Attachment E – Overview of WAC options

Options Overview

Option 1

1. Option 1 involves adopting the ICRC's proposed methodology and inputs in full.

2. Option 1 is not recommended given that there more appropriate inputs available based on actual ACT centric data. Not adopting these inputs could potentially result in continued over-recovery and expose the Territory to legal and reputational risk whilst also being inconsistent with the principle in water management to use the best available information.

Option 2

3. Option 2 involves adopting the ICRC's proposed methodology in full, but incorporating alternative inputs that were recommended because of their basis in actual ACT centric data.

4. Option 2 would improve the current WAC settings through:
   a. Assisting the Territory in setting its water charges at an appropriate cost reflective level;
   b. Ensuring the Territory's water charges are fit for purpose and meet the requirements under intergovernmental water agreements the Territory has entered into since 2003; and
   c. Allowing the Territory to better reconcile water planning and management (WPM) costs and revenue for the purposes of informing the ACCC's Water Monitoring Reports.
   d. In addition, adopting the recommended methodology with updated inputs are expected to lower the price of potable water, resulting in a positive cost of living impact on ACT water users.
5. However, Option 2 is estimated to reduce revenue collected from the WAC – impacting on the Government's capacity to fund projects that help achieve other Government priorities and policy objectives.

Option 3

6. Option 3 involves adopting a transition period over which the recommended methodology will be phased in. This option acknowledges the current fiscal pressures facing the Territory, and seeks to balance resource availability with the need for an updated methodology.

7. This option involves a phased approach to implementing either Option 1 or Option 2, allowing the impact of the forgone revenue to be smoothed across several years.

8. A phased approach could explore different timeframes and rates of transition, potentially offering a range of sub-options for consideration. As an initial example, the option could consider a two-year phase-in period under a simple straight-line transition rate, with full implementation of the new methodology rates occurring in the third year.

9. However, Option 3 is not recommended as it will risk the Territory not meeting national legislative requirements and ACT water policy objectives in those two years. Consequently, there is a risk that prices could be viewed as exceeding what is considered reasonable during the transition period.

Option 4

10. Option 4 involves retaining the current WAC rate while continuing to index the WAC by 3 per cent each year. This option is not recommended as it does not respond to ICRC’s findings and does not provide the public with any indication that the Government is undertaking work to move towards setting water charges that are consistent with the ACT’s national obligations.