

**2019**

**THE LEGISLATIVE ASSEMBLY  
FOR THE AUSTRALIAN CAPITAL TERRITORY**

**INFORMATION IN ACCORDANCE WITH THE  
GOVERNMENT RESPONSE TO RECOMMENDATIONS 62, 64, 65, 66, 67, 68 and  
69 OF THE 2019-20 SELECT COMMITTEE ON ESTIMATES REPORT :  
APPROPRIATION BILL 2019-2020 AND APPROPRIATION  
(OFFICE OF THE LEGISLATIVE ASSEMBLY) BILL 2019-2020**

**Presented by  
Mr Andrew Barr MLA  
Treasurer**

The following information has been provided by Icon Water in response to recommendations 62, 64, 65, 66, 67, 68 and 69 of the 2019-20 Select Committee on Estimates Report: *Appropriation Bill 2019-2020 and Appropriation (Office of the legislative Assembly) Bill 2019-2020*.

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## **Recommendation 62**

**The Committee recommends that the ACT Government direct Icon Water to provide information to the Legislative Assembly on how gifted assets are recorded and treated.**

### Government Response: Noted.

Icon Water agreed to provide the following information voluntarily without a government direction.

### Further information

Developers (such as Suburban Land Agency (SLA) and private land and property developers) build the water and sewerage infrastructure as part of their developments. Upon completion Icon Water inspect these assets and performs network connections to tie the new infrastructure into the existing water and sewerage network. If the assets pass the inspection, the developer passes the ownership of the assets and the future ongoing operations and maintenance of the assets to Icon Water, this is referred to as gifting the assets.

Icon Water recognises the gifted assets in its fixed asset register by applying the construction value provided from the gifting party and adding internal Icon Water costs which are incurred to bring the asset onto the network. Gifted asset values are recorded as revenue in the profit and loss statement and income tax is accordingly paid on the value of the gifted assets.

The gifted assets are excluded from the Regulatory Asset Base (RAB) and Icon Water does not receive a return on these assets. Gifted asset revenue is excluded from the dividend payment to the ACT Government given that no return is earned on gifted assets. Hence, they are removed from the dividend to avoid borrowing on the receipt of gifted assets.

## **Recommendation 64**

**The Committee recommends that the ACT Government direct Icon Water to provide information to the Legislative Assembly on the impact of the payment of the 100 per cent dividend on borrowings, and interest payments.**

Government Response: Noted.

Icon Water agreed to provide the following information voluntarily without a government direction.

### **Further information**

Currently, Icon Water's dividend policy is 100 per cent of net profit after tax less gifted asset revenue. This is returned to the ACT Government as cash dividend payments. Shortfalls between accounting profit and available cash generally require Icon Water to seek funding to facilitate payment of the dividend and to ensure an appropriate cash balance is available for ongoing operations. Therefore, the dividend policy generally increases the requirement for additional borrowings and by extension will increase the interest payments.

An interim dividend is paid in June, with the final dividend paid in October of each year.

## **Recommendation 65**

**The Committee recommends that the ACT Government direct Icon Water to provide the Legislative Assembly with information about the details of the independent auditing undertaken in the last year, including the auditor's summary of results, as well as the ongoing audit program.**

Government Response: Noted.

Icon Water agreed to provide the following information voluntarily without a government direction.

### **Further information**

Icon Water is subject to multiple forms of independent audit, outlined below.

In 2018–19, Icon Water's internal audit program comprised 14 audits that have all been completed. The findings from these audits were reported to the Icon Water Board's Risk and Assurance Committee. The audits identified a range of recommendations for improving internal control. Implementation of recommendations is monitored by the Committee.

For 2019–20, the internal audit program comprises 12 audits including in relation to capital expenditure management, water quality and waste management, metering and billing, data management, and compliance with work, health and safety regulations.

Icon Water is also subject to external audits of its management systems. These audits examine compliance with international standards for quality management, safety management, environment management and drinking water quality management. Audits are conducted annually, with the timing dependent on operational priorities and certification expiry.

An external audit of our safety, environment and quality management systems was conducted in June 2018, at which time we achieved re-certification to the relevant standards. The next surveillance audit is scheduled for September 2019.

An external audit of our drinking water quality management was conducted in May 2018 at which time our certification was continued. The next surveillance audit is scheduled for September 2019.

Icon Water is also subject to external financial audits undertaken annually by the ACT Audit Office. The results of these audits of our financial statements are published in our annual reports.

#### **Recommendation 66**

**The Committee recommends that the ACT Government direct Icon Water to provide the Legislative Assembly with information about how often it has undertaken exercises to test its risk/crisis management plan.**

Government Response: Noted.

Icon Water agreed to provide the following information voluntarily without a government direction.

#### **Further information**

Icon Water has two primary plans that assist in managing emergency and business continuity incidents. These are the Water Supply and Sewerage Emergency Plan and the Business Continuity Plan.

Both plans are tested at least annually (as well as during any incidents) through exercises in accordance with legislative requirements and business processes.

## **Recommendation 67**

**The Committee recommends that the ACT Government direct Icon Water to provide the Legislative Assembly with information on its 2019-20 projects under its Capital Works program.**

Government Response: Noted.

Icon Water agreed to provide the following information voluntarily without a government direction, subject to consideration of commercial sensitivity related to potential approaches to the market for capital works projects and other potential sensitivities regarding projects in their early stages of planning.

### **Further information**

The total capital works budget over the current regulatory period (2018–2023) is \$436.6 million. The capital works projects for the 2019–2020 financial year are listed below. Several of the larger projects are detailed in the Icon Water [Business Strategy](#) (Statement of Corporate Intent 2019-2023) tabled in the Legislative Assembly on 6 June 2019. A number of the larger projects will also be highlighted in the 2018–19 Annual Report, which will be tabled in the ACT Legislative Assembly in October 2019.

### **Capital Works Projects Underway in 2019-20**

- Water treatment plant mechanical and associated asset renewals
- Water pumping stations and electrical, instrumentation, monitoring and control renewals
- Sewage pumping stations renewal
- Lower Molonglo Water Control Quality Centre (LMWQCC) mechanical renewals
- LMWQCC chemical system renewal
- LMWQCC sludge storage facility
- LMWQCC asbestos removal program
- LMWQCC safety improvements and equipment rectification
- LMWQCC personnel and equipment access
- LMWQCC potable water system backflow prevention
- LMWQCC high voltage asset renewal
- LMWQCC tertiary system upgrade – backwash storage tank repair
- LMWQCC furnace and exhaust system upgrade
- LMWQCC modify fire exits
- Coppins Crossing closure
- Water network asbestos removal
- Water data logging equipment renewal
- Improving real time understanding of performance of major dams
- Sewerage monitoring equipment program
- Sewer vent fans renewal project
- Deformation monitoring stations in in-ground reservoirs

- Bendora renewals project
- Cotter pump station isolation valve renewal
- Icon Water website renewal
- Guardian replacement
- Complaints Management
- Time Series Data Repository
- SCADA network upgrade
- ICT minor works program
- Enterprise warehouse, analytics and integration
- Remote site automation
- Encrypted telemetry network
- Trunked mobile radio (TMR) replacement
- Mobility device upgrade
- Geodetic datum upgrade
- Icon Water multimedia server
- Energy and sustainability information management system
- Water meter data management system replacement project
- Cyber Security upgrades
- Constitution Avenue sewer augmentation
- Cotter Stromlo 450mm main replacement
- Upper Red Hill reservoir outlet tree root ingress
- Upper Red Hill reservoir (Tank B) outlet and valve renewal
- Fyshwick sewage treatment plant and lagoon renewals
- End use water patterns project
- Googong water treatment plant site erosion control
- Belconnen trunk sewer augmentation
- Crace Ginninderra ventilation stack relocation
- Sewer network at heights and other safety upgrades
- Sewage pumping stations renewals
- Cotter 1 to 4 rising main renewal
- Cotter EAF upgrade and monitoring
- Uriarra hazard reduction
- Critical infrastructure stage 2
- Sewerage concrete main renewal
- O'Connor reservoir roof replacement
- Sewer mains renewal program
- Mugga reservoir roof replacement and floor joint sealing
- Water valve and hydrant reactive replacement program
- Water mains renewals (hydraulic failures)
- Uriarra water mains replacement
- Network EIMC

- Googong water treatment plant system renewals
- Cotter Dam appurtenant assets upgrade
- Stromlo water treatment plant washwater and sludge holding tanks renewal
- One Tree reservoir project

### **Recommendation 68**

**The Committee recommends that the ACT Government direct Icon Water to provide the Legislative Assembly with details of the terminated Tantangara water transfer agreement with Snowy Hydro Ltd and a copy of the advice presented to the shareholders, justifying the decision to terminate what was described in the extensive community consultation process for the recommended water security measures during the Millennium Drought, as an ‘insurance policy’.**

#### Government Response: Noted.

Icon Water agreed to provide the following information voluntarily without a government direction, subject to consideration of commercial sensitivity and the interests of parties other than Icon Water.

#### Further information

The Tantangara Transfer Option (TTO) Deed was an agreement between Icon Water Limited, Snowy Hydro Limited and the NSW Government. The Deed commenced in April 2013. It allowed Icon Water to direct Snowy Hydro to release water from Tantangara Dam, if required. An annual fee was paid to Snowy Hydro for the option to access the water. Larger fees had to be paid in the event of water releases to compensate Snowy Hydro for the water (and resultant loss of electricity production). The deed could be terminated by Icon Water with 36 months’ notice.

Icon Water commenced a program of water security major projects (including TTO) during the millennium drought. In parallel to the water security major projects, the ACT Government instigated measures that targeted a long-term consumption reduction of 25 per cent per capita. However, since the drought, the reduction has been closer to 40 per cent. This has resulted in higher water security than anticipated and provided an opportunity for Icon Water to realise potential savings on source water. Icon Water can source water to meet demand from the Cotter, Queanbeyan and Murrumbidgee River catchments. Tantangara Dam (on the Murrumbidgee River), the source of last resort, has the highest water supply costs and provides the most marginal return on water security. Management attempted to reduce the operating costs of the TTO by selling water entitlements and negotiating cheaper access, but the TTO still provided a net economic cost to the community.

Icon Water terminated the TTO Deed following Board approval at its meeting on 11 April 2018. The Voting Shareholders were advised of this decision in a letter from Icon Water dated 2 July 2018 after it was discussed at the regular quarterly meeting with Shareholders held on 23 May 2018. An extract from the letter is as follows:

“Source Water Strategy update:

- To further support public awareness and education on our water supply, we are developing a ‘Water security for generations’ webpage on our public website and an update will be included in our next Annual Report.
- The Source Water Strategy and business cases for the termination of Tantangara Transfer Option (TTO) and the creation of a suspension mode for M2G were submitted and approved by the Board in April 2018 subject to the inclusion of suggested amendments.
- Attachment A outlines the various modes of M2G and the thresholds required to move between those modes. Given the storage levels are currently 71% (as at 23 May 2018) the M2G is currently in standby mode. For the M2G to be placed in suspension mode dam levels would need to exceed 85% along with other variables.
- The Source Water 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 decades to come.
- This is a result of major infrastructure investment and the sustained reduced water consumption of the Canberra community (per capita demand decreased by 40% since 2000).
- Our water security arrangements are expected to meet the ACT Government requirement to ensure the community does not experience water restrictions more than 1 year in 20 years. Water restrictions are triggered when total water storage is below 30%.
- With regards to the TTO, Icon Water has a commercial arrangement in place with Snowy Hydro that enables us to request releases from Tantangara Dam if required during severe drought conditions.
- Due to the sustained water conservation efforts of our community, we are in a position of strong water security. In April 2018 the Icon Water Board approved management’s recommendation to terminate the contract with Snowy Hydro as we no longer require the option to access water from Tantangara. The notice period to terminate the TTO transfer arrangements is three years at which point the business case forecasts that ongoing opex savings will be realised.”

Note: Attachment A regarding Murrumbidgee to Googong Pipeline (M2G) is not included but can be found on page 50 of the Icon Water 2017-18 Annual Report.



## **Recommendation 69**

**The Committee recommends that the ACT Government direct Icon Water to provide the Legislative Assembly with information on the industry benchmark used to determine the Board, Managing Director, Executives, Senior Managers and staff levels salaries, including bonuses.**

Government Response: Noted.

The Voting Shareholders determine the remuneration for non-executive board members. Since 2013 the remuneration for non-executive board members has been aligned with the general increases applied by the ACT Remuneration Tribunal for other part-time office holders.

Icon Water has agreed to voluntarily provide information relating to how the salaries for the Managing Director, Executives, Senior Managers and staff are set.

### **Further Information**

Remuneration for Icon Water's Managing Director, Executives and key Branch Managers is aligned with the "all utilities" remuneration market and a Fixed Annual Remuneration is determined for each role, within a percentile range. Icon Water accesses the services of a remuneration specialist to independently review the remuneration for these roles and to provide advice to the Remuneration Committee of the Icon Water Board.

The remuneration of the Board and Executive team is published each year in Icon Water's Annual Report.

Remuneration for all other Icon Water employees is set out in the [Icon Water and Combined Unions Enterprise Agreement 2017](#).

There are no bonus payments available to Icon Water employees.