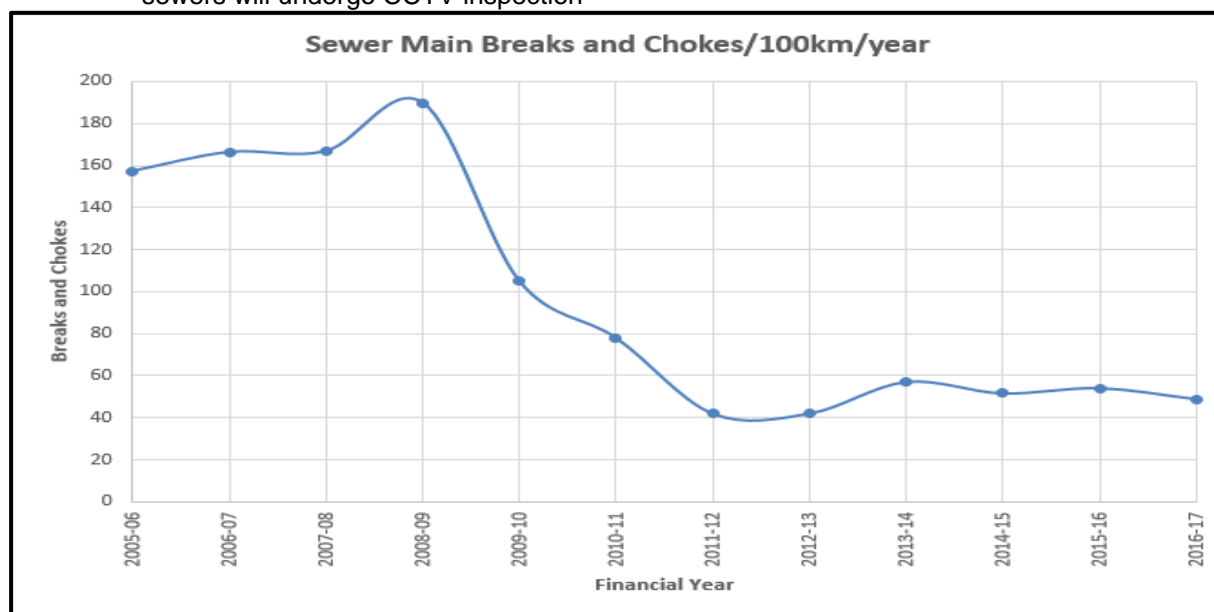
Sewerage chokes / overflows

- We are faced with a trade-off between network reliability and providing fair and affordable pricing.
- The Willingness to Pay study we conducted in 2015, identified that whilst households placed a much higher value on avoiding sewage overflows than on avoiding water supply interruptions, they were not willing to pay for increased spending on proactive investment in the sewerage network.
- The UTR Annual Compliance Report 2016-17 noted that our sewer network has approximately 60% above the average incidence of breaks and chokes for comparable utilities.
- For the 91% of chokes in mains, the primary cause can be attributed to tree root intrusion; enabled predominantly due to either pipe joint or structural pipe failures based on factors such as ground movement (due to climatic conditions) and pipe material (brittle materials such as clay and concrete).
- It is considered that the introduction of a new sewer mains asset planning tool (SEAMS) will improve analysis of sewerage main breaks and chokes and provide a more targeted preventative cleaning and inspection program which is designed to maintain the current blockage rate (average of 54 chokes/100km).
- The decision to maintain the current level of sewer asset performance has been informed by a 'Willingness to pay' survey.
- It is currently estimated that to achieve the median industry performance (32 chokes/100km) it will require approximately 3 times the current level of investment.

- The number of internal sur charges is very low. In 2015-16 there were 5 surcharges; 2016-17 there were 6 and in 2017-18 to date there have been 3.
- The diagram below shows how the failure rate has dropped by more than two-thirds between 2006 and 2017.

Contributing to this reduction are:

- the effect of our preventative maintenance program which started in 2008/09 and identifies sewer mains cleaning, CCTV inspection, patch repairs and renewals; and
- the cleaning of approximately 10% of the sewer network each year and 25% of cleaned sewers will undergo CCTV inspection



Sewage overflow analysis

- **Table 1: Total number of overflow in a suburb each FY.** This is not an industry standard to report overflow as a larger suburb will have the larger number of overflow. For example, Kambah which is 3 times bigger than the average suburb has the highest number of overflows.
- **Table 2: Overflow rate (overflow/100km/year) for a suburb each FY.** This is an industry standard to report and benchmark the overflow among various utilities.

Suburb	Total no. of overflows in last 5 years	Total length of sewers in a suburb (km)
Kambah	729	149.9
Narrabundah	431	47.6
Wanniassa	428	83.2
O'Connor	363	42.7
Farrer	319	28.7
Ainslie	354	38.9
Curtin	324	50.1
Farrer	319	28.7
Macgregor	289	60.6
Griffith	281	35.8

Suburb	No. of overflows	Total length of sewers in a suburb (km)
Aranda	46	206.1
Pearce	42	202.8
Reid	17	190.2
Scullin	46	188.7
Farrer	54	188.4
Garran	46	185.6
Turner	32	181.4
Ainslie	69	177.2
Griffith	63	176.1
Lyons	34	169.2

14.	Water quality
Spokesperson	Ray Hezkial
Previous media	Yes
Previous QoNs	Yes

Icon Water provides over 130 million litres of treated water each day to over 172,000 customers and as the guardians of Canberra's water supply we take water quality very seriously.

- We conduct a continual and comprehensive water quality monitoring program across our supply system from source, through the treatment process to the customer tap.
- Each month, 100 random customer tap sites selected from a database of over 400 properties are sampled and analysed for a variety of parameters to verify water quality across the network and to monitor trends.
- In line with the recommendations of the Australian Drinking Water Guidelines (2011) we test our water supply to ensure compliance with the Drinking Water Utility Licence and the Public Health (Drinking Water) Code of Practice (2007) (the Code).
- In 2017-2018 there were five notifiable events to ACT Health as per the code. These did not affect our compliance.
- Icon Water has undertaken a review of the water quality monitoring program to provide a strategic focus for ongoing sampling and analysis. Recommendations from the review to be discussed by the DWQMT and implemented as appropriate.
- An external annual HACCP accreditation audit was undertaken in May 2018, reviewing Icon Water's Drinking Water Quality Management Plan and related activities.

Notifiable incidents

Cross connection

- Icon Water commissioned an independent investigation into three incidents that involved the cross connection of potable and raw water. The three incidents occurred over an 18 month period. There were no health or safety consequences from the incidents.
- The findings of the investigation were shared with the Utilities Technical Regulator and the ACT Health Directorate. Icon Water has already progressed implementation of the corrective actions, which include automation and SCADA controls, and the physical removal of a cross connection valve, to prevent reoccurrence.

UV Disinfection

- Icon Water commissioned an independent investigation into a failure of the UV disinfection process that occurred at Stromlo Water Treatment Plant in February 2018.
- The findings of the investigation were shared with the Utilities Technical Regulator and the ACT Health Directorate. Icon Water has already progressed implementation of the corrective actions, which include automation and SCADA controls, and installation of a bypass to ensure potential health risks are further reduced.

15.	Community Support Program
Spokesperson	██████████
Previous media	No
Previous QoNs	Several

- Icon Water has made a commitment to the community to provide support through partnerships and community events. This commitment derives from our strategic objectives, community expectations and our social responsibility under the Territory-owned Corporations Act 1990.
- Through the Community Support Program, we seek to ensure Icon Water is a valued member of the Canberra community, recognised for our positive contribution to the community and the health and wellbeing of its people.
- We focus our support on initiatives that support the community, the environment and our operations, that are accessible and available to enrich the lives of every Canberran.
- In 2017-18, our top ten sponsorships were:

#	Organisation – Event/Donation	2017–18
1	Lifeline	50,000.00
2	Menslink	40,000.00
3	Orange Sky Laundry	35,000.00
4	Canberra Symphony Orchestra	35,000.00
5	Breast Cancer Network Australia	20,000.00
6	Karinya House	18,000.00
7	Ronald mcdonald House Gala Ball	13,750.00
8	St john ambulance	11,606.00
9	Rise above capital region cancer relief	10,926.60
10	Royal Life Saving ACT	10,000.00

Our top five sponsorships for 2018-19 are:

#	Organisation – Event/Donation	2018–19
1	Lifeline – Canberra Fun Run, gala dinner, women of spirit awards and book fair	50,000.00
2	Menslink – Business breakfast and various campaigns	40,000.00
3	Canberra Symphony Orchestra – music by the river and community education program	35,000.00
4	Royal Life Saving ACT – day at the lake / ACT Water Safety Week	10,000.00
5	Physical Activity Foundation Ltd	10,000.00

- The Community Support Program focuses on providing support for initiatives that meet community expectations and align to our social responsibility obligations under the TOC Act and to ensure a balanced approach to supporting a broad range of initiatives across the Canberra community.
- For example, our sponsorship of the music by the river program provides us with the opportunity to promote water education in the Queanbeyan and surrounding region. The Queanbeyan community benefits from our bulk water supply and members of the community reside close to catchment areas.

The community support program assessment categories are:

- Local benefit - the activity provides benefits to the ACT or surrounding local communities
 - Alignment - the applicant and activity aligns with Icon Water's core values of safety, excellence and openness.
 - Reach - the activity supports a reasonable number of direct beneficiaries.
 - Community interests - the applicant/activity reflects the interest of the community in which we operate and supports or encourages those interests.
 - Engagement - the activity provides opportunities to receive feedback or educate the community about our services or issues affecting our operations.
 - Internal benefit - allows for broad employee involvement or benefit.
- Icon Water will continue to engage with the community to ensure our Program provides support to initiatives that benefit the local Canberra community.
 - Under the CSCSA, Icon Water contributes to community support programs as both a customer and as an owner

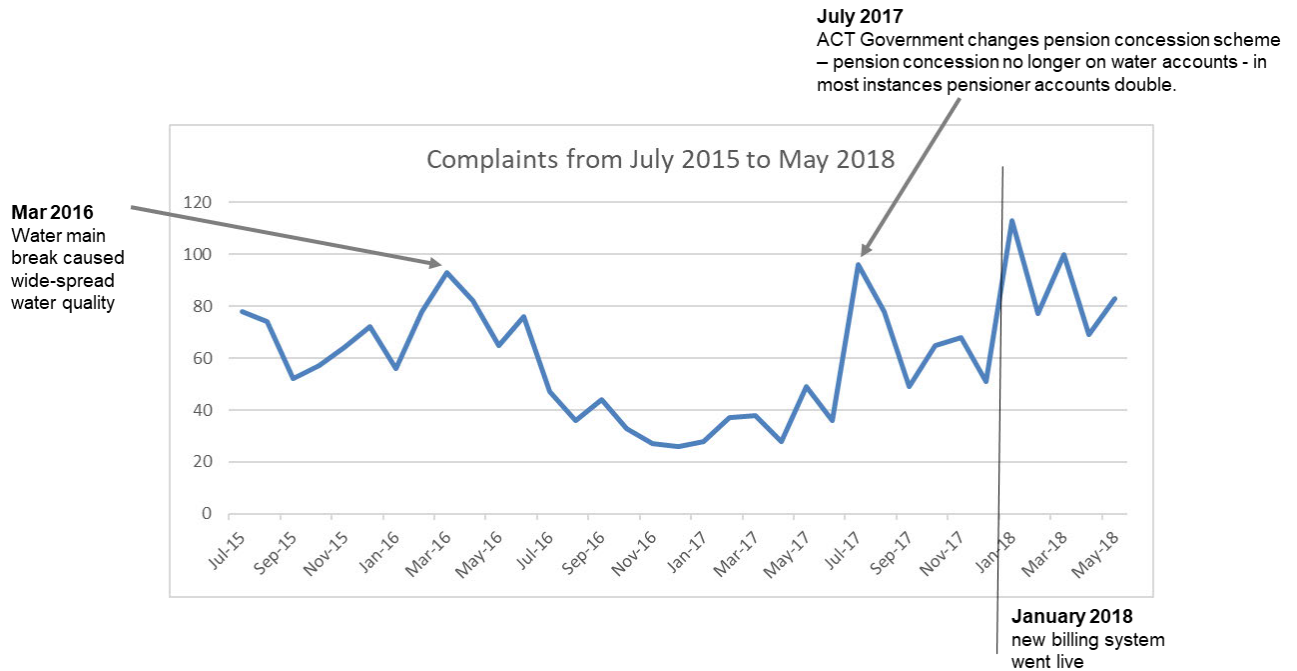


BUDGET ESTIMATES HEARING, JUNE 2018

16.	Customer service and community engagement
Spokesperson	██████████
Previous QoNs	Several

- Icon Water continues to focus its attention on educating the community about protecting the water and sewerage network and the environment through a range of targeted opportunities. This includes heritage walks, school visits, Googong education program etc.
- Customer satisfaction with our overall services remains steady at 89% (as at June 2017). This is a 4% reduction on 2015-16. The current satisfaction survey is underway for 2017-18 and we expect the results in late June 2018. (27 June 2018 is the deliverable date in the contract and they are on track to meet that date).
- In mid-2016 we launched the Talking Icon Water engagement program to assist us to better understand our customers' needs. This program provides multiple opportunities and channels for conversations with the community. These include:
 - Community Consultative Forum
 - Think Tank
 - Satisfaction Survey.
- During 2016–17 we focussed on improving transparency by providing a broader range of information to the community. In particular, we published online the key elements of our Price Proposal for 2018-23 including the economic process involved in determining the price of water and sewerage – a first for Icon Water and one of the first for utilities nationally.
- Customer experience by segment:
 - **Residential customers:** value simple online processes for account self-service and access to important information that personally affects them.
What we have delivered: new online billing portal, outages by street and suburb are available on the internet site (manually updated by Dispatch – expect automation with new CRM).
 - **Professional customers:** value transparent, flexible and efficient online processes so requests for service can be submitted anytime. They also value access to clear policies and standards, and being informed when they change.
What we have delivered: *Talking Icon Water* forums for the professional sector, consultation on new standards – review nearing completion, update and reformat of website to ensure all policies and standards are up-to-date and current.
 - **Key account customers:** value respectful, professional two-way interactions. They also value flexible billing and metering options, and personalised service.
What we have delivered: key account liaison role.
- In January 2018, our new self-service platform, my.iconwater.com.au, went live. This portal enables our customers to manage their accounts online. Customers can pay their bills, update details, check their usage or organise a move. ActewAGL developed this platform and Icon Water leverages this with no incremental costs. Since the introduction of the new self-service platform an additional 2,600 Icon Water customers have signed-up to receive e-bills, which is an 8% increase. (Jan 2018: 32,640, June 2018: 35,240)
- Complaints across all categories YTD 2017-18 is 766. This is a slight increase on last years YTD 2016-17 of 749.

- Billing complaints YTD as at 30 April 2018 is 140 and are double YTD 2016-17 (65). This is due to implementation of a new billing system that went live on 31 January 2017. The system is complex as it holds the billing information for water, electricity and gas.



- Icon Water has a range of ways to assist customers in hardship by:
 - working with the customer to establish a sustainable payment plan
 - rewarding customers who make ongoing and regular payments as agreed under their payment plan
 - the suspension of interest
 - assisting customers in setting up automatic deductions from Centrepay
 - working together with customers to close the gap between consumption and capacity to pay by providing water saving information
 - referring customers to the ACT Government’s ACTSmart program, which provides water usage audits and financial assistance to switch to water saving appliances
 - referring customers to financial counsellors and/or charitable organisations, if required.
- Icon Water has a number of flexible payment methods available and will work with customers to choose the payment method that best suits their needs. These payment methods include:
 - Budget pay – where the customer specifies an amount to be paid by instalments and then pays the balance owned by the due date.
 - Even pay – the billing system calculates an average instalment for the customer to pay. The instalment is re-evaluated every six months.
 - Centre pay – the customer specifies an amount to be paid and Centrelink sends the monies directly to Icon Water. All customers in receipt of Centrelink benefits are eligible to utilise this payment method.
 - In addition, the customer can pay via instalments through MyIconWater portal, Bpay, Australia Post and the Icon Water office at Mitchell.
- In our 2018-19 Business Strategy (our statement of corporate intent) we have included new performance indicators against our ‘enhance customer experience’ objective. The Net Promotor score and ease of doing business are both accepted measures in the contestable retail

environment and reflect the value we place on achieving a high standard of customer experience.

17.	Liquid trade waste and sewer protection
Spokesperson	Jane Breaden
Previous media	No
Previous QoNs	Yes

Icon Water has a legislative requirement to manage liquid trade waste discharges under the Utilities Act and all non-domestic sewage must be approved by Icon Water before discharge to the sewer network.

- Liquid trade waste is classified as ‘all liquid waste that is discharged to the sewerage network other than domestic sewage’. Examples include waste from industrial producers, service stations, schools (science labs and canteens), medical and veterinary clinics, discharge from small businesses like hairdressers and food preparation businesses.
- Discharge of liquid trade waste to the sewerage network can impose costs in several ways. High volumes can cause sewer overflows; solid substances can cause blockages; corrosive substances can reduce the life of sewerage assets; and chemicals can produce gases that result in dangerous working conditions and disruptions to treatment plant processes.
- Icon Water has been working with our customers through public forums, telephone and online surveys to understand the best mechanisms to manage liquid trade waste.
- Our community consultation forum raised several issues related to the implementation of the policy, equity considerations for small and non-for-profit businesses and the need for further consultation on the transition planning. There was a general agreement that this was the start of an important conversation and that a partnership approach between impacted industry and Icon Water would be beneficial.
- Customers are also seeking digital solutions to applications and approvals and improved communication through planning of audits and inspections and notification of outcomes.
- The underlying aims of a future liquid trade waste system is to:
 - minimise the environmental and sewage system impacts from liquid trade waste
 - educate trade waste customers towards sewage discharge compliance
 - determine the requirement for the fair apportionment of the cost impact of liquid trade waste across customers.
- The Liquid Trade Waste Management Strategy continues to be implemented with focus on approval, monitoring and compliance to Icon Water’s guidelines.

Sewer protection – Flushable wipes

- Icon Water has continued to work with its national industry body Water Services Association of Australia (WSAA) to manage the risks associated with non-treatable toilet wastes such as flushable wipes
- WSAA is on the International Water Services Flushability Group (IWSFG), which brings together a range of global stakeholders to address this universal problem. On 1 June 2018, the IWSFG released an international flushability criteria for products that are marketed as safe to flush down the toilet.

- WSAA is also working with Standards Australia to develop a national standard to reduce problems caused by the inappropriate disposal of customer products down the toilet. The national standard will define the criteria for material suitable for toilet flushing and appropriate labelling requirements for manufacturers. The aim is to make product design compatible with the sewerage network.
- This will provide clear guidance on what should and should not be flushed down the toilet to protect customers, wastewater systems, their workers, and the environment.
- This will also be an opportunity to reinforce our customer message of the three-Ps: Pee, poo and paper only down the S-bend.

18.	Water and sewerage Capital Contributions Scheme
Spokesperson	██████████
Previous media	Yes
Previous QoNs	Yes

The Code enables Icon Water to sustainably fund the growth of our network and community in Canberra's established areas.

Previously, there was inequity in the way costs were recovered for developments that triggered water and sewerage asset augmentation or upgrade in established areas.

- The Capital Contributions Code introduced 1 January 2018 involves arrangements for funding augmentations required to support further developments in established suburbs.
- Canberra has grown the last 50 years, the capacity of the water and sewer network was designed to meet the needs of each suburb. However the recent shift in planning policy, to increase urban renewal and infill, is placing significant demand on our network to service existing suburbs.
- Prior to the Code, if a developer triggered an upgrade they were asked to pay for the full cost to augment network infrastructure. This meant that developers who built before or after an upgrade did not pay any contribution. Now with the Code, the costs are shared across new developments within established suburbs that contribute to a net increase in network demand.
- The Code enables Icon Water to sustainably fund the growth of our network and community in Canberra's established areas.
- On 1 January 2018, the new arrangements were introduced to share the cost of infrastructure upgrades between all developers and Icon Water.
- There is a transition period of 18 months during which developers that purchased their property before 1 January 2018 don't have to pay the Capital Contributions charge. Development Applications lodged after 30 June 2019 won't qualify for this exemption.
- The 1 January 2018 Capital Contributions charge has been reviewed for the new financial year, with only a minor change in the calculation of residential home Equivalent Population and an update of the precinct map to include the addition of new suburbs.
- The charge is calculated at \$1200 per Equivalent Population.

19.	Metering
Spokesperson	Ray Hezkial / Jane Breaden
Previous media	No
Previous QoNs	Yes (largely related to billing, meter reading and maintenance)

150mm meter issue

- In 2017, Icon Water identified a billing error that impacted 10 'large' customers, with the 150mm meters exchanged at these properties not consistently configured. As a consequence, these customers were underbilled.
- All 150mm meters were reviewed to ensure correct configuration in the field and in the billing system. All 10 customers affected were contacted and updated bills issued based on individual circumstances.

Meter inspections, maintenance and replacement

- The total domestic (typically 20mm) meter reactive and planned replacement figures for this regulatory period are estimated to be 30,800 and the planned replacement figures for the forthcoming regulatory period is 35,800.
- Domestic water meters that are identified as failed during water meter reading are replaced under the reactive water meter replacement program.
- Domestic water meters that have reached end of usable life are replaced under the planned water meter replacement program. Criteria for 'usable life' is updated periodically based on compliance meter testing which provides the target age or consumption for various meter sizes, (18 years/ 5,000 kilolitres for 20mm meters) whichever is reached first.
- When meters are replaced they are upgraded to the new standard configuration including ball valve and meter at ground level.

Smart meters

- Market research (Tarrif Review) conducted in late 2016 indicated that both customers have an interest in smart water meters however willingness to pay for the service was poor. Monitoring water usage, leak detection and knowing the cost of water used at the time were selected as the most important benefits by customers.
- A number of smart meter trials have been conducted within the water industry based on a variety of drivers that are specific to the individual utility such as demand management and deferral of capital expenditure. Icon Water commissioned a Intelligent Network Strategy in 2017 that concluded that drivers for Icon Water did not support a business case to undertake a smart meter roll out at the time. The business case was designed to be reviewed on a regular bases to review changes in drivers and technology costs that may support a change in position.
- In response to the Australian Energy Market Operator Power of Choice Review, Evoenergy established a Smart Network in the new suburb development of Denman Prospect in 2017. Icon Water was invited to participate in the trial with 400 smart water meters to be installed, allowing trial of the functionality and benefits of the smart network.

- ACT Government have appointed a service provider to roll-out a Canberra wide communication network to support a smart network (Smart City) using street lights in 2018. Various directorates have shown an interest in smart water metering and use of the Smart City network to provide this service. Icon Water is currently engaged with the ACT Government and the service provider to explore the potential for a trial smart meter offering.

Sub-meters for units

- The Unit Titles (Management) Amendment Bill 2016 was presented to the Legislative Assembly on 4 May 2016 but has not progressed further.
- The amendments would permit unit owners of existing units plans to vote in relation to the installation of water sub-meters:
 - If more than 50% (ordinary resolution) of unit owners in a units plan agree – a unit owner can choose to install a sub-meter to just their own unit (and have their share of the water consumption charges based on the reading of their meter); and
 - If more than 66% (special resolution) of unit owners in a units plan agree – all unit owners can be required to install a sub-meter to their own unit (and have their share of the water consumption charges based on the reading of their meter). The unit owner would have 12 months to install the sub-meter themselves, after which the owners corporation could have the meter installed at the expense of the unit owner.
- A small number of unit plans already have separate metering, where the layout permits separate ties to each unit along a public road (such as townhouses). These amendments would not affect these units plans.
- Icon Water supported the proposed Bill as it would not change the current arrangements regarding ownership of and responsibility of assets as between Icon Water and the owners corporation of the units plan. It also would not impact on the operation of the Water and Sewerage Network Boundary Code.
- One third of Icon Water's customers do not have individual meters. As there is no regulation requiring the installation of separate meters for each unit, developers and customers have the option to install separate metering either in new developments or retrofitting existing developments. This option is best suited to low level developments. Icon Water's Community Consultative Committee (CCF) indicated their support of unit metering and agreed to be consulted through the review process.

20.	Infill development and Canberra Light Rail Stage 2
Spokesperson	██████████
Previous media	No
Previous QoNs	QON 479 (Aug 17) Works on Northbourne Avenue – Water jet

Stage 1: Gungahlin to Civic

- Key challenges and learnings from the Stage 1 construction included:
 - Damage to the network on five occasions including three incidents of water mains (up to 225 mm) and two sewer mains.
 - One incident of the contractor conducting work on a active water main.
 - Misalignment of some new pipelines resulting in the Icon Water Field Crew having to abandon jobs to allow for the contractor to rectify before connecting to our network.
 - Testing failures of relocated assets before connection were reported. These failures didn't have an impact on Icon Water operations, but resulted in delays and cost for Canberra Rail.

Stage 2: City to Woden

- Icon Water is working with ACT Government on anticipated population growth along light rail stage 2 and the related infrastructure requirements.
- Light Rail Stage 2 will link the City to Woden. The route will travel through Parkes and Barton.
- Icon Water will ensure that any impact or interaction with our network meet the required standards, particularly to ensure continued safety and protection; and ability for us to deliver our quality services to our customers.
- Icon Water has the job of accepting the project design; and ensuring that the construction is undertaken in accordance with that design so that we can then accept the asset back to maintain and protect going forward.
- Icon Water's involvement with Light Rail Stage 2 design and construction will include:
 - Provision of information on all the water and sewer assets that cross under the light rail and determining whether to do nothing, protect the asset, or relocate the asset as required.
 - Reliability and maintainability initiatives included in scope of works such as: stop valves allowing the ability to isolate; sleeves under the track for future line installation; replacing near end-of-life mains and adjusting sewer manholes to finish level.
 - An inspector from Icon Water will be assigned as key contact point ensuring minimised risk to our pipes lines when working near them and inspecting quality of modifications to our network.
 - Performing all the connections and disconnections to our network.
 - Participate in safety workgroups such as developing stray current mitigation plan.
- The programming and cost of works is a matter for Capital Metro.
- The key Icon Water network assets impacted by the proposed Stage 2 route include:
 - Four trunk water mains (450 – 750 mm dia)
 - Seven trunk sewer mains (450 – 750 mm dia)
 - Sewer pressure rising main (450 mm dia); and
 - Many smaller diameter water and sewer pipelines.

21.	Source Water Strategy 2018-2030
Spokesperson	Jane Breaden
Previous media	No
Previous QoNs	PAC recommendation 4

- Our pristine water supply is capable of supporting Canberra and the region for generations to come.
- We can store more water than ever before. This means that we are unlikely to need water restrictions for several decades.
- Accessible water storage capacity of our dams is approximately 278 GL which would fill 111,000 Olympic swimming pools and would stretch from Canberra to the South Pole.
- We continually assess our water supply levels to ensure we are able to meet future population growth and cope with any future droughts or impacts from climate change.
- We will continue to be efficient in our water source operations to ensure that we provide the best value to the community.

Source Water Strategy 2018-2030

- Our source water system is currently very secure. In the next 20 years, each year has an average probability of 0.9% (1 in 110) of experiencing water restrictions. This compares favourably with the target level of service of 5% (1 in 20).
- Our source water system has less than 0.01% chance of running out of water.
- Our source water system can withstand the worst drought on record without the need to implement water restrictions.
- Our source water system will meet the required level of service until 2061 (a demand growth of 50%).
- Per capita water consumption has declined by approximately 40% since 2000. Although earlier planning anticipated a reduction, this is a larger reduction than expected. As a result, current water security is higher than forecast in earlier planning.
- Icon Water must have both rights to take water as well as the ability to access physical water. Icon Water has water entitlements (the right to draw water from the environment) sufficient for a demand growth of 100%. Given population estimates, this growth may not occur this century.
- Icon Water is committed to providing a safe, secure and sustainable water supply for the people of Canberra and the surrounding region.
- The strategy seeks to ensure we reliably satisfy the ACT Government's level of service requirement to meet unrestricted water demand for the ACT and region 95% of the time.
- The Strategy confirms our source water system can withstand much more severe droughts than have been observed historically and that our water sources are expected to be adequate for the foreseeable future.
- Our job is to ensure that we plan and secure water to meet the long-term needs of Canberra and surrounding communities.
- To do this we monitor a range of variables: weather, climate change, population, consumption, environmental releases and customer expectations.

- We are planning to promote and communicate our water strategy to the public through our Icon Water website [similar to our transparency around our pricing submission].

Water supply

- Canberra's long term water future is very secure following major investments in source water infrastructure coupled with reductions in demand. We have **greater volumes of water than before we implemented our water security projects**.
- Icon Water's dam storage levels are currently over 70%. [Insert exact level closer to date of Hearing] This is 15% lower than this time last year due to lower than average rainfall over autumn and increased consumption over the summer-autumn period
- Since water restrictions were removed in November 2010, per capita water consumption in Canberra and Queanbeyan has **consistently been 40% below consumption levels** experienced before the introduction of water restrictions in 2002. This is one of the **largest sustained water use reductions per capita in Australia and exceeds the ACT Government's target reduction of 25%**.
- The BOM Climate outlook is a neutral scenario. This means a 50:50 chance of above average rainfall.
- Our storages have been declining over the last 6 months with low rainfall. The decline in storage is because at this time of year (almost every year) whatever flows into storages we use.
- **In late May 2018, we commenced water supply from the Cotter pump station. This will help us to balance our water levels so that Bendora and Googong can be used over summer when consumption is higher.**

Water Sources

- We have a range of water supply infrastructure available to ensure we have a diverse and plentiful supply of water to cope with droughts and urban growth.
- **Our water sources include the four dams at Corin, Bendora, Cotter and Googong. We also have two water treatment plants each with sufficient capacity to supply water even in the peak demands of summer.**
- Bendora and Corin Dams are Canberra's cheapest source of water because they typically have the highest quality water and can be gravity fed into town without pumping.

Additional sources - Water Security Measures

- To ensure we have additional water security measures to support very long dry periods, Icon Water has access to **additional water supplies through the Murrumbidgee to Googong Pipeline.**
- **Our Murrumbidgee River source allows us to transfer water to Googong as needed.**
- During times when we have high levels of water storage, we don't need to run the Murrumbidgee to Googong Water Transfer Scheme (M2G).
- The M2G scheme can be placed in three modes; operations, standby and suspension. In suspension mode, Icon water can make further savings through significantly reduced maintenance and monitoring costs.
- Suspension mode involves taking assets like pumps and filters offline and reduces the frequency and level of maintenance of the pipeline during the suspension period.
- M2G remains an important asset for ACT's long term water security and can be utilised should water levels drop.
- We will place the M2G into suspension mode when storages are relatively high (approximately 85% full). The decision will also consider other factors such as climate outlooks.

- Storage levels are currently well below this threshold (70% at 4 June 2018) and rainfall outlooks for winter 2018 predict a high likelihood of continuing dry conditions. We may place the M2G into operating mode later in 2018 and has already commenced supply from Cotter Dam in response to the dry conditions. The use of these sources is a normal part of water supply operations that helps maintain the very high level of water security that we currently experience in Canberra.
- When storage levels increase and the M2G is placed in suspension mode, it will remain available for use in the event that Canberra experiences an extended period of dry weather. In order to maximise cost savings, Icon Water will leave the M2G in suspension mode where possible but will recommission the MG well before water restrictions might be required.

Tantangara

- **The Tantangara Transfer** option provided a water source for Canberra's urban water supply during severe drought conditions.
- The ACT Government's ACT Water Strategy 2014-44 states that Tantangara Dam is an available source of water for the territory.
- Currently, Icon Water has a **commercial arrangement in place with Snowy Hydro that enables us to request releases from Tantangara**. Icon Water's contract with Snowy Hydro commits us to pay [REDACTED] per year, regardless of whether water is transferred or not.

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22.	Internal audit
Spokesperson	Jane Breaden
Previous media	No
Previous QoNs	Yes – PAC 2017, QTON 25 – provided current program of internal audits

- Icon Water’s internal audit function provides an independent, objective assurance and consulting activity designed to add value and improve Icon Water’s operations. The Board has established a Risk and Assurance Committee, with responsibility for oversight of the internal audit function and Icon Water’s internal control framework.
- The Internal Audit team develops and executes a broad, comprehensive program of internal audit activity.
- Icon Water has a three year internal audit strategy supported by an annual internal audit program. This audit program seeks to evaluate and improve the effectiveness of Icon Water’s risk management, quality (internal) control and governance processes necessary to achieve organisational objectives. The program incorporates a broad range of internal audits examining compliance and performance.
- The Board approved internal audit program for 2017-18 includes 15 audits. Some of the completed audits include those relating to: management of strategic projects; strategy implementation – work health and safety strategy; compliance with legal and other obligations; and dam safety management.
- In 2017–18, a number of external management system audits were conducted by external auditors. These audits were:
 - a surveillance audit of our certified Integrated Management System (IMS)
 - a surveillance audit for Hazard Analysis and Critical Control Points (HACCP).
- The Internal Audit team is currently developing the internal audit program for 2018–19. It is anticipated the audit program will include 14 audits (pending the Board’s approval), including in relation to:
 - operational controls – water and sewer network
 - customer management
 - high voltage asset management (electrical safety)
 - procurement.

23.	Risk and bushfire risk management
Spokesperson	Jane Breaden
Previous media	No
Previous QoNs	Yes – on bushfire operations plan.

- Risk management is an integral component of Icon Water's business activities and is applied at all levels of the organisation.
- Key risks are reported regularly to Icon Water's Risk and Assurance Committee (RAC). The RAC met five times in 2017–18.
- At the time of reporting, Icon Water's Bushfire Operations Plan 2017-18 saw bushfire hazard reduction works completed at four treatment plants, two major supply dams, 31 service reservoirs, four pump stations, four sewer vent fans and two bulk water mains.
- All but three of the 46 planned hazard reduction works have been complete, with the final works on track for completion by the end of the financial year. Note that some planned hazard reduction works have more than one utility asset associated, explaining the disparity between planned hazard reduction works and the number of assets where works have been complete.
- These works have seen overall fuel hazard reduced to low around almost all critical assets and within Icon Water properties. As many of these assets are in bush settings and on small properties, overall bushfire risk relies on neighbouring landholders implementing complementary fuel reduction works.
- Many of our critical assets remain under elevated fire risk as these assets are embedded in forested and remote locations where fuel hazard in the broader landscape are often high to extreme.

24.	Fraud management
Spokesperson	Jane Breaden
Previous media	Yes [related to water theft]
Previous QoNs	No

- Our fraud control plan includes a range of measures to prevent, detect and respond to incidents of fraud and corruption within the organisation.
- Fraud prevention includes formal fraud awareness training which is conducted on a biennial basis. All staff completed this mandatory training in 2017–18 and all new staff complete fraud awareness training upon commencement.
- In 2017–18 we received **six allegations of fraud**. Five allegations were investigated internally, with one allegation investigated externally.
- Five allegations related to external water theft, two of which were substantiated, two were unsubstantiated and one is currently under investigation by the Australian Federal Police.
- Water theft can involve unauthorised connection to the network; and asset tampering.
- Outcomes of the substantiated allegations led to payment of rectification costs to correct an unauthorised connection and increased process arrangements for Icon Water standpipe assets.
- Fraud allegations can be made through the whistleblower hotline, through the Icon Water internet site (report fraud) or directly to the Manager Risk and Emergency Management (anonymously or otherwise). All allegations are treated seriously.

25.	Environment and sustainability
Spokesperson	Jane Breaden
Previous QoNs	Yes
Media	Yes

The TOC Act requires Icon Water to 'operate in accordance with the object of ecologically sustainable development' – the effective integration of environment and economic considerations in decision making processes. We do this across our business.

During 2017-18, Icon Water has continued to deliver its environmental priorities and achieved the following outcomes:

- Compliance with ACT and Commonwealth environmental flow requirements, ACT Environment Protection Authority licence requirements, and project approval conditions for the Enlarged Cotter Dam (ECD) and the Murrumbidgee to Googong (M2G) Water Transfer Pipeline.
- Icon Water delivered a revised *Source Water Protection Strategy* in July 2017 and has commenced development of a Googong Dam Catchment Actions for Clean Water Plan in consultation with catchment stakeholders.
- As a member of the **ACT and Region Catchment Management Coordination Group**, Icon Water continued to drive catchment improvement initiatives through the ACT and Region Catchment Strategy. In association with ACT Government, an ACT and Region Catchment Post Emergency Recovery Plan was developed in November 2017 to better prepare, manage and rehabilitate regional catchments following a natural disaster or emergency event.
- Icon Water has continued to deliver research and management actions to protect **threatened Macquarie Perch** in the Cotter Reservoir in partnership with ACT and Commonwealth regulators. This has included monitoring of tagged fish from September to December. Icon Water received the 2017 ACT Water Research Innovation **Award** from the Australian Water Association for its Enlarged Cotter Dam Fish Monitoring and Research program.
- The certified Environmental Management System (EMS) was subject to a surveillance audit in October 2017. No non-conformances were identified and Icon water continues to meet the requirements for accreditation with the standard (14001). A re-certification audit is scheduled in June 2018 for accreditation to new EMS version 14001:2015.
- Environmental Management Plans (EMPs) were formally approved by the Environment Protection Authority (EPA) in 2017-18 for the Soil Management activity at Fyshwick Sewage Treatment Plant in September 2017 and for the Canberra Sewer Network, Lower Molonglo Water Quality Control Centre (LMWQCC), Uriarra Sewage Treatment Plant and Cotter Effluent Absorption Facility in November 2017 in accordance with the current licences. Icon Water continued to actively assist the ACT Government to implement the recommendations of the **Auditor General's audit report on Restoration of the Lower Cotter Catchment**.
- A three year Sustainability Action Plan was endorsed by the General Manager, Business Services in October 2017. Implementation on actions to improve sustainability across the organisation have commenced.
- A comprehensive waste management action plan was commenced to deliver on the *Waste Management Strategy 2017-18 to 2022-23* to reduce waste to landfill and find alternative beneficial reuse alternative disposal options.

Priorities for 2018-19

During the next year, Icon Water is committed to address the following Environment and Sustainability priorities:

- Continue to provide environmental services to support:
 - efficient and environmentally responsible delivery of operational services, capital works and maintenance programs
 - identification of the environmental risks of Icon Water activities and development of strategies to mitigate impacts
 - improved relationships with key stakeholders including Government environment and planning regulators.
- Continue to work with ACT, Federal and NSW Governments, and the community to develop and implement integrated catchment management strategies for drinking water protection.
- Deliver the triennial Catchment Sanitation Survey to ACT Health by December 2018.
- Undertake ongoing monitoring, research and management actions to protect the Macquarie perch in the Cotter Reservoir, in partnership with the Commonwealth and ACT Government regulators. Develop a Fish Management Plan (FMP) version 4 in consultation with FMP Working Group and submit to the FMP Steering Committee and regulators in 2018.
- Develop EMPs for Below Dams Environmental Flows, the Googong and Stromlo Water Treatment Plants and Fyshwick Sewage Treatment Plant.
- Deliver upon the Energy Strategy and associated initiatives that build resilience and efficiency in energy management.
- Research, trial, implement and document commercially viable opportunities for resource recovery and reuse waste management practices across all Icon Water waste streams.
- Continue to implement initiatives within the Icon Water *Sustainability Action Plan 2017-18 to 2019-2020*.
- Achieve certification to the latest ISO14001 EMS standard.

Energy Strategy (including renewable energy)

- In February 2018 Icon Water revised its energy strategy and developed the *Energy Strategy 2018-19 to 2022-23*. The strategy aims to build Icon Water's energy resilience, in particular to address externalities associated with increases in wholesale electricity prices and anticipated increases in pass-through costs (associated with achieving Federal and ACT government renewable energy targets), advances in technology and extreme weather events.
- A revised Energy Strategy Implementation Plan was developed that identifies a range of initiatives including operational and capital works energy efficiency improvements, renewable energy generation projects, energy procurement plans and improved energy monitoring.
- A capital works project is underway to deliver **solar photo-voltaic energy generation** at Cotter Dam, Stromlo WTP and LMWQCC over the next 18 months.

Icon Water mini hydro operations

- Icon Water has four mini-hydro electricity generators in place at Bendora Dam, Googong Dam, Stromlo WTP and at the outlet of the Murrumbidgee to Googong Water Transfer (M2G) pipeline 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.
- Recent increases in energy costs has made harnessing renewable energy from other available hydro resources more economically feasible. As such, detailed investigations will occur in 2018 for the potential use of mini hydros at Cotter Dam and LMWQCC discharge outfall.
- By the end of this financial year it is expected that the mini hydro generators at Mount Stromlo and Googong will have created a total of 1,930 Large Generation Certificates (LGCs) worth approximately \$160,000.
- The Stromlo mini-hydro has now been included as a renewable energy asset of the ACT Region 'Renewable Energy Trail'. On 25 November 2017, Icon Water provided tours of the mini hydro to the public as part of the South East Region of Renewable Energy Excellence (SERREE) Renewable Energy Trail open day.

Climate change

- The ACT is experiencing longer, hotter summers and increased frequency and severity of storm events, which is predicted to intensify and become more frequent if global greenhouse gas emissions are not mitigated.
- Icon Water uses detailed **modelling to forecast water demand** based on a suite of climate change models including the South East Australian Climate Initiative (SEACI). Climate change mitigation measures are considered during all capital works projects as part of Icon Water's **sustainability assessment**.

Pest and weed management

- Icon Water is legally obligated to manage pest animals and weeds as a land manager in the ACT and NSW.
- Pest animal management for goats, pigs, rabbits, deer, cats and kangaroos may be needed to prevent adverse environmental and economic impacts.
- Icon Water takes an integrated pest management approach specific to each situation, with techniques including exclusion by fences, removal of access to permanent water sources, habitat modification, capture for harvesting and lethal control.
- Where lethal control is needed, Icon Water engages suitably licensed contractors using approved euthanasia methods consistent with the model code of practice for the humane control of each species.
- The only species to be trapped and euthanased onsite at M2G biodiversity offsets area are feral pigs. Feral goats are captured and taken offsite to market.

26.	Safety
Spokesperson	Jane Breaden
Previous media	No
Previous QoNs	Yes

Safety is one of Icon Water's three core values. Our safety core value encourages staff to accept personal responsibility to ensure a safe workplace and contribute to a safe community.

- Our mental health initiative has:
 - continued to progress by addressing interventions identified in the mental health survey and focus groups in 2016; and
 - in June and July a leaders mental health toolkit is being rolled out which addresses an initiative under the Work Health and Safety Strategy 2017-2019.
- **Icon Water's Mental Health initiative was a finalist at the recent Oz Water Safety Excellence Awards in May 2018.**
- All Icon Water employees have completed the safety engagement program 'Switch On' via 27 workshops. This program is foundational to the operational risk management (Safe to Start) and learning from incidents (Act on It).
- In 2016–17, a program to reduce musculoskeletal injuries was delivered to our maintenance services workers. In November 2017, a physiotherapist provided general awareness on maintaining personal posture, then commenced providing on-site physiotherapy services in January 2018 for prevention and management of musculoskeletal issues. In addition a review of hazardous manual tasks is also being undertaken to further reduce the risk of injury.
- A framework that supports the fair treatment of employees after safety breaches, known as Just Culture Framework, has been endorsed and communicated to staff.. The approach builds on the foundations of the Switch On program.
- As at 30 April 2018, there were 311 incidents reported for the financial year against 289 reported at the same time in the 2016–17 financial year. The increased focus on reporting incidents during the safety engagement programs can be attributed to this positive increase. The majority of incidents reported have been low in severity.
- Near miss reports accounted for approximately 26% of all incidents during the current reporting period. This is down on last financial years reporting period where 34% of all incidents were near misses.
- In December 2017, an internal audit on the Work Health and Safety Strategy was undertaken to assess whether the strategic objectives were being achieved and assessing the effectiveness of the strategies implementation.
- The Act on It program commenced in April 2018. There have been six sessions facilitated to the end of May 2018. This program is anticipated to be finalised by the end of December. These programs are targeted at employees who have leadership responsibilities following an incident and providing them with tools to review, analyse or investigate incidents.
- As part of the WHS strategy, the education sessions for the risks associated with drugs and alcohol commenced in May 2018. The sessions will be presented to employees will conclude in June 2018. A working group will be brought together and will work through all aspects of the development and implementation an effective drug and alcohol monitoring program.

- A review of how Icon Water manages fatigue has commenced. The intention is to review current working arrangements and implement controls where fatigue is a risk to worker health and safety. As part of the review a revised procedure will be developed and education and awareness will occur.

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27.	Digital Strategy program
Spokesperson	John Knox
Previous media	No
Previous QoNs	Yes

- As the caretaker of some of Canberra's most important assets, Icon Water also delivers quality water and wastewater services to the people of Canberra. As our region grows and the regulatory environment changes, it is critical that we upgrade our systems and processes, and develop our people in the skills to use them.
 - Typically a utility would invest around 10% per annum (CAPEX) on technology maintenance and upgrades, whereas over the last 10 years or so Icon Water has only been investing around 1%.
 - Across the industry, utilities are increasingly dependent on technology to manage assets in increasingly complicated and expanding networks.
 - Many of our existing systems and applications are fragmented, outdated and impede our ability to efficiently and effectively manage our assets and operations for our customers into the future. For example, our engineering asset register is split across four different systems (WASP, Waterworks, GIS and Oracle). The first two of these systems are at end of life, lacking in integration and will have limited ongoing support.
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- Our digital strategy places ICT as a foundational enabler to support our objectives and other strategies. We are upgrading ageing infrastructure and providing operational flexibility as we develop our sourcing strategy over this regulatory period.
 - The digital strategy is focused on building the technology and systems essential for delivering our water and sewerage services. We continue to receive the other back-end and corporate IT services we are currently obtaining from ActewAGL, such as IT hosting and support, corporate HR system and billing systems.
 - We are half way through several digital projects that are aimed at ensuring we have an integrated and streamlined ICT capability across the business. This includes:
 - renewing core operational systems to improve security and performance
 - integrating mobility capability to increase operational efficiency
 - adding new business and asset analytical systems to drive data-driven decision-making
 - making better use of cloud infrastructure to reduce costs.
 - There will be a natural point for renegotiation of service contracts, when we have fully migrated to new systems and infrastructure (this is likely to coincide with the end date of the current service contracts).
 - The expenditure for the digital strategy projects was included in our pricing proposal and has been determined as prudent and efficient by the Independent Competition and Regulatory Commission.

- As stated in our pricing submission and budget figures, we have committed to achieving a 10 per cent real reduction in operating costs by 2022-23. The digital strategy projects will contribute to this target, along with other activities such as:
 - efficiency improvements from business restructuring which has taken place during the current regulatory period
 - reduced electricity consumption from the grid as a result of our investment in renewable energy infrastructure.
- While not specifically benefits-led projects (renewal-led), at the completion we will have better data management and analytics tools which will see our works become more proactive and less reactive as data about our assets becomes more detailed and reliable leading to fewer disruptions to the community.
- We will have a clearer understanding of our operations and this will allow us to make better decisions, faster, and provide a range of benefits from streamlining customer experience to improved management of our assets.

Managing digital strategy project risks

- All projects, particularly digital ones given their complexity and size, come with a high degree of risk.
- We are carefully managing risks through a range of embedded assurance processes, risk reporting, and health checks etc.
- Our project discipline ensures that we focus on projects requiring the greatest focus. We have one project (our Works and Asset Management System) that is currently a major focus and we are in detailed discussions with our Board on risk mitigation strategies to ensure that the project will deliver real benefits to the business – on time and on budget.
- One of these risks includes resourcing – the need to source and retain a highly specialised workforce with unique product knowledge is key to this project.

SOME OF OUR PROJECTS AND TANGIBLE EXAMPLES OF THE IMPROVEMENTS

Works and Asset Management System

- Our priority operational technology project (Works and Asset Management System) replaces the existing WASP (scheduling) and Waterworks (emergency corrective work in the network) and is based on the Oracle Works and Asset Management utility solution. Our new works management platform is aimed at improving performance and reducing impacts to customers.
- The Oracle WAMS was selected through a competitive procurement process. Oracle is a company based in the United States.
- 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.
- Across the ACT, a number of Federal and Territory Government departments are also upgrading or developing new technology systems. This has increased the demand on the local market for this highly specialised workforce. 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 is being rolled out and handed over to the business in 2019 with a total forecast spend of \$30m (as in our Budget Statement).

Anticipated benefits of WAMS

- **Improved maintenance** – scheduled and delivered before problems arise. Makes our operation less costly to run and improves service to our customers. We can plan rather than react.
- **No more paper job packs** - Field staff will receive all of the info they need for the job on their mobile device such as asset data, maps, notifications and safety information. This saves time and improves focus on the job compared to current process of compiling, carrying, completing and checking red and blue work folders.
- **Inventory management and purchasing** – parts and supplies can be ordered and stocked according to the maintenance plans prepared in the system. Cuts down on unnecessary stock and ensures the parts we need for a job have been forecast, ordered and are in stock.
- **Workflows for field crews** – crews are sent details about jobs on their mobile device while they are out in the field. They will be able to let dispatchers know when they start and complete work orders and move straight to the next job.
- **Finding assets** – integrated with our GIS mapping systems so field staff can access information about assets while in the field. They can also ground truth the data while in the field. Using their mobile device they can enter information directly into the system to save time and ensure information is accurate.

Geospatial Asset Repository

- We're also upgrading our mapping system and creating 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'll also have the flexibility to manage and change the system to meet our own needs and priorities.
- The upgraded GIS will give us a more advanced 'connected model' of our water and sewer network. The connected model is a logical representation of the network showing where and how all our assets are connected. In the model we are currently using, there are no rules to prevent a 250mm valve being connected to a 300mm pipe. The new version has built-in logic to prevent mistakes like this being made.

- The new connected model gives us more ways to use the information in the GIS. For example, if a pipe bursts, we need to isolate it by turning off the right valves and interrupt the water supply for some customers. The upgraded GIS will tell us which valves to turn off, and which customers will be affected. We can get this information now but it's a more complicated and manual process that relies on interpretation. It's slower and we may impact more customers than necessary.
- 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.
- The upgraded GIS makes it much easier to keep our data up to date. If a field worker discovers that an asset isn't where the map says it should be, they can take photos and mark-up the map directly on their iPad or phone which is sent straight through to the GIS team. This is a huge improvement on marking up the change in a red folder (which might not make it back to the right people to be changed in the system).

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28.	Operating Efficiencies
Spokesperson	Sam Sachse
Previous media	No
Previous QoNs	No

- **Icon Water has realised operating efficiencies over the three year period ended 30 June 2018.**
- Icon Water have taken action to improve operational efficiency through sustainable change to reduce 2014-15 budgeted operating expenditure (in 2017-18 dollars).
- The ICRC accepted all of Icon Water's operating expenditure proposal in its final decision for the 2018–23 regulatory period which included a 10% reduction in OPEX compared to the current regulatory period.
- Further savings are expected to be achieved in the areas of:
 - reducing our electricity costs with solar photovoltaic being installed at key sites,
 - cancelling the agreement with Snowy Hydro to release water from Tantangara Reservoir and
 - further optimisation of Icon Water's fleet
- We are also looking for further savings from our service providers to contribute towards achieving the 10% reduction in our operating expenditure.