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

**RESPONSE TO RECOMMENDATION NO.54 OF
THE SELECT COMMITTEE ON ESTIMATES 2017-18 REPORT**

**SUMMARY OF THE
ICON WATER LIMITED CORPORATE AND CUSTOMER SERVICES CONTRACTS**

**Presented by
Mr Andrew Barr MLA
Treasurer
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Corporate and Customer Services Contracts

Background

Icon Water has two contracts with ActewAGL in relation to corporate and customer services, named the Corporate Services Agreement (CSA) and Customer Services and Community Support Agreement (CSCSA).

This page provides an explanation of the corporate and customer services contracts so our customers and community can understand this part of our business. This page excludes some details of the contracts which remain confidential between the parties, for legal and commercial reasons.

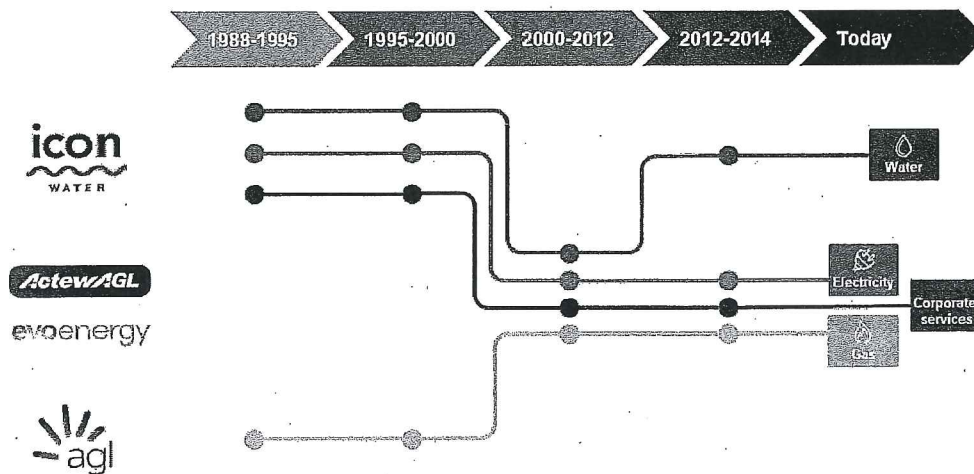
This page also provides:

- An overview of the history of provision of water, electricity and gas services in the ACT.
- The evolution of contractual arrangements for the provision of corporate and customer services provided to the water, electricity and gas businesses.
- Information regarding the range of bodies which currently provide independent oversight and which support transparency and accountability of Icon Water's business operations.

Long history of arrangements

The current services contracts between Icon Water and ActewAGL are the most recent in a long history of arrangements for sharing the delivery of services in the context of utility services. This recognises the natural synergies that exist between the utilities.

The provision of water and electricity services in the ACT have been linked since 1988 when the ACT Electricity and Water Authority (ACTEWA) was established. The reasons given for the creation of this authority included recognition of the value of shared corporate, customer and other services in the delivery of the various utility services. In 2000, gas services also combined with water and electricity when the ActewAGL joint venture was formed.



This table outlines the changes to the owners and providers of water, electricity and gas services.

Time period	Bodies responsible for utility services	Explanation of changes to structural arrangements	Corporate and customer services
1962–1988	<p>Water – Commonwealth public service.</p> <p>Electricity – ACT Electricity Authority (ACTEA). Commonwealth statutory authority under the <i>Australian Capital Territory Electricity Supply Act 1962</i> (Cth).</p> <p>Gas – Australian Gas Light Company (AGL).</p>	Not applicable.	Assumed to be separate for each.
1988–1995	<p>Water and electricity – ACT Electricity and Water Authority (ACTEWA). Statutory authority under the <i>Electricity and Water Ordinance 1988</i> (Cth) (Commonwealth body until self-government in 1989 and then an ACT body).</p> <p>Gas – AGL.</p>	Consolidation of electricity retail and distribution and the provision of water and sewerage services within the one entity, using the existing infrastructure of ACTEA.	Shared between water and electricity. Separate for gas.
1995–2000			

Time period	Bodies responsible for utility services	Explanation of changes to structural arrangements	Corporate and customer services
	<p>Water and electricity – ACTEW Corporation Limited. Territory-owned corporation under the <i>Territory-owned Corporations Act 1990</i> (ACT) (TOC Act).</p> <p>Gas – AGL.</p>	<p>Corporatisation of the body responsible for delivery of electricity and water services.</p> <p>This was part of the ACT's commitment to the National Competition Policy to provide a strategic framework for the efficient and sustainable reform of the Australian water industry.</p>	<p>Shared between water and electricity. Separate for gas.</p>
2000–2012	<p>Water – ACTEW Corporation Limited (owner of assets) and ActewAGL (provider of operations and maintenance services and corporate and customer services).</p> <p>Electricity and gas – ActewAGL.</p> <p>Joint venture between two partnerships, ActewAGL Distribution and ActewAGL Retail. Initially, ACTEW Corporation Limited and AGL were each equal partners in both partnerships.</p>	<p>Creation of a multi-utility service provider to ensure ACTEW would be able to compete in an increasingly competitive electricity market and to improve price and service quality for ACT electricity and water consumers.</p> <p>To establish commercially viable corporate structures and to ensure that both organisations benefitted from the synergies created from being a multi utility provider of water, electricity and gas services.</p>	<p>Shared between water, electricity and gas.</p>
2012–today	<p>Water – ACTEW Corporation Limited (now named Icon Water Limited).</p> <p>Electricity and gas – ActewAGL.</p>	<p>Re-integration of the operations and maintenance of the water and sewerage assets back into Icon Water. To ensure both ownership and operations aligned with the Territory-Owned Corporation Act objectives of efficient operations, maximising sustainable returns, social responsibility and</p>	<p>Shared between water, electricity and gas.</p>

Time period	Bodies responsible for utility services	Explanation of changes to structural arrangements	Corporate and customer services
		ecologically sustainable development.	

History of corporate services provision since 2000

Since the formation of the ActewAGL joint venture in 2000, there has been a series of agreements relating to the provision of corporate and customer services between the parties. The key agreements are outlined below.



Water and Sewerage Managing Contractor Alliance Agreement

The Managing Contractor Alliance Agreement (MCAA) was established between ActewAGL and ACTEW Corporation Limited (now named Icon Water Limited) in 2000. It sets out the alliance principles by which Icon Water engaged ActewAGL to manage and operate Icon Water's water business, including the operation and maintenance of Icon Water's water and sewerage networks. The MCAA was entered into with the specific intention to be replaced with a longer-term, performance based outsourcing agreement once the costs and risks of the water and sewerage operations by the joint venture had been established.

Utilities Management Agreement

The Utilities Management Agreement (UMA) was the contract established between ActewAGL and Icon Water in 2004, to replace the MCAA. The UMA provided for ActewAGL to operate and maintain the water and sewerage networks owned by Icon Water. This also included the provision by ActewAGL to Icon Water of certain corporate and customer services.

The term of the UMA was aligned to the regulatory period during which price directions are set by Icon Water's economic regulator (the Independent Competition and Regulatory Commission (ICRC)). The UMA had an expiry date of 30 June 2023. This agreement remained in place until the water and sewerage operations were internalised back into Icon Water in 2012.

Corporate Services Agreement

The Corporate Services Agreement (CSA) was entered into between ActewAGL and Icon Water in 2012 when responsibility for the operation and maintenance of the water and sewerage networks was internalised back into Icon Water. The CSA sets out the arrangements for the provision of corporate services to Icon Water. The CSA allowed for the continuation of the services provided to the water business until 2023.

Customer Services and Community Support Agreement

The Customer Services and Community Support Agreement (CSCSA) was entered into between ActewAGL and Icon Water in 2012 when responsibility for the operation and maintenance of the water and sewerage networks was internalised back into Icon Water. The CSCSA sets out the arrangements for the provision of customer and community support services to Icon Water. The CSCSA allowed for the continuation of the services provided to the water business

until 2023.

Public and independent accountability and oversight

As Icon Water is a publicly owned company providing essential utility services to the community, there are a number of mechanisms in place for oversight of Icon Water's business and operations. The independent bodies with different review and oversight powers include those outlined below.

Voting Shareholders and ACT Legislative Assembly

The Territory Owned Corporations Act sets out the circumstances for Icon Water to obtain prior approval of the Voting Shareholders, and in some cases the Legislative Assembly, for particular significant activities of Icon Water.

Icon Water's Annual Report to the ACT Government is tabled in the Legislative Assembly in October each year. The Annual Report provides financial statements independently audited by the ACT Auditor General.

Every year, Icon Water's budget and forecast over the forward estimates is published in the ACT Budget papers, which are available to the public and tabled in the Assembly.

In 2013, the ACT Government initiated a Review of Institutional Arrangements for ACTEW Corporation Limited (ACTEW) – the Cohen Review. The Review was asked to consider whether ACTEW's institutional arrangements, which had been in place for some years, continued to be appropriate and reflect best practice.

Australian Securities and Investments Commission

The Australian Securities and Investments Commission (ASIC) is an independent Commonwealth body responsible for (amongst other things) regulation of companies under the *Corporations Act 2001* (Cth).

As Icon Water is an unlisted public company under the Corporations Act we must exercise corporate responsibilities including reporting and disclosure obligations in this regard. Icon Water is governed by an independent board of directors.

Independent Competition and Regulatory Commission

Under the *Independent Competition and Regulatory Commission Act 1997* (ACT) the Independent Competition and Regulatory Commission (ICRC) sets prices for water and sewerage services in the ACT. In undertaking this role, the ICRC has objectives that relate to promoting effective competition and balancing efficiency considerations with environmental and social considerations. The ICRC's periodic and detailed reviews of Icon Water's operating costs seek to examine whether expenditure is prudent and efficient. This review specifically includes assessment of the operating costs payable by Icon Water under the corporate and customer services contracts. The ICRC is supported in this review by expert external consultants.

ACT Auditor-General

Icon Water is subject to the ACT Auditor-General's annual Financial Audits and occasional performance audits, such as that relating to the Bulk Water Alliance in 2015.

The corporate and customer services

The corporate and customer services include unique support activities and services required for running a utility. There are a range of services within the corporate and customer services contracts, including those listed below:

Corporate Services

- Information communications technology (ICT) physical hardware, computer software systems and supporting technical services
- Emergency contact centre
- Economic regulatory services
- Human resource services
- Tax
- Treasury
- Accounts payable
- Procurement
- Warehouse management
- Fleet management
- Property and security
- Legal services
- Accounting

Customer Services and Community Support Services

- Meter reading
- Customer billing
- Customer account management
- Customer contact centre
- Accounts receivable and credit management
- Customer data storage and protection
- Community communications
- Corporate communications
- Sponsorships

Future of corporate and customer services provision after 2023

The current contracts expire in 2023.

In preparation for and well in advance of this date, Icon Water will assess its ongoing service requirements and options. Future decisions regarding corporate and customer services will involve assessment of various service delivery arrangements in accordance with Icon Water's procurement framework.

A key focus for Icon Water will be to ensure that we can maintain access to the support activities and services required to operate our business efficiently and effectively, so that we can continue to provide high quality affordable water and sewerage services to our customers.

Further information about the corporate and customer services contract obligations

Corporate and Customer Services Contract Obligations

This section describes those aspects of Icon Water's corporate and customer services contracts with ActewAGL that are not confidential or commercially sensitive.

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. Our processes ensure that we act with integrity and provide our customers and contracted service providers with the confidence that their information is protected. Maintaining confidentiality also ensures our stringent procurement practices can be followed without any contractors having an unfair advantage.

For these reasons, we have not published the commercially sensitive details of our corporate services contracts, so we can approach an open field of tenderers as the expiry of the contracts approaches.

Obligations of ActewAGL

In providing the services, ActewAGL is required to comply with overarching obligations such as:

- acting honestly and in accordance with good industry standards and applicable laws
- exercising reasonable care, diligence and skill and perform in a timely and professional manner
- giving no less priority to Icon Water than ActewAGL gives itself.

Obligations of Icon Water

Icon Water has obligations to enable ActewAGL to deliver the services, such as:

- providing information reasonably required by ActewAGL to perform the services
- providing reasonable assistance in relation to ActewAGL's compliance with legal requirements affecting the services
- respond to ActewAGL's requests for instructions or information in a timely and professional manner
- on reasonable notice, allowing any ActewAGL personnel to have access to Icon Water premises.

Monitoring progress and performance

Icon Water has in place a number of mechanisms for the ongoing oversight and management of the corporate and customer services contracts. These include executive-level contract governance groups which meet quarterly to discuss issues in relation to the contract or the provision of services. ActewAGL provides quarterly performance reports to Icon Water.

This is in addition to the regular officer-level interactions which take place in the day-to-day delivery of the services.

The contracts provide for the protection of confidential information. Neither party may disclose the confidential information of the other party (subject to limited exceptions) without the other party's prior written consent.

Protection of personal information

The contracts also put in place mechanisms to protect the personal information of our customers which may be required by ActewAGL to provide the services (such as the customer billing services under the CSCSA). ActewAGL must comply with the privacy principles and protect all personal information held by it on Icon Water's behalf from misuse, loss, unauthorised access or disclosure.

Audits relating to the contract services

The contracts permit audits to be conducted in relation to the delivery of the services.

Icon Water undertakes an internal audit program as part of its internal audit strategy to help Icon Water to learn from the past, respond to the present and prepare for the future. Where the scope of any audit relates to services or activities under the services contracts, the performance of those services or activities are included in the audit. In addition, Icon Water has scheduled an audit in 2017-18 which focuses on the services contracts to examine the current management arrangements and provide advice on improvements that might support effective oversight and maximise value for money over the remainder of the term of the contracts.

Insurance

ActewAGL is required to maintain and enforce a range of insurance policies including public liability, professional indemnity and workers' compensation insurance.

Copies of the contracts (excluding some details which remain confidential between the parties for legal and commercial reasons) are available here: [corporate agreement](#), [customer agreement](#).

