

Public Accounts Committee - 12 November 2018, 11:15 – 12:00

Group	Responsible
<p>Business Services</p> <p>Work health and safety, risk and bushfire management, PFAS, emergency management, Internal audit, fraud, privacy, asset management, source water, drought and climate change, environment, energy strategy (renewable energy)</p>	<p>Jane</p>
<p>Customer Engagement</p> <p>Customer, community support program, metering, smart metering, liquid trade waste, capital contributions, plumbing reimbursement</p>	<p>Jane</p>
<p>Digital Projects</p> <p>Digital strategy, digital priorities, works & asset management system, geospatial upgrade, cyber-security</p>	<p>Ray / Jane</p>
<p>Executive</p> <p>Workforce, attraction and retention, development, staff engagement, organisation structure and governance</p>	<p>Ray</p>
<p>Finance</p> <p>Budget 2017-18, debt strategy, water and sewerage pricing, energy investment, alternative energy, regional relationships, regulatory strategy, water trading</p>	<p>Sam</p>
<p>Infrastructure Services</p> <p>Capital expenditure, LMWQCC upgrades, network, sewer chokes/overflows, dam safety, engineering standards, fireflows, drinking water quality</p>	<p>Ray</p>
<p>Services Contracts</p>	<p>Ray</p>
<p>PAC opening statement</p>	<p>Ray</p>

Business Services Group

Work health and safety

(AR p.26) (Business Strategy p.8)

- Safety is a core value at Icon Water. Our safety core value encourages staff to accept personal responsibility to ensure a safe workplace and contribute to a safe community.
- Over 2017–18 there has been a **49% reduction in recordable injuries**. This was driven by an increase in employee safety engagement and a focus on musculoskeletal injury prevention in Maintenance Services.
- There were **4 incidents reported to the safety regulator** in 2017–18. This is the same number as reported in 2016–17. The incidents reported involved underground service strikes, equipment failure and a vehicle incident.
- SIFR reduced from 7.9 to 6.6 over the year. This was short of the target of 3. There were four incidents during the year that were treated medically, however this treatment did not resolve the issue. Subsequently some months later time off work was required for invasive medical treatment. **(AR p32)**
- Our safety programs include **Act on It, Safe to Start, Switch On**. We have also rolled out drug and alcohol awareness training to our staff. We are designing a drug and alcohol monitoring program, likely to go live in early 2019.
- Number of **bullying and harassment** complaints in 2017–18 – 1 report (2016–17 – 2) as reported in QTON E18-36.
- Number of **staff who have accessed EAP** in 2017–18 – 15 (2016–17 – 26) as reported in QTON E18-37.
- Icon Water’s mental health initiative was a finalist at the **Oz Water Safety Excellence Awards in May 2018**.

Risk and bushfire risk management

(AR p.65-66)

- Icon Water’s **Bushfire Operations Plan 2017–18** saw bushfire hazard reduction works completed at four treatment plants, two major supply dams, 34 service reservoirs, four pump stations, four sewer vent fans and two bulk water mains. All **45 planned** hazard reduction works for 2017-18 have been completed.
- In 2018-19, there are 46 planned hazard reduction works scheduled. Twelve were completed, as scheduled, during Q1.

PFAS (per- and poly-fluoroAlkyl substances)

- Per and polyfluorinated alkyl substance (PFAS) contaminants are a class of artificial chemical substances with hundreds of manufacturing and industrial applications, including pesticides and firefighting foams.
- In early 2017, Icon Water participated with the ACT Government in specific studies of PFAS which confirmed our drinking water catchments are safe.

- We work closely with the ACT Government and stakeholders to protect the quality of our water supplies in the catchments, which includes advice on the types of activities and land-use in those catchments that can impact on water supplies.
- We test and monitor water quality across a range of chemical and biological parameters based on licencing requirements, the Australian Drinking Water Guidelines and our hazard assessment system. Routine testing for PFAS compounds is outside current requirements for drinking water.
- PFAS is being managed at a national level, and we will continue to work with the ACT Government and follow authorised advice in regards to any future management requirements.
- Providing safe drinking water is one of Icon Water's most important responsibilities and we take pride in the quality of water supplied to the Canberra community.

Emergency management and business continuity

(AR p.66)

- During 2017–18, Icon Water conducted in **13 internal** exercises and participated in **one external** exercise.

Internal Audit

(AR p.64)

- The Board approved 15 audits to be conducted in 2017-18 under the internal audit program. These audits included: management of strategic projects; strategy implementation of work health and safety strategy; compliance with legal and other obligations; dam safety management.
- The 2018–19 internal audit program includes audits in relation to: operational controls – water and sewer network; customer management; high voltage asset management (electrical safety); procurement.

Fraud management

(AR p.67)

- In 2017–18 Icon Water investigated and resolved twelve allegations. Ten allegations related to water theft. Two of the 12 allegations were made against Icon Water staff, which resulted in low level management actions and process review.

Privacy

- Icon Water complies with the Australian Privacy Principles (the APPs) under the Commonwealth *Privacy Act* (and not the Territory Privacy Principles (TPPs) under the ACT's *Information Privacy Act*).
- In February 2018 the new data breach notification scheme was introduced under the *Privacy Act* which requires people to be notified if there is a data breach which is likely to result in serious harm.
- Icon Water has not made any notifications under this scheme.
- Internally we monitor for potential data breaches. In all cases there was no evidence that the data had been accessed or used and the information was subsequently moved to a more appropriate digital storage location.

Asset management

(AR p.47) (Business Strategy p.11)

- We have in place an Asset Management System that helps us maintain a line of sight between our customer requirements, strategic objectives and asset lifecycle management.

- We continually improve our AMS, with our Asset Strategy supporting our strategy and planning, asset management decision-making, lifecycle delivery, asset information, organisation and people and risk and review.

Source Water Strategy

(AR p.49)

- As we committed in our response to Recommendation 4 of the Public Accounts Committee Report on Annual and Financial Reports 2015-16 (May 2017) we have published our source water strategy, including operational detail on M2G, in this year's Annual Report (p49). We have also published information on our website.
- Our source water system is very secure. In the next 20 years, each year has an average probability of 0.9% (1 in 110) of experiencing water restrictions. As part of source water planning, we review this probability in light of any new knowledge or changes to demand and climate information.
- We use the ACT Government population projections to forecast our future water demand. We also factor in a small allowance for possible future supply to NSW. Population and demand growth are difficult to predict with confidence over a long period. However, given our current high security, it is expected that our existing system can satisfy the required level of service for at least several decades.
- Since the Millenium Drought our customers have achieved a sustained per capita water usage reduction of 40%. While consumption has increased in the past 2 years, this is primarily driven by hotter and drier weather conditions and is not necessarily indicative of a trend in water usage.
- **M2G** – As at November2018, the M2G is in (standby) mode.

Drought and climate change

- 99% of NSW is currently declared in a drought or drought affected due to a very dry year. In the ACT, historically - only about 5% of years, experience rainfall as low as we have seen so far this year. This is the second year in a row that we have experienced this low rainfall since our water supply levels were at their highest.
- A positive Indian Ocean Dipole is likely underway and there is at least a 70% chance of El-Niño. These conditions increase the likelihood of dry and hot conditions so a continuation of the drought is anticipated through at least summer and autumn.
- Icon Water storages have been impacted by the dry year and are currently 65% full (as at 5 November). Further falls in water storage are anticipated over summer and autumn. However, water restrictions in the short term are very unlikely. Icon Water's water security (as reported in the Source Water Strategy) means that it would take a drought more severe than the Millennium Drought for water restrictions to be required.
- If these dry conditions continue or worsen over the next two years then Icon Water may consider the need to implement temporary water restrictions. The Canberra community is water-wise and will be proactively encouraged to continue to apply the permanent water conservation measures in place.
- Icon Water assumes that climate change is influencing ACT weather and has included the impacts of climate change when determining Canberra's water security. We factor in anticipated reductions in inflow due to Australia's changing climate.

Environment and sustainability

(AR p.58-59)

- Our sustainable development performance is detailed on page 59 of the Annual Report. Explanations are described in the table notes.
- A comprehensive **waste management action plan** was commenced in 2017-18 to deliver on our Waste Management Strategy to reduce waste to landfill and find alternative beneficial reuse alternative disposal options.
- A three year **Sustainability Action Plan** has been implemented to improve sustainability across the organisation.
- We have continued to deliver research and management actions to protect threatened **Macquarie Perch** in the Cotter Reservoir in partnership with ACT and Commonwealth regulators.

Energy Strategy

- Over 2017–18 we generated less renewable energy than the previous year due to the reduced operation of the hydroelectric turbines, changes in where we sourced our water and a reduction in some of our environmental flow releases, in response to the lower rainfall and dam reservoir levels across our catchments. **(AR p.58-59)**
- We have **four mini-hydros** in operation: Bendora Dam, Googong Dam, Stromlo WTP and at the outlet of the M2G pipeline at the discharge point to Burra Creek. When operational these hydro systems generate energy from moving water and feed power to adjoining infrastructure with any surplus exported to the grid.
- The Mt Stromlo mini-hydro is now included as a renewable energy asset of the ACT Region Renewable Energy Trail. Tours of the mini-hydro are provided to the public as part of the South East Region of Renewable Energy Excellence community open day in November each year.
- A major program is underway to deliver solar PV energy generation at several sites including Cotter Dam, Stromlo WTP and LMWQCC over the next twelve months.

Key priorities for 2018-19 (refer to the Business Strategy p.8, p11)

Customer Engagement Group

Customer

(AR p.34) (Business Strategy p.10)

- We have approximately **179,000 water connections** and **178,000 sewer connections**, with a service reach of approximately **400,000 people**. (AR p.8)
- The three most valued aspects of Icon Water's services by the Canberra community are reliability of supply, quality of drinking water and our customer service.
- Overall customer satisfaction with our services is steady at **91%**
- In 2017–18 we received **around 970 customer complaints** with the main issues related to site restorations and billing queries. This is a slight increase on last years' figure of **905**.
- Our performance in 2018-19 shows a 20% decrease in overall complaints compared to the prior financial year. Performance in the billing complaint category year-to-date has slightly improved on last year.
- In January 2018, our new self-service platform myiconwater.com.au went live. This portal enables our customers to manage their accounts online. The number of our customers that have signed up to receive e-bills is **27,644**.
- We have a range of ways to assist our customers experiencing **hardship**, including: setting up automatic deductions; referring customers to the ACTSmart program which provides water usage audits and financial assistance to switch to water saving appliances; suspension of interest; payment plans etc.
- In our 2018–19 Business Strategy we have included new performance indicators against our objective to enhance the customer experience. The net promotor score and ease of doing business are both accepted measures in the retail environment.

Community

(AR p.36-41) (Business Strategy p.10)

- Our *Business Strategy 2018–19 to 2021–22* identifies our vision to be a **valued partner in our community**.
- In 2017–18, Icon Water provided community organisations with a total of nearly **\$500,000 in sponsorships and donations**. The top ten sponsorships are detailed below. (AR p.39).

#	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

#	Organisation – Event/Donation	2017–18
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

- We **engaged with the community** on:
 - Infrastructure and network education
 - Googong Dam – appropriate recreation and management of the drinking water catchment. (AR p.36-37)
- We **provided tours of our assets** to students and members of the public (3,305 people).

Metering

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

Smart metering

- Market research conducted in late 2016 indicated that customers have an interest in smart water meters, however, they have a low level of willingness to pay for the service.
- A number of smart meter trials have been conducted within the water industry. Icon Water is participating in Evoenergy’s Smart Network in Denman Prospect, with the intent to install and **trial 400 smart water meters**. The ACT Government Smart City network which is currently being rolled out, is likely to provide opportunity for further smart metering trials. The NB-IoT network offerings from the Telecommunication Companies will also provide opportunities for smart metering technologies to be trialled in the short to medium term.

Liquid trade waste

- Icon Water has a legislative requirement to manage liquid trade waste discharges under the Utilities Act and connections for the discharge of non-domestic sewage must be approved by Icon Water.
- We have been consulting with our customers to identify the best mechanisms to manage liquid trade waste and to understand what customers expect. Customers are seeking ongoing conversation on matters such as digital solutions to applications and approvals, improved communication through planning of audits and inspections and notifications of outcomes.
- The underlying aims of a future liquid trade waste system is to: minimise the environmental and sewage system impacts; educate trade waste customers towards sewage discharge compliance; and determine the requirements for the fair apportionment of the cost impact of liquid trade waste across our customers.

Capital Contributions Code

- The Capital Contributions Code introduced 1 January 2018 involves arrangements for funding augmentations required to support growth of our network and community in Canberra’s established areas.

- This provides a fairer funding structure. Previously, there was inequity in the way costs were recovered for developments that triggered water and sewerage asset augmentation or upgrade in established suburbs.
- There is a transition period of 18 months during which developers that purchased their property before 1 January 2018 do not have to pay the charge.

Development applications lodged after 30 June 2019 will be calculated at **\$1200 per Equivalent Population**.

- To date, one invoice has been issued.

Plumbing Reimbursement

- There are times when a customer experiences an internal or external plumbing issue that may or may not be due to an issue with Icon Water's network, but requires urgent attention.
- In these cases, the priority for the customer is to resolve the issue and as such, they seek the services of a plumber to investigate the cause and rectify.
- Icon Water reimburses customers for costs associated with a licensed plumber identifying a blockage within our network and installing a sewer riser. It is not always practical to then also call out an Icon Water crew. This is an effective model to ensure the customer's services is restored as quickly and effectively as possible.
- The rates for reimbursement are reviewed annually in collaboration with the Master Plumbers Association.
- In October 2018, there were four ministerials. In all four circumstances, a plumber had charged the customer significantly more than the agreed schedule of rates. Icon Water has worked directly with these customers to resolve, and is working with the Master Plumbers Association to ensure rates are reflective of reasonable costs and customers are not out-of-pocket.
- On 6 November 2018, the Master Plumbers Association endorsed our increase to reimbursement rates. The increase reflects the current market rates and comes into effect on 12 November 2018.

Digital Projects Group

Digital strategy (AR p.57) (Business Strategy p.12)

As the Canberra region grows and the regulatory environment changes, it is critical that we upgrade our systems and utilise technology to improve operational efficiencies.

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

Many of our existing systems and applications are fragmented, outdated (at end-of-life) and impede our ability to efficiently and effectively manage our assets and operations.

Our technology focus is **operational technology** as opposed to **information technology**.

- Operational technology – systems that are central to the management and operation of a water business that are key to our sustainable success (e.g. GIS, SCADA, works management).
- Information technology – general technology employed by a business of our size (e.g. financial, human resources, payroll, billing).

Initiatives from our Digital Strategy include:

- Upgrading ageing infrastructure to improve overall performance and reduce costs
- Upgrading core applications to optimise capabilities provided to staff
- Removing legacy applications to reduce costs and lower risk
- Better managing digital data to improve protection of this key organisational asset
- Increasing cyber-security safeguards to better protect our digital assets.

Key strategic digital priorities for 2018-19

- Capability to sustainably design, deliver and support digital applications across the business
- Protection of Icon Water's investment in digital technology through a secure, scalable cloud-based digital infrastructure with a loosely-coupled service-oriented architecture to provide the underlying capability to support ongoing business needs.
- Digital applications are effectively utilised by the business. Efficient digital service provision through improved service definition, KPI's and management.
- Digital applications have the reliability and capabilities required by the business. Data is consistent with a defined source of truth.
- Protection of Icon Water's digital assets and prevention of business disruption through application failure.
- A simplified application landscape where important data is protected and duplicates eliminated.

Digital projects

We are mid-way through several digital projects aimed at ensuring we have integrated and streamlined ICT capability across the business. This includes:

- renewing core GIS, SCADA, drawing management, document management to improve security and performance
- a new works and asset management system (see below)

- integrating mobility capability to increase operational efficiency
- adding new business and asset analytical systems to improve data-driven decision-making
- better use of cloud infrastructure to reduce costs.

Key digital project: Works and asset management replacement (AR p.57) (Business Strategy p.12)

- A works and asset management system is fundamental to our business. It manages our water and wastewater assets and the works required to maintain those assets. This project replaces the existing end-of-life WASP (scheduling) and Waterworks (emergency corrective work in the network) and is based on the Oracle Works and Asset Management (WAMS) utility solution. Our new works management platform is aimed at improving performance and reducing impacts to customers.
- The Oracle WAMS product was selected through a competitive procurement process.
- Icon Water has recruited and contracted the services of professional and experienced technology developers, and also seconded internal staff, in order to ensure a seamless and embedded rollout of our new systems and technology upgrades.
- Across the ACT, a number of Federal and Territory government departments are also upgrading or developing new technology systems. This has increased the demand in 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 plans to complete this financial year and has a total forecast spend of \$36m.
- Initial releases have successfully delivered into production. The business is already seeing benefits.

Recently completed digital project: Geospatial asset repository upgrade

- We are 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 new connected model gives us more ways to use the information in the GIS.
 - 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.
- This is the first application to move into production utilising our new cloud infrastructure.

Key digital technology related topics

- **Cyber-security**
 - Icon Water is not aware of any successful cyber-security attacks. There have been no notifiable breaches of the Privacy Act over the reporting period.
 - There are a number of ever-changing facets to cyber security and we are taking a range of actions to ensure we have adequate preventative and protective measures in place.
 - Icon Water has a joint internet traffic monitoring program in place. This has provided us with a number of alerts from time to time. However, after investigation, none have proved material or significant. Cyber-security remains an active initiative and we consider

continued investment in this area worthy. Solutions relate to technology upgrades, infrastructure upgrades, staff education and improved processes.

- Icon Water recently revised its Security Strategy.
- All new cloud based applications undergo independent penetration testing and are the subject of well architected reviews (WAR) prior to going live.
- **Co-ordination between Icon Water and ActewAGL**
 - All new digital applications are following a commercial process. Where this impacts applications currently managed by ActewAGL we anticipate there will be parallel running of applications during the transition from the old to the new system.
- **Application & software licence management**
 - Icon Water maintains a software register of the products it manages. There is active management to ensure that products/costs are not duplicated.
 - Where cost synergies can be obtained joint IW/ActewAGL licences are sought.
- **Data being stored in the cloud**
 - We have also been working with the Federal Government on the introduction and implementation of the Security of Critical Infrastructure Act 2018 which covers a range of security matters for utilities including IW data managed by third parties. Icon Water contributed to an industry response, led by WSAA, in 2017.
 - We aim to meet both reporting and security requirements by Jan 2019, as required under the *Security of Critical Infrastructure Act 2018*.

Executive (for matters outside of specific groups responsibility)

Workforce statistics (AR p.25)

- We have **398 FTE staff** with an average of 10.9 years of service. Last year's FTE was 385..We have established new roles within the organisation such as design engineers, pipeline engineers and water industry operators.
- **24%** of our workforce are women and **76%** are male. In 2016-17, results were 22% women and 78% male.
- **1.5%** of our workforce identify as Aboriginal and Torres Strait Islander; 7% culturally and linguistically diverse and **2%** staff have a disability (AR ref: page 25).

Attraction and retention (AR p.23) (Business Strategy p.9)

- In 2017-18 we hired **four graduates and four trainees** on two-year contracts (AR ref: 23)
- We also implemented an initiative to attract females into non-traditional roles (AR ref: 23)

Development (AR p.23)

- During 2017-18 we launched and ran **the Next Wave program** for emerging leaders.
- We also finalised a graduate program to support development and progression through the organisation.

Engagement (AR p.23)

- Our organisational engagement survey conducted in November 2017, achieved a participation of 75 per cent, with **60 per cent of employees moderately to highly engaged**.

Organisational structure and governance (AR p.22)

- Icon Water's organisational structure comprises five groups, each led by an Executive. In 2017-18, the Customer Engagement Group was formed to bring together teams that are largely customer-focussed under one group.

Board and Governance (AR p.14-17 and in financials)

- The Board comprises eight Directors: seven Non-Executive Directors and one Executive Director.
- There are two committees under the Board – the Risk and Assurance Committee and the Remuneration Committee.
- All eight directors sit on the subsidiary boards – IRIL and IDIL.
- The Voting Shareholders are currently considering the appointment of Ray Hezkial, as A/g CEO, as a Director to the Icon Water Board, IRIL and IDIL.

Finance Group

Budget 2017-2018

- In 2017-18, Icon Water achieved strong financial results with profit after tax of **\$107.7m**. In 2016-17 this was **\$96.9m**. (AR 2, p74, Sec 5 Financial Reports p.22-23).
- This result is significantly lower than the record profit in **2015-16 of \$122.3m**.
- Dividends paid to Shareholders was **\$93.9m** as well as income tax equivalents totalling **\$42.2m**. (AR p.2, Sec 5 Financial Reports p.17)
- The financial result can be attributed to a strong result in the water business (**\$16.7m**) primarily due to higher ACT water consumption, higher prices, and increased customer base; and an increase in the share of profit from the energy investment (**\$5.4m**), largely the result of ActewAGL maximising their operations in line with the movements in the energy market. This financial outcome is within regulator parameters.
- Shareholder returns to ACT Government provide ongoing benefits to the Canberra community.

Budget 2016-17, 2017-18 (actual) and Budget 2018-19 and outyears

Icon Water Limited Summary Income Statement For the year ended 30 June 2018						
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
\$'000	Actual	Actual	Budget	Estimate	Estimate	Estimate
Water & Sewerage Revenue	305,234	326,895	306,204	314,570	323,389	333,060
Commonwealth Subvention	11,687	11,979	12,279	12,586	12,900	13,223
Energy Investment	87,927	93,374	75,516	81,982	86,877	95,904
Contributed Assets	18,796	15,850	12,886	19,311	15,749	15,893
Other Revenue	5,832	6,849	4,730	4,848	4,968	5,092
Total Revenue	429,476	454,947	411,615	433,297	443,883	463,172
ACT Government Charges	37,111	39,977	39,619	41,254	43,054	45,045
Operating Expenditure	183,308	188,041	190,426	192,571	197,650	204,862
Interest Expense	68,787	72,133	71,865	74,688	75,302	78,104
Total Expenditure	289,206	300,151	301,910	308,513	316,006	328,011
Earnings Before Tax (EBT)	140,270	154,796	109,705	124,784	127,877	135,161
Income Tax Expense	43,385	47,106	32,912	37,745	38,363	40,548
Net profit after tax	96,885	107,690	76,793	87,039	89,514	94,613
Transfer (to)/from retained earnings ¹	(18,796)	(18,108)	(12,886)	(19,311)	(15,749)	(15,893)
Profit available for dividends	78,089	89,582	63,907	67,728	73,765	78,720

Debt strategy

- Icon Water received **\$15.9m in gifted assets** in the 2017-18 financial year.
- We hold a legislative instrument from the Treasurer approving a maximum \$2.3b borrowing facility.

- Icon Water is able to service its existing debt for the foreseeable future. Our gearing ratio was **53.6%** at 30 June 2018.

Water and sewerage pricing (AR p.57)

- The ICRCs final decision on water and sewerage pricing for the period 2018-19 to 2022-23 was released on 1 May 2018.
- The average residential customer (using 200kL of water per annum) will see a reduction of **\$42** on their annual bill in 2018-19, which is a combined reduction of around **3.5%**.
- Icon Water's combined bill for residential customers is **lower than the national industry average** for urban water providers.
- As part of the determination, ICRC agreed with Icon Water's proposal to gradually rebalance water tariffs to more closely reflect costs.
- The ICRC's decision was made subsequent to the budget submission. There is a \$5-6m impact on every year in the budget as a result of the ICRC decision.

Energy investment

- Icon Water is unique in Australia as it also manages an investment in electricity and gas networks through partnerships with private companies.
- To manage the energy investments Icon Water has two subsidiary companies (**AR p9 and Section 5 Financial reports**)
- Oversight of the energy investments is undertaken through: representation on the ActewAGL JV Partnerships Board; the IRIL and IDIL Boards, and annual energy investment strategy discussions.

Alternative energy

- From a water and sewerage perspective we actively look to manage our energy, the focus during the year has been on implementing solar panels on our assets in order to manage our electricity costs. Our longer term LMWQCC strategy includes exploring alternative ways to for **biosolids management to generate energy**
- From an energy investment perspective, ActewAGL continue to explore opportunities such as hydrogen and biogas. During the year the exploration has been preliminary, including considering the acceptable levels of hydrogen that could be injected into the existing gas network. There needs to be further investigation, trials, validation and consultation. This is a longer term opportunity as ActewAGL explore how to contribute to the ACT Government's policy to have their role towards meeting **zero emissions by 2045**.

Regional relationships

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

Regulatory Strategy (AR p.57) (Business Strategy p.13)

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

Water trading

- ACT Government are leading an exploration into whether introducing interstate water trading will benefit the ACT. Icon Water are a key stakeholder and have been part of the working group. The primary objective is to understand if revenue can be raised without compromising ACT's water security. Icon Water considers water security to be of paramount importance, both now and into the future.

Priorities for 2018-19 (Refer to Business strategy p. 13)

Infrastructure Services Group

Capital Expenditure (AR p.51-55)

- In 2017–18, Icon Water invested around **\$102 million** in capital works to further grow and improve the network to meet future demands and protect our natural environment.
- Our biggest investment has been a major program of works at the Lower Molonglo Water Quality Control Centre (LMWQCC) to replace aged assets at risk of failure and to meet environmental regulations.
- The ICRC has accepted Icon Water's capital program submission for the current regulatory period (2018-2023) of **\$436m nominal**.
- The capital expenditure commitment for 2018-19 is approximately \$107m.

Lower Molonglo Water Quality Control Centre upgrades (AR p.51)

- LMWQCC was constructed in the 1970s and as such significant components of the plant are now in the process of being replaced or upgraded. Over 2017-18 this has included: aeration system renewal; solids handling upgrade; tertiary filters and disinfection upgrade; replacement of portions of the electrical instrumentation and control systems; renewal of roof structures. **(AR p.44, 51)**.
- Wastewater treatment requires the separation of solid wastes - **biosolids**. The incineration system has been in place since the 70s when the plant was built. This existing process creates beneficial heat recovery to aid the treatment process and delivers environmental benefits. It effectively reduces the solids mass by 15 times and generates a soil conditioning ash that is used by the agriculture market. Due to the land constraints, the current alternative to stockpile solids or transport to landfill is neither viable or environmentally sound.
- Icon Water is currently investigating suitable directions for **biosolids** treatment and end use at LMWQCC to enable us to recover resources as efficiently as possible. This work will help us develop a long term management strategy to potentially replace the existing treatment system when it reaches end of its service life around 2030. The first part of this work is due to be completed in late 2018.

Network

- We operate and maintain more than **3,300km of water and 3,300km of sewer pipes** across ACT
- In 2017-18:
 - our maintenance crews proactively cleaned around **332 km of sewer pipes**
 - our crews repaired **452 burst water mains** and cleared **3472 chokes in sewer mains and service lines**
 - project teams undertook about **18.69km of Sewer Mains Renewal** and about **7.18km of Water Mains Renewal**. These programs ensure we are continually renewing the aging water and sewerage networks and replacing sections of infrastructure where faults have historically occurred.

Sewer chokes/overflows

- We are faced with a trade-off between network reliability and providing fair and affordable pricing. The decision to maintain the current level of sewer asset performance has been informed by the customer preferences and willingness to pay studies which identified that households were not willing to pay for increased spending on proactive investment in the sewerage network.

- While 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, we anticipate that with the introduction of a new sewer mains asset planning tool (SEAMS) we will improve analysis of sewerage main breaks and chokes and enable more targeted preventative cleaning and inspection program.
- In 2017-18, there were **9 surcharges into dwellings. (AR p.32)**

Dam Safety

- In the UTR Annual Compliance Report 2016-17, they noted that we were 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.
- Our recent reviews and routine inspection programs provide assurance that there are no significant structural issues with the dams, or dam safety risks to staff or to our community.
- Every 10-20 years, an independent **external Safety Review** is required for each dam. The status of this review for each of our dams is as follows:
 - Bendora Dam interim review is complete. Full review due 2020-21
 - Cotter Dam was reviewed when constructed and the next review is due 2028
 - Googong Dam review complete submitted to the UTR
 - Corin Dam review complete and submitted to the UTR
 - LMWQCC bypass dam review finalised in September 2018.

Engineering Standards

- Updated engineering standards came into effect on 1 July 2018. The standards are closely aligned to WSAA standards and include the production of new template drawings, mostly represented in 3D.

Fireflows

- We have been working collaboratively with the UTR on calibration of our theoretical hydraulic model.
- We have higher fireflow standards than other jurisdictions – the agreement with the ACT Fire Brigade provides flows significantly greater than required in many major cities in Australia.

Drinking Water Quality (AR Ref 46)

- We provide over **130 million litres of treated water each day** and we take drinking water quality very seriously.
- In 2017-18, there were **five notifiable events** to ACT Health as per the Public Health (Drinking Water) Code of Practice (2007). These did not affect our compliance.
- Our Annual Drinking Water Quality Report 2017-18 was released in October 2018.

Key priorities 2018-19 and beyond

- Key capital works projects for Icon Water in 2018–19 include the continuation of the upgrade program at the Lower Molonglo Water Quality Control Centre, upgrades to Icon Water Information Technology infrastructure, and works to improve sewer servicing in the northern suburbs of the city.
- Significant investment continues in the Mains Rehabilitation Programs for both sewer and water, as well as the Water Meter Replacement Program; multiple reservoir upgrades and repairs including a major replacement of the roof and floor joint sealing at Mugga Reservoir and 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.

Issue	Independent arbiter – decision to uphold confidentiality and release additional information in the services contracts
Spokesperson	Ray Hezkial, Acting Chief Executive Officer
Previous Media	Yes
Facts	Contracts are for Customer and Corporate services provided by ActewAGL to Icon Water. The arrangements for sharing of customer and corporate services were established in 2000 when the ACT Government formed Australia’s first public-private multi-utility; uniting water, electricity and gas services for the ACT community. The arrangements were revised in 2012 when the water business was taken out of the multi-utility and reintegrated into Icon Water, so that the customer and corporate services could continue seamlessly for the benefit of customers.

Key holding statements (overarching)

Tier 1 – Lead with these

- **Established in 2000:** These arrangements were effectively established in 2000 when the Government outsourced all of ACTEW’s (at the time) water operations & maintenance and corporate and customer services to ActewAGL under a long term arrangement to 2023.
- **Acknowledge and prepare for the future** – We are already preparing for the expiry of these agreements, these contracts were set up a long time ago and there could be better ways of doing this now. As with all contracts, we are always seeking to optimise the services being delivered through the contracts. We want to make sure that any new arrangements are best suited to our business in 2023 and our business into the foreseeable future.
- **Commercial** – we are a TOC with a commercial mandate, specifically set up under Corporations Law and the TOC Act to operate independently from Government. We have been conscious to maintain our ability to operate in the commercial sector while pursuing the objectives under the TOC Act. The disclosure of sensitive information about our commercial undertakings, and those of our contracted partners, has the potential to erode our ability to operate in the commercial sector and fulfil our objectives as a TOC.
- **Consistency** – we have been asked a lot of questions about these contracts over the last few years. Every time we have acted in good faith and carefully responded to QONs, FOIs and provided information via our website so that we are able to provide information about us without breaching our commercial confidentiality obligations.
- **Community** – we are focussed on what really matters to our community – we make sure we meet their needs – we provide water security, great water quality, reliable service, and good environmental stewardship and at one of the cheapest prices compared across Australia.

Release of more information – Icon Water had reviewed the contracts and redacted those parts that were considered commercial in confidence. This review was undertaken using the public interest criteria and undertaken in good faith taking into consideration the views of the other contract parties and the interests of our customers. The Independent Arbiter has confirmed that Icon Water should not release commercially sensitive information contained in the contracts, and has identified that there is some additional information which could be made public.

Tier 2 – If further information and context is required

History

- In 2000, the then ACT Government decided to outsource all water and sewerage services and the associated corporate services that had been undertaken by ACTEW Corporation, into the new ActewAGL multi-utility (a public-private joint venture partnership). Within this new framework, a long term contract was established between ACTEW Corporation and ActewAGL for these services to be delivered. This included the customer and corporate services which are the subject of the motion. There was no requirement to publish the contracts at that time.
- These arrangements were put in place between ActewAGL, ACTEW Corporation and AGL when the multi-utility of electricity, gas and water was formed in 2000. The contracts were not purely service provision, they were also a vehicle whereby all parties invested in the development of the systems and process to deliver the services. That is why the arrangement had a long duration with a proposed expiry date of 2023.
- In 2012, ACTEW Corporation decided there were significant benefits to be realised by reintegrating the water business. These benefits included having greater control to deliver on the TOC objectives for the water business and operational efficiencies, through reform of the organisational structure. This was a relatively simple transition.
- The services contracts represent their origins, when ActewAGL was established as a multi-utility. The services contracts largely reflect, that at the time of signing in 2012 the then ACTEW Corporation had a core team of less than 40 staff. ACTEW Corporation was not resourced to provide the services or the systems, that were necessary to support seamless customer service. So putting our customers and service delivery first, we made the decision to continue with the corporate and customer service arrangements that were in place.
- These are a complex range of services that were set up in 2000. This means that some services are entangled and embedded within technology and systems that were established since 2000. These include some key customer, human resource and financial systems and services – and it is important that these continue to function seamlessly to minimise impact to customers
- In simple terms, when ACTEW Corporation decided to reintegrate the water business in 2012 there was a decision to make – try to bring the long-standing arrangements to an end and quickly procure services elsewhere, or continue to receive the same services and continue to support the systems that deliver those services for the duration of the contract. It is important to clarify that the alternative (to quickly in-source or put in place new out-sourcing arrangements) was not prudent for Icon Water at the time due to the significant cost and impact to the business and its customers.

Benefits

- In fact, five years after the reintegration, Icon Water understands the benefits are more likely double that estimated at the time of the decision, brought about by greater achievements in operational efficiencies through organisational restructures and effectiveness in capital works planning and delivery.
- It is worth noting that over this time Icon Water has seen a reduction in water and sewerage service complaints, a reduction in the number of water and sewerage supply interruptions and a decline in main breaks across the network. This means Icon Water has realised far greater benefits and improved on our service performance, than was anticipated when ACTEW Corporation reintegrated the water business.
- This is significant because the customer and corporate services contracts supported Icon Water to realise these benefits and continue to support Icon Water to deliver these improved services and efficiencies for our customers.

Public sentiment

- Icon Water has provided information about these contracts and the history of customer and corporate services on our website since 23 December 2017. We have monitored the level of public interest on our website, via other communications channels and there is very little evidence of public interest or concern. Since posting the material, there have been fewer than 250 views of the page on the corporate services history of arrangements and only 63 views of the page detailing our customer and corporate contract obligations (noting a number of these visits are likely Icon Water staff).
- We engage regularly with our customers and community all the time through events, surveys and consultation forums. At these events and forums, our customers and the community have not raised these contracts for discussion and instead have been discussing topics such as water quality; drought and water levels; water and sewerage pricing. These are the topics that the public are most interested in, not in the services contracts.

Commercial confidentiality

- It is not unusual for contracts of this nature to contain commercially sensitive information and include confidentiality obligations. We have released as much information as we can, while meeting the obligations that we have.

Open and transparent

- We have consistently been as open and transparent as possible. Our public website provides detail on a very broad range of our business including the services contracts. As a regulated business, our operations, including our expenditure on corporate services, are independently reviewed and assessed.

TOC/Commercial

- As a Territory-owned corporation, we are separated from many of the direct functions of government. Similar to other government owned corporations we operate under structural arrangements that reflect the commercial environment we operate in. We have consistently sought to withhold only the information that is commercially sensitive and confidential in accordance with our obligations under Corporations Law and the TOC Act.
- Government established the TOC Act and the rules by which a TOC could be set up and their accountability requirements.

Preparation for the Future

- We are preparing for the expiry of the contracts well in advance of 2023. We have sought expressions of interest to provide us with a strategic sourcing solution services relating to corporate, customer and ICT services post-2023.

Sound business operations

- We operate an efficient and prudent business, as assessed by the ICRC. Our efficiency in our operations means that we can continue to provide the Canberra community with high quality water at affordable prices – one of the cheapest water prices in Australia. We have been able to do this while continuing to invest in the upgrade and renewal of our capital infrastructure and maintaining strong service levels and customer satisfaction.

Optimise existing arrangements

- As Icon Water has grown, so has our capacity and desire to meet some of our service requirements in-house, e.g. internal audit; risk management; safety, and as such these services were wound back from the contracts.
- We have recently conducted an internal audit of the services contracts and identified some opportunities for improvement related to roles, responsibilities and accountabilities to be updated in Contract Management plans; building on work completed to date – define and implement improved monitoring arrangements for service delivery performance; and implement internal communications to advise on services, service standards and escalation channels.
- The internal audit also found that current governance arrangements are sound, financial management arrangements were adequate and risks are effectively managed.

Additional statements

Use Tier 1 and Tier 2 as required, and tie any detailed responses back to our Tier 1 messages.

- Icon Water respects the Legislative Assembly processes and welcomes the review by the Independent Arbiter.
- We respect that the Independent Arbiter has assessed the contracts and are appreciative of his considered approach. He has confirmed that the contracts contain commercially sensitive information and that it is not in the public interest for this to be released. We acknowledge the arbiter's findings that some additional information can be released.
- Icon Water will continue to uphold our legal and contractual obligations to the ActewAGL joint venture partners to maintain confidential and commercially sensitive information.
- The contracts have been made publicly available and we will refrain from commenting on any additional details of the contracts without consulting first with the contracted parties.
- Types of information which is available – the general contractual arrangements which show that these are comprehensive contracts, the obligations of both parties in relation to the delivery of the services, arrangements for contract management and details of the services provided

PAC Opening Statement

Thank you for the opportunity to appear before you today and make a brief opening statement. I was appointed as Acting Chief Executive Officer less than a month ago, and while this is not my first appearance before the Committee, it is my first in this capacity.

For the benefit of Committee members, I have been in the water industry for over 20 years, and at Icon Water and its predecessor, since mid-2003. I am passionate about this sector and our role to serve the community and support the growth of the Canberra region.

Our Annual Report, the subject of this hearing, summarises our performance over 2017-18 to deliver water and wastewater services for our customers and the community.

Icon Water has achieved a strong profit and we have been able to return a dividend of around \$90m this year, to our Government shareholders, ultimately for the benefit of the Canberra community.

The ICRC's decision in May, will see the average customer saving \$42 over the year, and prices will only increase in line with CPI for the next 4 years. This is a great outcome for our customers!

Thankyou Chair