



ACT
Government

Chief Minister, Treasury and
Economic Development

Freedom of Information Publication Coversheet

The following information is provided pursuant to section 28 of the *Freedom of Information Act 2016*.

FOI Reference: CMTEDDFOI 2018-0057

Information to be published	Status
1. Access application	Published
2. Decision notice	Published
3. Documents and schedule	Withheld pending third party review period
4. Additional information identified	No
5. Fees	Waived
6. Processing time (in working days)	35
7. Decision made by Ombudsman	N/A
8. Additional information identified by Ombudsman	N/A
9. Decision made by ACAT	N/A
10. Additional information identified by ACAT	N/A

From: [REDACTED]
To: [CMTEDD FOI](#)
Subject: FOI Request - Icon Water Voting Shareholder documents
Date: Friday, 9 March 2018 2:02:45 PM

Good Afternoon

I write to request under the *Freedom of Information Act 2016* the following documents:

Document Dated	Document
22 February 2016	Treasury advance brief to Shareholders for the upcoming quarterly meeting with Icon on 29 February 2016, specifically on the second quarter report
-	Icon Second Quarter Report 2015-16
24 February 2016	Treasury brief to Shareholders for the upcoming quarterly meeting with Icon on 29 February 2016
26 February 2016	Icon letter to Shareholders in regards to the dividend for 2015-16
10 March 2016	Icon letter to Shareholders providing the agenda and minutes from the Icon Board meeting of 10 February 2016
15 March 2016	Icon Letter to Shareholders providing a summary of the matters discussed at the 29 February 2016 quarterly meeting
3 May 2016	Treasury brief to Shareholders re the 2015-16 Icon Dividend with attached letters
11 July 2016	Icon water letter to Shareholders advising of their proposal to sell NSW Regulated Murrumbidgee high security water entitlements
5 August 2016	Letter from Icon to Shareholders providing the agenda and minutes from the Icon Board meeting of 15 June 2016
19 August 2016	Treasury Brief to Shareholders for the upcoming quarterly meeting with Icon on 25 August 2016
23 November 2016	Icon letter to Shareholders providing First Quarter Report for 2016-17
15 March 2017	Icon letter to Shareholders providing a summary of discussions from quarterly meeting held on 21 February 2017
26 April 2017	Treasury brief to Shareholders for the Quarterly meeting to be held on 3 May 2017
29 May 2017	Icon letter to Shareholders providing a summary of the quarter meeting held on 3 May 2017

Should you require any further information or clarification about my request, please contact [REDACTED]

Kind regards,





ACT
Government

Chief Minister, Treasury and
Economic Development

Our ref: CMTEDDFOI 2018-0057



via email: [REDACTED]

Dear [REDACTED]

FREEDOM OF INFORMATION REQUEST

I refer to your application under section 30 of the *Freedom of Information Act 2016* (the Act), received by the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) on 9 March 2018, in which you sought access to Icon Water Voting Shareholder documents listed below.

Document Dated	Document
22 February 2016	Treasury advance brief to Shareholders for the upcoming quarterly meeting with Icon on 29 February 2016, specifically on the second quarter report.
-	Icon Second Quarter Report 2015-16.
24 February 2016	Treasury brief to Shareholders for the upcoming quarterly meeting with Icon on 29 February 2016.
26 February 2016	Icon letter to Shareholders in regards to the dividend for 2015-16.
10 March 2016	Icon letter to Shareholders providing the agenda and minutes from the Icon Board meeting of 10 February 2016.
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11 July 2016	Icon water letter to Shareholders advising of their proposal to sell NSW Regulated Murrumbidgee high security water entitlements.

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19 August 2016	Treasury Brief to Shareholders for the upcoming quarterly meeting with Icon on 25 August 2016.
23 November 2016	Icon letter to Shareholders providing First Quarter Report for 2016-17.
15 March 2017	Icon letter to Shareholders providing a summary of discussions from quarterly meeting held on 21 February 2017.
26 April 2017	Treasury brief to Shareholders for the Quarterly meeting to be held on 3 May 2017.
29 May 2017	Icon letter to Shareholders providing a summary of the quarter meeting held on 3 May 2017.

Authority

I am an Information Officer appointed by the Director-General of CMTEDD under section 18 of the Act to deal with access applications made under Part 5 of the Act.

Timeframes

In accordance with section 40 of the Act, CMTEDD is required to provide a decision on your access application by 3 May 2018.

Decision on access

A search of documents was conducted and resulted in 14 documents being identified that fall with the scope of your request.

I have decided to grant partial access to all 14 documents as I consider the redacted information is contrary to the public interest to disclose or would, on balance, be contrary to the public interest to disclose under the test set out in section 17 of the Act.

I have included as Attachment A to this decision the schedule of relevant documents. This provides a description of each document that falls within the scope of your request and the access decision for each of those documents.

In accordance with section 54(2) of the Act a statement of reasons outlining my decision is below.

Statement of Reasons

In reaching my access decision, I have taken the following into account:

- the Act;
- the content of the documents that fall within the scope of your request;
- the views of a relevant third party; and
- the *Human Rights Act 2004*.

Exemptions claimed

My reasons for deciding not to grant access to the components of these documents are as follows:

Cabinet Information (Schedule 1 of the Act)

Document No. 7 contains information considered by Cabinet. The disclosure of this information would reveal the deliberation of Cabinet or decision of Cabinet. I have decided to exempt from release this information under section 1.6 of Schedule 1 of the Act.

Information Contrary to Public Interest (Schedule 2 of the Act)

The Act has a presumption in favour of disclosure. As a decision maker I am required to decide where, on balance, public interests lies. As part of this process I must consider factors favouring disclosure and non-disclosure.

In *Hogan v Hinch* (2011) 243 CLR 506, [31] French CJ stated that when 'used in a statute, the term [public interest] derives its content from "the subject matter and the scope and purpose" of the enactment in which it appears'. Section 17(1) of the Act sets out the test, to be applied to determine whether disclosure of information would be contrary to the public interest. These factors are found in subsection 17(2) and Schedule 2 of the Act.

Factors favouring disclosure (Schedule 2 section 2.1)

Taking into consideration the information contained in the documents found to be within the scope of your request, I have identified that the following public interest factor in favour of disclosure is relevant to determine if release of the information contained within these documents is within the 'public interest':

- (a) *disclosure of the information could reasonably be expected to do any of the following:*
- (i) *promote open discussion of public affairs and enhance the government's accountability;*

Having considered the factor identified as relevant in this matter, I consider that release of the information within the scope of the request may contribute to open discussion of public affairs and enhance the government's accountability. Icon Water is a Territory-owned corporation. I consider there is a public interest in the operations of Icon Water including their projects, information related to dividends and significant events that have impacted Icon Water's operations. The information identified as being within the scope of your request, provides this information as well as information about Icon Water's objectives and quarterly outcomes, issues discussed at board meetings and actions undertaken by the board to resolve these issues. I am satisfied that the public interest in increasing transparency and accountability of the Directorate carries significant weight in favour of release.

Factors favouring non-disclosure (Schedule 2 section 2.2)

As required in the public interest test set out in section 17 of the Act, I have also identified the following public interest factors in favour of non-disclosure that I believe are relevant to determine if release of the information contained within these documents is within the 'public interest':

- (a) *disclosure of the information could reasonably be expected to do any of the following:*
 - (ii) *prejudice the protection of an individual's right to privacy or any other right under the Human Rights Act 2004;*
 - (xi) *prejudice trade secrets, business affairs or research of an agency or person;*
 - (xii) *prejudice an agency's ability to obtain confidential information;*
 - (xiii) *prejudice the competitive commercial activities of an agency;*
 - (xv) *prejudice the management function of an agency or the conduct of industrial relations by an agency;*

When considering the documents and factors in favour of non-disclosure, I have considered the personal information contained in the documents, including names, signatures and contact information. I am satisfied that the names and contact information of government employees and signatures of the Treasurer, Deputy Chief Minister and Under Treasurer should be released as these individuals were acting in their official capacity and the personal information being released is done so in relation to these individuals exercising their delegations in a work related capacity. I do not consider the release of this information is unreasonable or could prejudice their right to privacy.

However, I consider it is unreasonable to release the names of some employees of Icon Water and the signature of Mr John Knox, CEO of Icon Water, as this is personal information that is not publicly available. I also consider it is unreasonable to release the Director's disclosures in Document No. 5 (page 42) as this is personal information that is not related to Icon Water. I am of the opinion that release of this information may prejudice the protection of the individual right to privacy or any other right under the *Human Rights Act 2004*. I am satisfied that this factor favouring non-disclosure should be afforded significant weight as it relates to individual privacy.

In the case of *Re Mangan and The Treasury* [2005] AATA 898 the term 'business affairs' was interpreted as meaning 'the totality of the money-making affairs of an organisation or undertaking as distinct from its private or internal affairs'. Schedule 2 section 2.2 allows for government information to be withheld from release if disclosure of the information could reasonably be expected to prejudice the trade secrets, business affairs or research of an agency or person.

Having reviewed the documents identified, I am satisfied that the release of certain information could prejudice Icon Water's business affairs. This includes Icon Water interim unaudited financial reports in Document No. 2 and 11 and sensitive business information about Icon Water. In terms of the financial results, the final audited financial results are available in the annual ACT Government budget papers (budget paper 3) which is in the public domain.

The sensitive business information includes Icon Water's projects which are subject to ongoing negotiations and information about Icon Water's partners or contractors. Release of information regarding these projects may prejudice Icon Water's ability to negotiate with their partners and to explore potential options which in turn may adversely impact the assessment of best options. In addition, companies contracted with Icon Water do not anticipate their information to be made public. The release of their information may reduce their willingness to work with Icon Water in the future. Moreover, Icon Water is a 50 per cent partner in each of the ActewAGL Retail and ActewAGL Distribution partnerships and participates in the joint venture of those partnerships. The information identified contains highly sensitive information in relation to proposed responses to market changes in the energy sector and potential review of the joint venture. The release of such information may adversely impact the competitive commercial activities of ActewAGL which in turn will impact Icon Water's investment in the energy sector. I am satisfied that the two factors favouring non-disclosure should be afforded significant weight as they relate to the business affairs and commercial competitive activities of Icon Water. I consider that the release of the information may also affect Icon Water's ability to obtain confidential information from their partners or contractors. However, I weigh the factors relating to Icon Water's business affairs and commercial competitive activities as more significant than this factor.

On reviewing the information regarding remuneration, I consider the release of the board remuneration discussions may restrict directors from recording their frank opinions and recommendations during deliberative processes. This may prejudice the collective responsibility of the Icon Water Board or the individual responsibility of Directors. As a result, this will affect the proper functioning of the deliberative processes of the Icon Water Board. I am satisfied that this factor should be afforded significant weight as it relates to the management function of Icon Water.

Having applied the test outlined in section 17 of the Act I have decided that the personal information, sensitive business information and information regarding remuneration is not in the public interest to release. Accordingly, I have chosen to redact this specific information in accordance with section 50(2). Noting the pro-disclosure intent of the Act, I am satisfied that redacting only the information that I believe is not in the public interest to release will ensure the intent of the Act is met and will provide you with access to the majority of the information held by CMTEDD within the scope of your request.

Third Party Consultation

In making this decision, I completed consultation with a relevant third party in accordance with section 38 of the Act. The third party objected to release of certain information on a number of grounds.

I am required to withhold these documents until the end of the 20 working day review period to allow the third party to exercise their right of review. If no review is sought by the third party, these documents will be released to you on 1 June 2018.

Charges

Pursuant to *Freedom of Information (Fees) Determination 2017 (No 2)* processing charges are applicable for this request because the total number of folio's to be released to you exceeds the charging threshold of 50 pages. However, the charges have been waived in accordance with section 107 (2)(e) of the Act.

Online publishing – Disclosure Log

Under section 28 of the Act, CMTEDD maintains an online record of access applications called a disclosure log. Your original access application and my decision in response to your access application will be published in the CMTEDD disclosure log after 8 May 2018. The documents will be made available on the CMTEDD disclosure log after 1 June 2018. Your personal contact details will not be published. You may view CMTEDD disclosure log at: <https://www.cmtedd.act.gov.au/functions/foi/disclosure-log>.

Ombudsman Review

My decision on your access request is a reviewable decision as identified in Schedule 3 of the Act. You have the right to seek Ombudsman review of this outcome under section 73 of the Act within 20 working days from the day that my decision is published in the CMTEDD disclosure log, or a longer period allowed by the Ombudsman.

If you wish to request a review of my decision you may write to the Ombudsman at:

The ACT Ombudsman
GPO Box 442
CANBERRA ACT 2601
Via email: ombudsman@ombudsman.gov.au

ACT Civil and Administrative Tribunal (ACAT) Review

Under section 84 of the Act, if a decision is made under section 82(1) on an Ombudsman review, you may apply to the ACAT for review of the Ombudsman decision. Further information may be obtained from the ACAT at:

ACT Civil and Administrative Tribunal
Level 4, 1 Moore St
GPO Box 370
Canberra City ACT 2601
Telephone: (02) 6207 1740
<http://www.acat.act.gov.au/>

Should you have any queries in relation to your request please contact me by telephone on 6207 7754 or email CMTEDDFOI@act.gov.au

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Daniel Riley', written in a cursive style.

Daniel Riley
Information Officer
Information Access Team
Chief Minister, Treasury and Economic Development Directorate

3 May 2018




ACT
Government

Chief Minister, Treasury and
Economic Development

Our ref: CMTEDDFOI 2018-0057



via email: 

Dear 

FREEDOM OF INFORMATION REQUEST

I refer to your application under section 30 of the *Freedom of Information Act 2016* (the Act), received by the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) on 9 March 2018, in which you sought access to Icon Water Voting Shareholder documents.

Authority

I am an Information Officer appointed by the Director-General of CMTEDD under section 18 of the Act to deal with access applications made under Part 5 of the Act.

Timeframes

In accordance with section 38(6)(b) of the Act, access was deferred to allow the third party to exercise their right of review with the Ombudsman. The ACT Ombudsman's Office has now confirmed that we are able to release the documents to you as no appeal has been submitted in the time frame allowed.

Online publishing – Disclosure Log

Under section 28 of the Act, CMTEDD maintains an online record of access applications called a disclosure log. The documents released to you in response to your access application will be published in the CMTEDD disclosure log. Your personal contact details will not be published. You may view CMTEDD disclosure log at <https://www.cmtedd.act.gov.au/functions/foi/disclosure-log>

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Via email: actfoi@ombudsman.gov.au

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Canberra City ACT 2601
Telephone: (02) 6207 1740
<http://www.acat.act.gov.au/>

Should you have any queries in relation to your request please contact me by telephone on 6207 7754 or email CMTEDDFOI@act.gov.au

Yours sincerely,



Daniel Riley
Information Officer
Information Access Team
Chief Minister, Treasury and Economic Development Directorate

27 June 2018



ACT
Government

Chief Minister, Treasury and
Economic Development

FREEDOM OF INFORMATION REQUEST SCHEDULE

NAME	WHAT ARE THE PARAMETERS OF THE REQUEST	Reference NO.
	Icon Water Voting Shareholder documents listed in this Schedule.	CMTEDDFOI 2018-0057

Ref No	Page number	Description	Date	Status	Reason for Exemption	Online Release Status
1	1-3	Treasury advance brief to Shareholders for the upcoming quarterly meeting with Icon on 29 Feb 2016, specifically on the second quarter report	22 Feb 2016	Partial	Sch 2 s2.2(a)(xi)(xiii)	Yes
2	4-23	Attachment to previous brief: Icon second quarter report 2015-16	19 Feb 2016	Partial	Sch 2 s2.2(a)(ii)(xi)(xiii)	Yes
3	24-37	Treasury brief to Shareholders for the upcoming quarterly meeting with Icon on 29 Feb 2016	24 Feb 2016	Partial	Sch 2 s2.2(a)(xi)(xiii)	Yes
4	38-39	Icon letter to Shareholders in regards to the dividend for 2015-16	26 Feb 2016	Partial	Sch 2 s2.2(a)(ii)	Yes
5	40-48	Icon letter to Shareholders providing the agenda and minutes from the Icon Board meeting of 10 Feb 2016	10 Mar 2016	Partial	Sch 2 s2.2(a)(ii)(xi)(xv)	Yes
6	49-52	Icon Letter to Shareholders providing a summary of the matters discussed at the 29 Feb 2016 quarterly meeting	15 Mar 2016	Partial	Sch 2 s2.2(a)(ii)(xi)(xiii)	Yes
7	53-60	Treasury brief to Shareholders re the 2015-16 Icon Dividend with attached letters	3 May 2016	Partial	Sch 1 s1.6 Sch 2 s2.2(a)(ii)(xi)(xiii)	Yes
8	61-66	Icon water letter to Shareholders advising of their proposal to sell NSW Regulated Murrumbidgee high security water entitlements	11 Jul 2016	Partial	Sch 2 s2.2(a)(ii)	Yes
9	67-78	Letter from Icon to Shareholders providing the agenda and minutes from the Icon Board meeting of 15 Jun 2016	5 Aug 2016	Partial	Sch 2 s2.2(a)(ii)(xi)(xiii)(xv)	Yes
10	79-83	Treasury Brief to Shareholders for the upcoming quarterly meeting with Icon on 25 Aug 2016	19 Aug 2016	Partial	Sch 2 s2.2(a)(xi)(xiii)(xv)	Yes

11	84-102	Icon letter to Shareholders providing First Quarter Report for 2016-17	23 Nov 2016	Partial	Sch 2 s2.2(a)(ii)(xi)(xiii)	Yes
12	103-107	Icon letter to Shareholders providing a summary of discussions from quarterly meeting held on 21 Feb 2017	15 Mar 2017	Partial	Sch 2 s2.2(a)(ii)(xi)(xiii)	Yes
13	108-112	Treasury brief to Shareholders for the Quarterly meeting to be held on 3 May 2017	26 Apr 2017	Partial	Sch 2 s2.2(a)(xi)(xiii)	Yes
14	113-116	Icon letter to Shareholders providing a summary of the quarter meeting held on 3 May 2017	29 May 2017	Partial	Sch 2 s2.2(a)(ii)(xi)(xiii)	Yes
Total No of Docs						
14						

29



ACT
Government

Chief Minister, Treasury and
Economic Development

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To: Treasurer

Copy: Deputy Chief Minister

Subject: ICON WATER - Second Quarter 2015-16 Report

Critical date and reason

1. **26 February 2016.** For information in advance of the quarterly meeting with Icon Water on 29 February 2016.

Recommendations

2. That you note the briefing.

NOTED/PLEASE DISCUSS

Andrew Barr MLA

28 / 2 / 16

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Supporting Reasoning

3. Attachment A is Icon Water's second quarter 2015-16 report to 31 December 2015 against the activities outlined in its current Statement of Corporate Intent (SCI). Icon Water is on track to meet its four strategic objectives as set out in the SCI.

Of particular interest are:

- a. Section 5.2 on page nine of the report notes:
 - i. Icon Water has concluded an industry-wide cost benchmarking exercise in partnership with the Water Services Association of Australia, involving 20 other water utilities, and will now investigate the areas of opportunity identified with a view to implementing efficiency initiatives by 1 July 2018.

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

- b. The table on page 11 of the report shows Icon Water is meeting all its key service delivery targets, except the target for the average duration of an unplanned water interruption. This reflects a change in the methodology used to calculate the results of the service standard. The target will be revised in the 2016-17 Statement of Corporate Intent.
- c. Page 12 shows Icon Water's net profit after tax year to date (to 31 December 2015) was \$62.6 million, which is \$33.1 million favourable to budget. The profit before tax for the same period is \$91.2 million, \$48.8 million favourable to budget. This outcome is mainly due to:
 - i. Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

- ii. a favourable result in the Icon Water business of \$10.9 million;
- iii. the receipt of \$11.4 million in gifted assets (mostly from the Land Development Agency) which are not budgeted due to their variability; and

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- iv. a lower than budgeted consumer price index resulting in a lower interest expense of \$4.3 million, partly offset by higher than budgeted tax of \$15.7 million due to the overall favourable results.
- d. Pages 13 to 14 show water consumption is 1.5 gegalitres higher than budget for year to date and water revenue is \$5.4 million favourable to budget, largely due to the favourable consumption and tier mix.
- e. Gas Network volumes remain ahead of budget for the year to date and electricity network is above budget, due mainly to favourable gross margins and operational expenditure savings.
- f. Pages 17 to 18 show the cash balance is \$36.8 million, which is \$13 million unfavourable to budget, due mainly to a timing delay in the energy investment cash distribution over the Christmas shutdown period and lower than budgeted new borrowings. The year to date gearing was 53.7 per cent, compared to the budgeted gearing of 59.2 per cent.
- g. Year to date capital expenditure is \$28.37 million, which is lower than year to date budget by \$11.6 million, but tracking to re-forecast expectations. A number of major works are expected to complete their planning phase in early 2016, which will enable a large increase in construction expenditure in the last quarter of the financial year.

Consultation and Communication

4. N/A

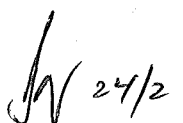
Financial

5. N/A

Management of Other Risks

6. N/A

Under Treasurer Clearance: David Nicol



Executive Clearance:

Neil Bulless, Executive Director, Expenditure Review Division

Stuart Friend, Director, Expenditure Review Division

Date: 22 February 2016

Action Officer: Kurt Sung

Phone: 59865

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16 February 2016

TO	
<input checked="" type="checkbox"/>	MINISTER
<input type="checkbox"/>	LEGAL ADVISER
<input type="checkbox"/>	MEDIA ADVISER
<input type="checkbox"/>	DLO
<input type="checkbox"/>	EO
<input checked="" type="checkbox"/>	CHIEF OF STAFF
<input type="checkbox"/>	HEALTH ADVISER
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<input type="checkbox"/>	DISCUSSION
<input type="checkbox"/>	COPY
COMMENT: <i>Minister, do you need any further info?</i>	

Mr Andrew Barr MLA
 Chief Minister
 ACT Legislative Assembly
 London Circuit
 CANBERRA ACT 2600

Mr Simon Corbell MLA
 Deputy Chief Minister
 ACT Legislative Assembly
 London Circuit
 CANBERRA ACT 2600

Yes

Dear Chief Minister *Andrew*

Dear Deputy Chief Minister *Simon*

I am pleased to provide Icon Water Limited's (Icon Water) second quarter 2015–16 report recently approved by the Icon Water Board at its meeting on 10 February 2016.

The attached report provides a summary for the quarter 1 October to 31 December 2015 against the 2015–16 activities outlined in the Icon Water 2015-16 to 2018-19 Statement of Corporate Intent.

If you have any questions concerning the above, please do not hesitate to contact me.

Yours sincerely

Sch 2 s2.2(a)(i)

[Redacted Signature]
 John Knox
 Managing Director

SIMON CORBELL'S
 10 FEB 2016
 OFFICE
Received



Statement of Corporate Intent Second Quarter Report to Shareholders

1 October 2015 to 31 December 2015

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1 Overview

The 2015–16 to 2018–19 Statement of Corporate Intent (2015–16 SCI) details the four strategies Icon Water Limited (Icon Water) will pursue to achieve its objectives under the *Territory-owned Corporations Act 1990* (TOC Act) and its four strategic objectives.

Under the TOC Act, Icon Water has four main objectives:

- **Efficiency:** operate at least as efficiently as any comparable business.
- **Sustainable return:** maximise the sustainable return to our shareholders on the investment in ACTEW (now named Icon Water Limited).
- **Social responsibility:** show a sense of social responsibility by having regard to the interests of the community in which we operate, and by trying to accommodate and encourage those interests.
- **Ecologically sustainable development:** effective integration of environmental and economic considerations in decision-making processes.

The 2015–16 SCI outlines the four strategic objectives over the period 2015–16 to 2018–19 as:

- **People** – a culture that protects, engages and develops our people.
- **Asset Management** – excellence in asset management.
- **Brand** – a trusted brand.
- **Financial** – sustainable financial returns and reduced gearing.

The 2015–16 SCI outlines the four strategies relating to the above strategic objectives as well as performance measures and targets to enable monitoring and reporting against achievement of these objectives.

Outlined in the following pages are the outcomes for the second quarter, 1 October 2015 to 31 December 2015 against key activities for 2015–16 contained in the 2015–16 SCI.

2 People strategy

2.1 2015–16 key activities

Key activities for 2015–16 include:

- Implementation of a 'Just Culture' framework.
- Improving risk management through effective application of safety in design principles.
- Developing and implementing a professional competency development program for asset management professionals.
- Implementing equity and diversity and leadership development programs.
- Developing structured capability to manage change initiatives successfully.
- Embedding our performance focused recognition, the 'Innovation and Excellence Awards'.
- Implementing employee engagement initiatives at the organisation and branch levels to move the overall engagement level of employees towards utility industry benchmark levels.

2.2 Quarter 2 outcomes

Just Culture framework

Work to develop the Just Culture framework commenced. A paper on the Just Culture framework was presented to the Icon Water Board's Risk and Assurance Committee on 11 November 2015 which provided a high level overview of the Just Culture concept.

Safety in design

The Safety in design process has been mapped into the design delivery process flow which will provide a systematic approach to the integration of hazard identification and risk assessment methods in the design phase of our capital expenditure projects.

Work health and safety strategy

As part of the roll-out of a mental health awareness initiative, all staff have been provided with additional resources including "Heads Up" (a joint initiative between beyondblue and the Mentally Healthy Workplace Alliance) and a booklet – 'Taking care of your mental health in the workplace'. This is the first step in providing information to managers and staff to raise awareness of mental health issues and reducing stigma.

Performance focused recognition

The new staff 'Valued Service Awards' launched on 1 September 2015 has been embedded across the business and being used as a tool to award staff that display qualities that are in line with Icon Water's core values of safety, excellence and openness. The program continues to be successful in encouraging the organisation to celebrate successful outcomes and behaviours of individuals and teams that are valuable to the business.

3 Asset management strategy

3.1 2015–16 key activities

- Continue projects to improve asset management processes so that processes are documented and at least half of our assets have revised maintenance plans.
- Commence Asset Maintenance Management System (AMMS) projects.
- External re-certification of the certified elements of our Integrated Management System (IMS) – being the Safety Management System, Quality Management System and Environmental Management System.

3.2 Quarter 2 outcomes

Asset management processes

Work continued on determining asset management objectives for tiers three to five of our asset systems. These objectives establish a clear link between stakeholder and business needs and asset planning, operations and related activities. The work is following the endorsed prioritised list of assets/systems and the objectives for the Lower Molonglo Water Quality Control Centre systems were a key focus during the second quarter.

Assets that have tiers three to five objectives have commenced a process of re-aligning operations and maintenance plans to meet the objectives. The pilot study in application of a revised maintenance and operations plan process was substantially progressed at Uriarra Sewage Treatment Plant. The pilot will inform the remainder of the asset/system analysis during 2015–17.

The final draft of Icon Water's Strategic Asset Management Plan (SAMP) was prepared by 31 December 2015 in accordance with the project plan. The SAMP outlines the major asset management processes that are used to translate shareholder and stakeholder needs into prudent and efficient action plans and strategies. It describes how the 'as is' and the 'to be' states align to the ISO 55001 standard for asset management. The plan includes the framework, structure and content of the more detailed asset management plans that are to be developed during 2016–17.

The Asset Management Group (the Group) has finalised the 'target state' business activity map that aligns the Asset Management Group's future activities to our strategic objective 'excellence in asset management'. The development of a plan to update all procedures and work instructions to align to the target state is continuing. The Asset Management Group was restructured in late 2015 to support the target state and the adoption of the globally recognised Asset Management Competency Framework (GFMAM).

Asset maintenance management system

Work continued on the Operational Technology (OT) scope development and project planning to identify the business needs and the ICT architecture to support ISO 55001 target state asset management practices.

Specifically projects are being initiated to:

- establish the Geographical Information System (GIS) as the central Asset Data Repository source of truth, and
- develop scenario planning and options analysis capability utilising the single source of truth Asset Data Repository.

Integrated management system – external re-certification

The Integrated Management Systems (IMS) re-certification audit was undertaken in October 2015 by an external certification body. The external audit body provided positive feedback and confirmed Icon Water's compliance with the requirement of the standards. No major nonconformities were found.

4 Brand strategy

4.1 2015–16 key activities

- Completing all activities associated with the brand launch.
- Continuing to embed our brand and behaviours internally through the business.
- Undertaking phased external education on the brand.
- Further aligning the brand, sponsorship, communication and customer service strategies.
- Commence planning for deliberative engagement of key stakeholders (including customers) to involve them in decision making which impacts on the long term efficiency and sustainability of our operations.

4.2 Quarter 2 outcomes

External education

In December 2015, work commenced to review our community and schools education programs. We are working closely with the Department of Education to ensure alignment of our water cycle, environmental and science content with the appropriate curriculums.

Aligning the brand

A review of our sponsorship program commenced in December 2015. The aim of the review is to achieve a sponsorship program in 2016–17 and beyond that focuses on balancing brand values and social responsibility.

Stakeholder engagement

Market research was undertaken to provide an opportunity for the community to advise us what they most value in the work that Icon Water does and inform them of how they can help shape future planning for our business. The research results indicate a solid alignment of our business priorities and community expectations. Work commenced to undertake a 'willingness to pay' survey focusing on the service standards that the community indicated were most important to them. The results of this research are expected in February 2016.

5 Financial strategy

5.1 2015–16 key activities

- Continuing to improve the long term operational efficiency of the business.
- Implementing a procurement improvement Initiative.
- Further developing the long term investment strategy to maximise value of the energy investment for our shareholders.

5.2 Quarter 2 outcomes

Long term operational efficiency

As part of the ongoing drive for improving operational efficiency, in July 2015 Icon Water commenced a program of work with the aim of identifying and implementing efficiency initiatives. The first stage of this program was an industry-wide cost benchmarking exercise, conducted in partnership with Water Services Association of Australia (WSAA) alongside 20 other water utilities.

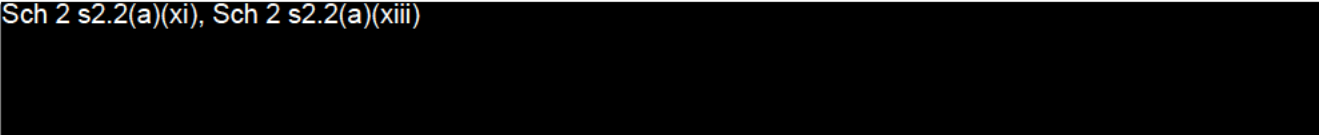
The exercise concluded at the end of December 2015. The next steps are for Icon Water to investigate the areas of opportunity identified, with a view to implementing efficiency initiatives by 1 July 2018.

Procurement improvement initiative

Icon Water continues to refine its policies and procedures associated with its procurement activities. Work occurred to re-negotiate several contracts for supply and delivery of chemicals/gases which resulted in financial savings.

Energy investment

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



6 Key service delivery targets

Table 1 (over page) details performance against key service delivery targets. For the second quarter, Icon Water met or is on track to meet 16 out of the 17 targets (noting that some of the targets are annual and we only have the second quarter results).

Table 1. Key service delivery targets – 2015-16 Results

Service Standard	Icon Water Target 2015-16	1 st Quarter Results	2nd Quarter Results	YTD Results
Water				
Water main breaks (per 100km of water main)	20 – 25	3.34	2.40	5.74
Average duration of an unplanned interruption - water (minutes)	111 - 119	130.23	131.60	130.86 ¹
Frequency of an unplanned interruption - water (per 1000 properties)	63 - 127	18.35	15.74	34.09
Number of zones where drinking water microbiological compliance was achieved (%)	100	100	100	100
Real losses (L/service connection/d)	59 – 73	41	61	102
Sewerage				
Sewerage mains breaks and chokes (per 100km sewer mains)	42 – 92	16.81	11.40	28.21
Property connection sewer breaks and chokes (per 1000 properties)	8 – 15	3.26	2.00	5.26
Average sewerage interruption (minutes)	37 – 44	34.04	34.35	34.16
Customer Satisfaction				
Water quality complaints (per 1000 properties)	0.9 - 2.8	0.29	0.27	0.56
Water service complaints (per 1000 properties)	1.5 - 2.0	0.38	0.42	0.80
Sewerage service complaints (per 1000 properties)	1.0 - 2.0	0.33	0.19	0.52
Billing and account complaints (per 1000 properties)	0.2 - 2.6	0.16	0.14	0.30
Total water and sewerage complaints (per 1000 properties)	4.5 - 6.0	1.15	1.02	2.17
Environmental				
Percentage of sewage volume treated to a compliant standard (%)	99	100	100	100
Percentage of biosolids reused (%)	100	100	100	100
Sewer overflows reportable to the environmental regulator (number per 100km of sewer main)	1.9 - 5.6	0.58	0.22	0.80
Recycled water (percent of effluent recycled)	11 – 13	13.13	13.70	13.42

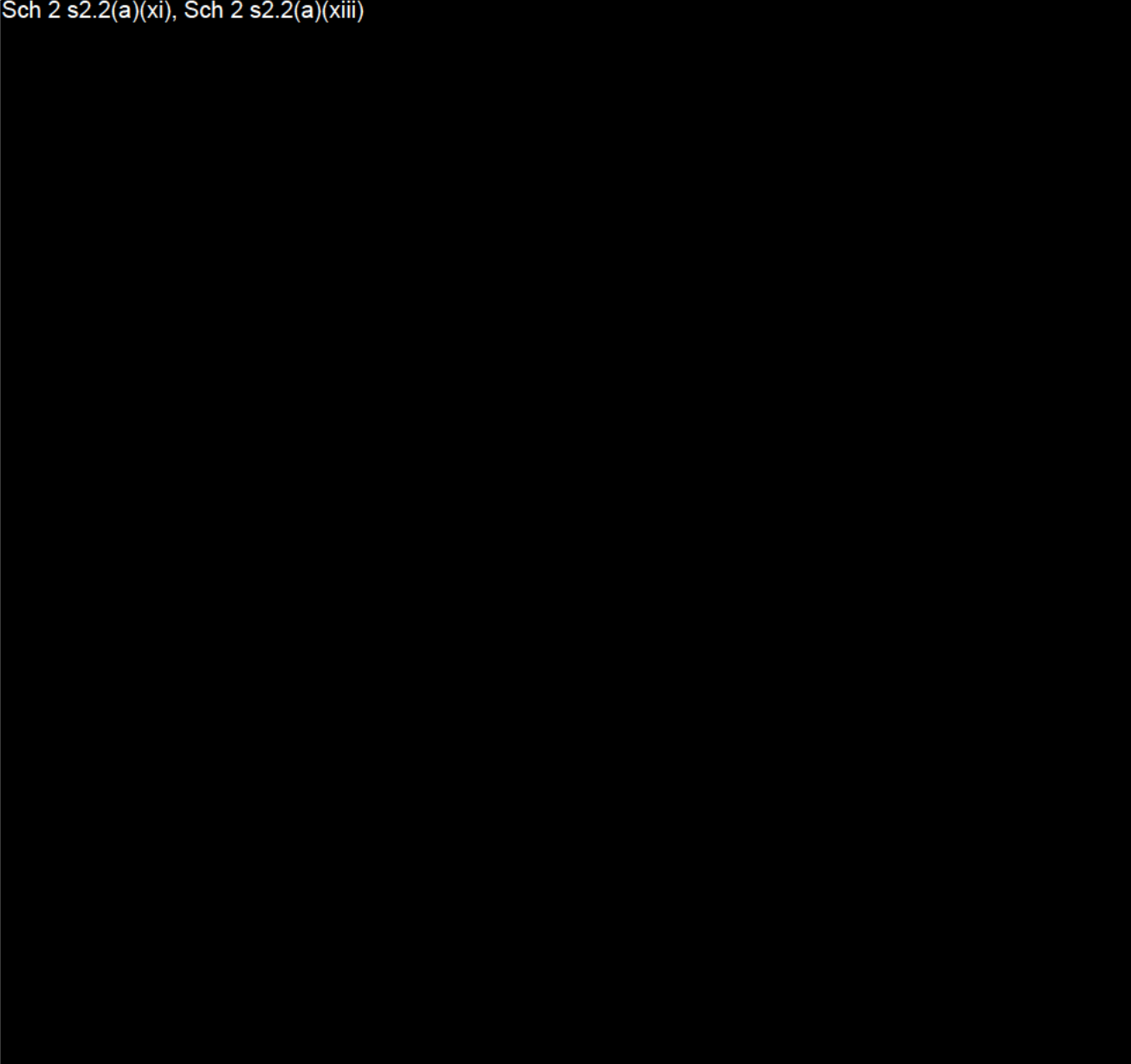
Key Service Delivery Targets were set by Icon Water against industry standards set by comparable utilities. The targets were selected from a range of measures included in the annual performance report to the Bureau of Meteorology.

¹ The methodology for calculation of the results against this service standard has changed due to a recommendation from an audit. The service standard target will be revised in the 2016–17 Statement of Corporate Intent.

7 Financial report

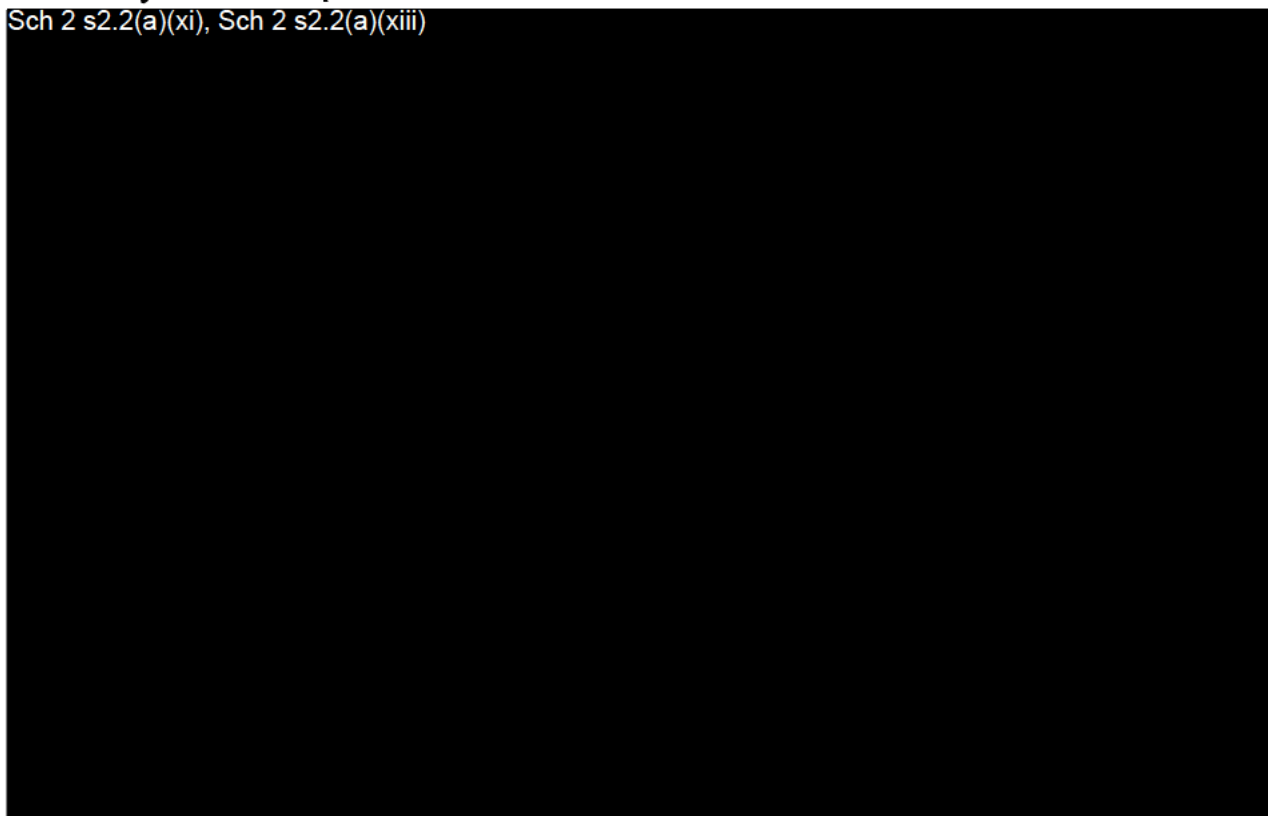
7.1 Business performance summary

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)




7.2 Key drivers of profit

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

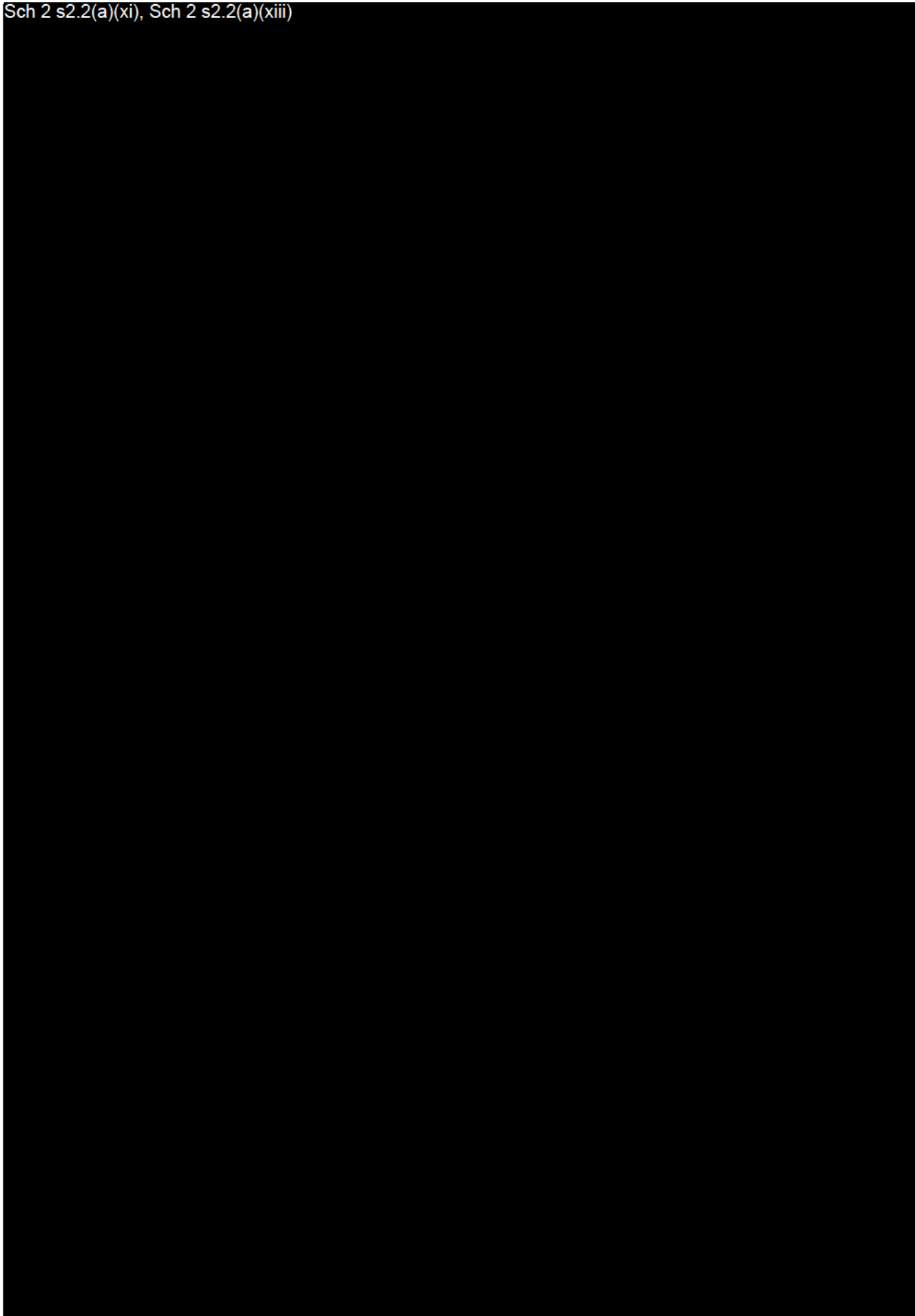


7.3 Business performance summary – year to date

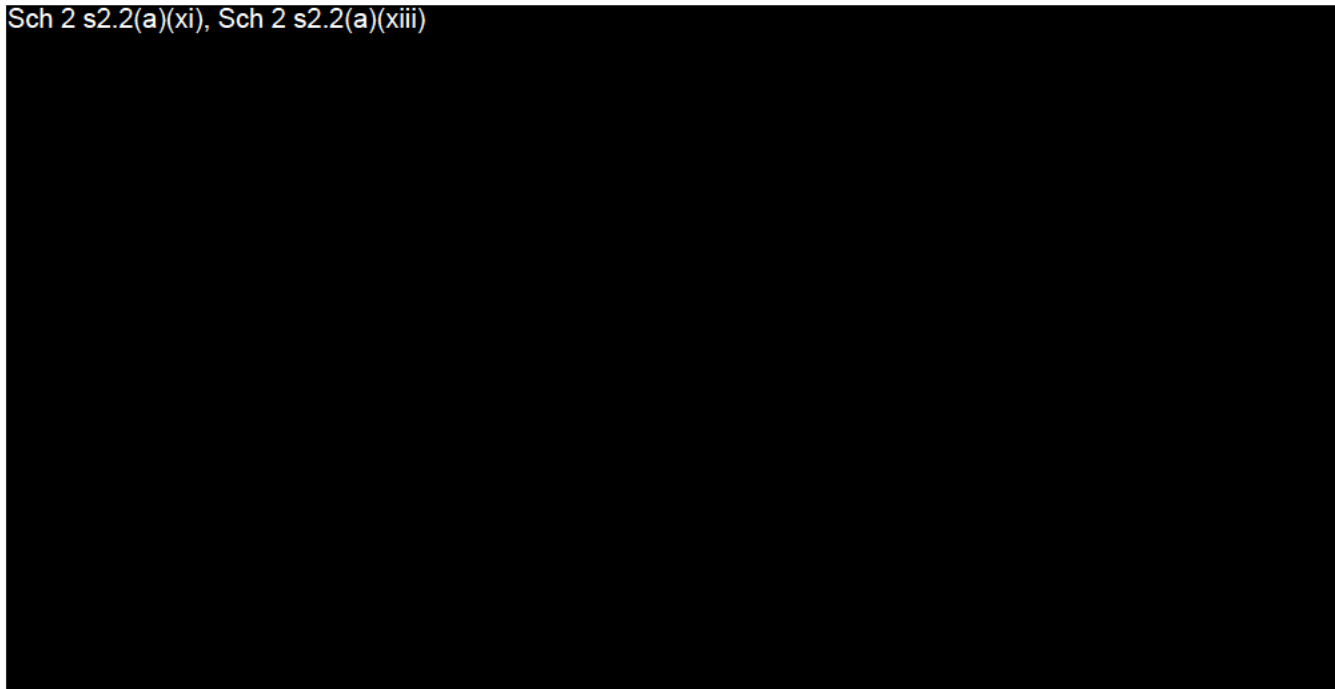
Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

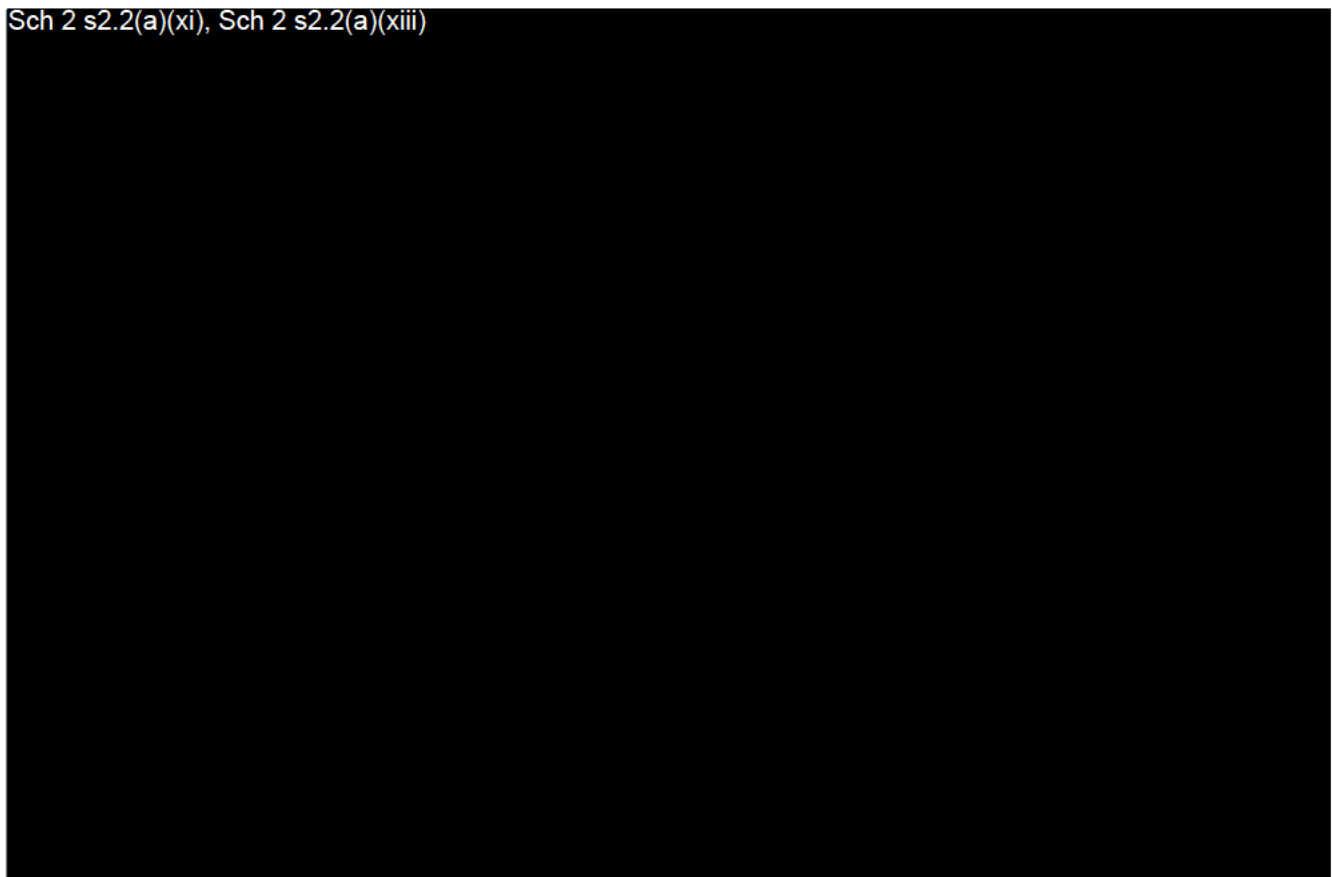


Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

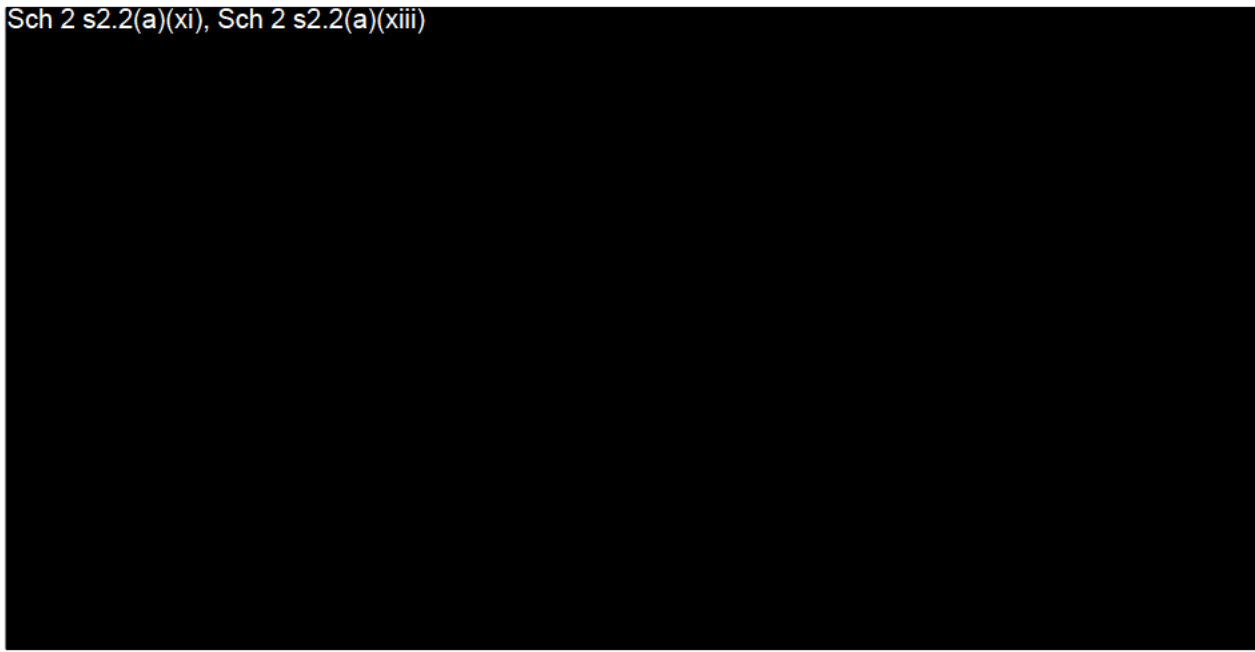


7.4 Operating expenditure summary

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)




Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

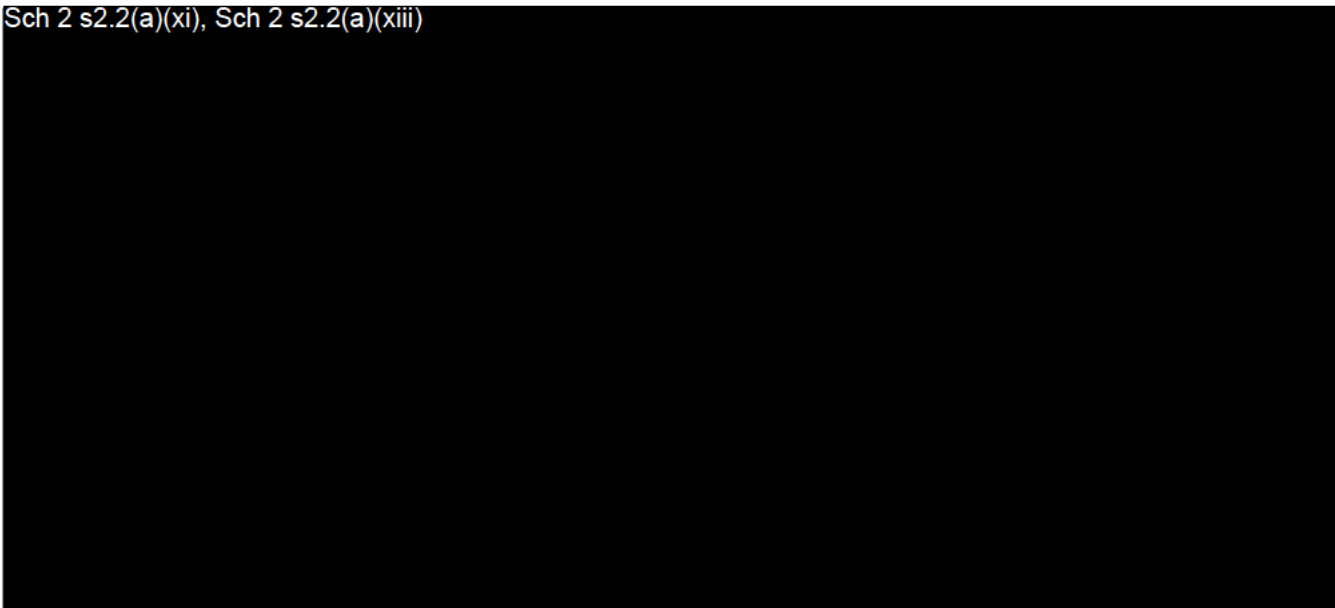


7.5 Capital Expenditure

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)




Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



7.6 Summary Balance Sheet

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

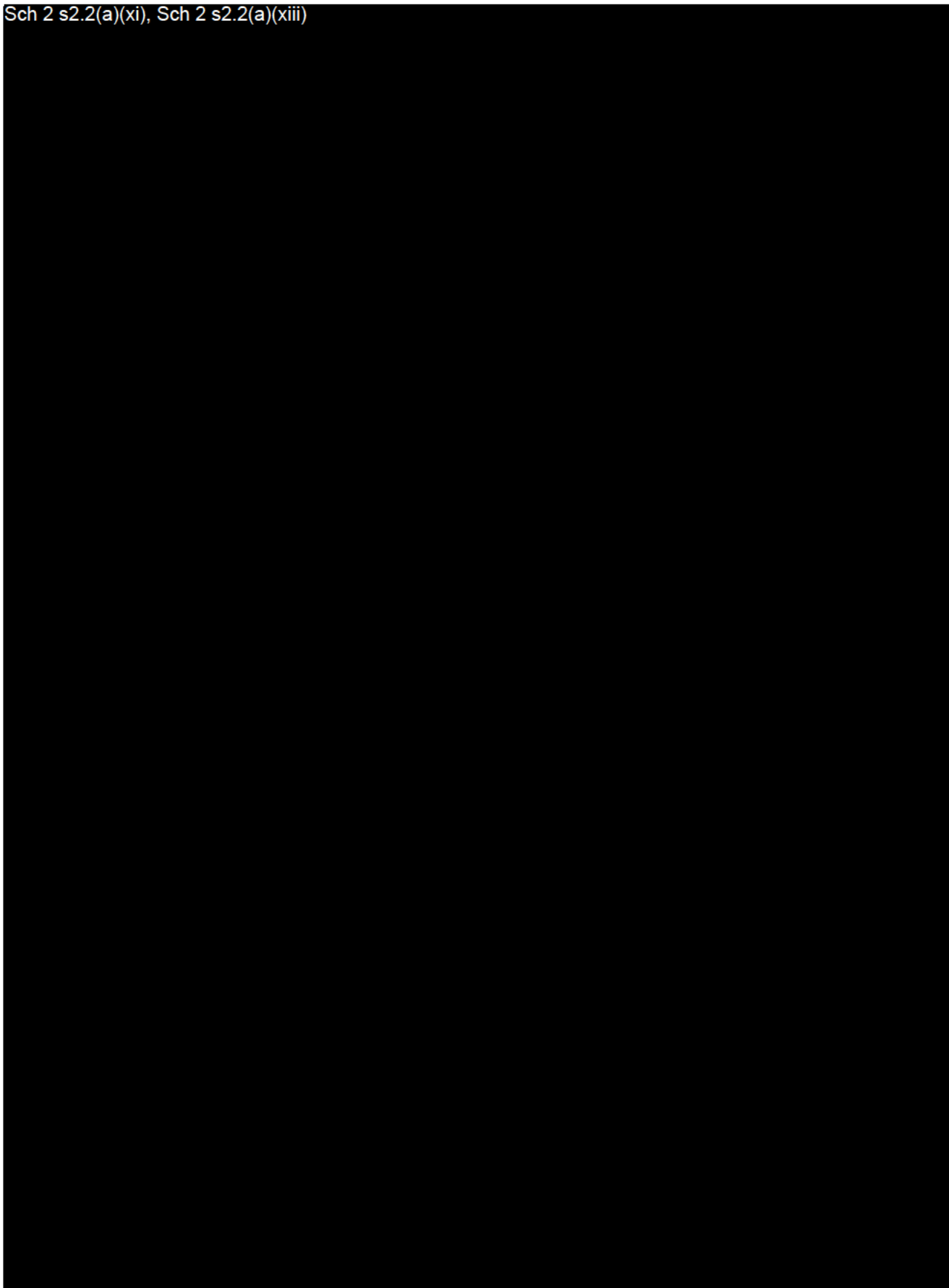


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7.7 Liquidity

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)





ACT
Government
Chief Minister, Treasury and
Economic Development

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To: Chief Minister
Deputy Chief Minister

Subject: Quarterly Meeting with Icon Water 29 February 2016

Critical date and reason

- 1. **25 February 2016.** Information for your meeting with Icon Water on 29 February 2016 at 9.30am in the Chief Minister's office.

Recommendations

- 2. That you note the information.

Andrew Barr
Andrew Barr MLA *28/2/16*
NOTED/PLEASE DISCUSS


Simon Corbell MLA / /
NOTED/PLEASE DISCUSS

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Supporting Reasoning

3. The first of a series of quarterly meetings between Icon Water and the Voting Shareholders is due to be held in the Chief Minister's office on Monday 29 February 2016 at 9.30 am for 30 minutes.
4. Principal attendees are as follows:
 - a) Voting Shareholders: Chief Minister and Deputy Chief Minister
 - b) Departmental Officials: Under Treasurer David Nicol and DG EPD Dorte Ekelund
 - c) Icon Water: Board Chair Michael Easson, MD John Knox, Sam Sachse GM Finance.
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5. Icon Water proposes that these meetings be informal with no set agenda or papers. However, Icon has provided a list of proposed discussion points as follows:
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The introduction of a Code must be approved by the ICRC, as stipulated under the Utilities Act. In approving the Code, the ICRC would consider:

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- whether the code should apply to both green field and brown field development, or just to brown field.

The paper also summarises an alternative funding model, which would utilise the existing regulatory framework with augmentation built and paid for fully by Icon Water and the costs recouped through the ICRC water and sewerage pricing process, as with other Icon Water capital expenditure.

Icon Water is seeking an implementation date of 1 July 2016. The ICRC has indicated that a more likely commencement date would be January 2017, to allow appropriate due process (consultation) in the approval process.

Economic Development (ED) advises that there is a need to address funding of augmentation that is required in the short term to enable the current land sales program to progress.

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- i. favourable results in the ActewAGL energy investment business of \$21.9 million. The retail energy investment was favourable to budget due to a higher customer base and lower operational costs. Electricity retail is above budget due to higher than forecast volumes and the distribution energy investment was above budget mostly due to favourable gross margin and operation expenditure savings;
- ii. a better than forecast result in the Icon Water business of \$10.9 million;
- iii. the receipt of \$11.4 million in gifted assets (mostly from the Land Development Agency) which are not budgeted due to their variability; and
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The regulatory issues canvassed to date involve the legislative amendments that will be required and the appropriate pricing (and price setting) regime, including the role of the ICRC.

The operational focus has been on exploring the most cost effective solution for providing water and waste water to the Parkwood NSW part of the project. At the Cross Border agency workshop on 16 March 2016, the preferred delivery scenario proposed for discussion is that the water and waste water infrastructure be provided by the project as a development cost, ownership is transferred to Icon Water and it provides and supplies this service with recurrent funding being on a user charge basis.

The more immediate operational focus has been on exploring the most cost effective solution for providing water and waste water to the early stages of development in the ACT. Further work is underway. A workshop between Riverview and Icon Water's engineers will be scheduled soon to identify the preferred options so that detailed programming can commence.

In terms of planning approval, the announcement of the approval of Amendment 86 to the National Capital Plan is awaited.

The design of the first neighbourhood in the ACT is progressing in parallel and will be seeking Development Approval for this stage mid 2016.

Topic 6. Best of Region Sewerage Treatment Plant Solution - Icon Water and Queanbeyan City Council

There have been ongoing discussions between Icon Water and the Queanbeyan City Council as they continue to partner to explore a best for region solution for sewage management.

The project is driven by regional and local factors arising from eastern regional areas draining into ACT catchments with two related sewerage treatment plants located in close proximity to the Molonglo River, including Queanbeyan's sewerage treatment plant, which is nearing capacity and will require significant upgrade.

The other is Icon Water's Fyshwick sewerage treatment plant which also requires substantial capital investment and upgrade.

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With these factors in mind it is considered that a more cost efficient and effective outcome could be achieved through a coordinated, best for region approach to sewage management.

A Leadership Committee comprising officials from Icon Water and EPD are progressing this project. Terms of reference are currently being finalised ahead of engaging a consultant to commence the technical and operational analysis of a number of proposed options.

Topic 7. Icon Water Board succession planning (Michael Easson and John Knox only)

Attachment A provides a list of the current membership of the Icon Water Board and associated companies. Michael Easson and John Knox will discuss future succession planning with you, as the terms of four of the Board appointments are due to end in 2017, including the Board Chair.

Dr Easson has been on the Board for 20 years. The other three members will have served two terms of three years duration by 2017.

It is noted Dr Allan Hawke's appointment is due to end in December 2016 and he will have served two three year terms, as well as the recent twelve month extension.

With the recent appointment of Dr Thomas Parry as the eighth Board member, all positions are currently filled. Cabinet recently approved the re-appointment of Ms Carol Lilley from 1 April 2016, which is subject to a final clearance by the Public Accounts Committee.

Consultation and Communication

7. Internal Directorates.

Financial

8. N/a

Management of Other Risks

9. Information contained in this brief may be commercially sensitive.

Under Treasurer Clearance:

JW 24/2

Executive Clearance:

Neil Bulless, Executive Director, Expenditure Review Division

Stuart Friend, Director, Expenditure Review Division

Date: 24 February 2016

Action Officer: Phil Liddicoat X70251

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EXPIRY DATES FOR ICON WATER BOARD MEMBERS

1. ICON WATER Limited Board (VS/Cabinet/PAC approval required)- 8 Positions

Position	Name	Appointment Expires
Chair	Dr Michael Easson AM	16 March 2017
Deputy Chair	Ms Wendy Caird	16 March 2017
Managing Director	Mr John Knox	When contract as CEO ends
Director	Dr Allan Hawke AC	5 Dec 2016
Director	Ms Rachel Peck	1 May 2017
Director	Ms Jenny Goddard	31 Oct 2017
Director	Ms Carol Lilley	31 Mar 2016
Director	Dr Thomas Parry AM	16 November 2018

2. Two Icon Water Subsidiary Companies- 4 Positions on each ICON Retail Investments Ltd and ICON Distribution Investments Ltd (ICON Board approves appointments subject to consent by VS/Cabinet/PAC)

Position	Name	Appointment Expires
Chair	Dr Micheal Easson AM	When term ends as ICON Director
Deputy Chair	Ms Wendy Caird	When term ends as ICON Director
Director	Mr John Knox	When contract as CEO ends.
Director	Ms Rachel Peck	When term ends as ICON Director

(Note: Term could end earlier if Icon Water Board decide)

3. ActewAGL Joint Partnership Board- 6 Positions - 3 from ICON Board (No VS approval required) - Plus three from other Partners

Position	Name	Appointment Expires
Chair(Rotates 2 yearly)	Dr Michael Easson AM	1 July 2017 (as Chair)
Deputy Chair(Jemena)	Mr Paul Adams	Jemena decides
Director (AGL)	Mr Paul Frazer	AGL decides
Director (SPI)	Ruan Qiantu	SPI decides
Director (ICON)	Mr John Knox	When contract as CEO ends
Director (ICON)	Ms Wendy Caird	When ICON Board decides
Alternate ICON Director	Ms Rachel Peck	When ICON Board decides

Next Appointment due for consideration



ACT
Government

Chief Minister, Treasury and
Economic Development

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Deputy Chief Minister

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NOTED/PLEASE DISCUSS

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NOTED/PLEASE DISCUSS

- Michael Costello - follow up.

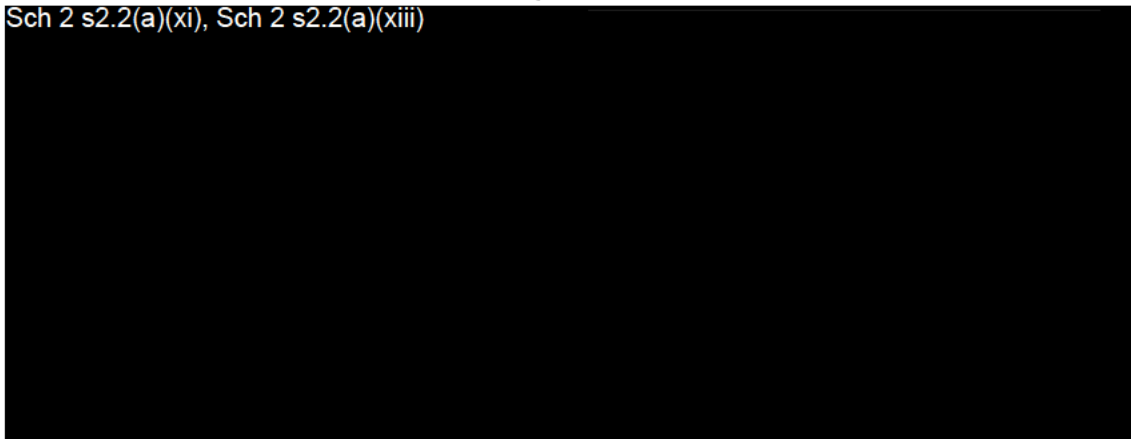
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Director	Ms Carol Lilley	31 Mar 2016
Director	Dr Thomas Parry AM	16 November 2018

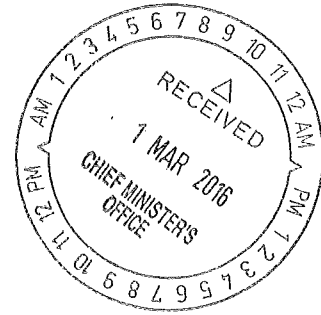
2. Two Icon Water Subsidiary Companies- 4 Positions on each ICON Retail Investments Ltd and ICON Distribution Investments Ltd (ICON Board approves appointments subject to consent by VS/Cabinet/PAC)

Position	Name	Appointment Expires
Chair	Dr Micheal Easson AM	When term ends as ICON Director
Deputy Chair	Ms Wendy Caird	When term ends as ICON Director
Director	Mr John Knox	When contract as CEO ends.
Director	Ms Rachel Peck	When term ends as ICON Director

(Note: Term could end earlier if Icon Water Board decide)

3. ActewAGL Joint Partnership Board- 6 Positions - 3 from ICON Board (No VS approval required) - Plus three from other Partners

Position	Name	Appointment Expires
Chair(Rotates 2 yearly)	Dr Michael Easson AM	1 July 2017 (as Chair)
Deputy Chair(Jemena)	Mr Paul Adams	Jemena decides
Director (AGL)	Mr Paul Frazer	AGL decides
Director (SPI)	Ruan Qiantu	SPI decides
Director (ICON)	Mr John Knox	When contract as CEO ends
Director (ICON)	Ms Wendy Caird	When ICON Board decides
Alternate ICON Director	Ms Rachel Peck	When ICON Board decides
Next Appointment due for consideration		



26 February 2016

Mr Andrew Barr MLA
 Chief Minister
 ACT Legislative Assembly
 London Circuit
 CANBERRA ACT 2600

Mr Simon Corbell MLA
 Deputy Chief Minister
 ACT Legislative Assembly
 London Circuit
 CANBERRA ACT 2600

Dear Chief Minister

Dear Deputy Chief Minister

Dividend for financial year 2015–16

Background

Icon Water and ACT Government's Treasury formed a joint working group in 2015 to review Icon Water's financial health. There is recognition that, without changes to the current 100% dividend policy, Icon Water's gearing will reach unsustainable levels at some point in the future. It is my understanding that Cabinet is due to consider the dividend policy in March 2016. Pending the transition to a sustainable dividend policy, there is an opportunity to provide temporary dividend relief given the extraordinary profit upside expected this financial year and preserve Icon Water's 2014–15 gearing ratio through reducing the amount that Icon Water would otherwise borrow. Providing temporary dividend relief aligns with the existing dividend policy framework whereby the shareholders ultimately sets the dividend to be paid by Icon Water from year to year.

Significant 2015-16 net profit after tax upside

This financial year we anticipate significantly higher than budgeted results for net profit after tax (NPAT).

NPAT for the first half year exceeded budget by \$33m. The 2015–16 full year NPAT is anticipated to be around \$50m higher than the \$69.2m budget. This will be validated further upon completing the detailed full year forecast in March 2016.

The NPAT is subject to weather-driven energy and water revenue and development activity driving gifted asset revenue. The current upside is specifically attributable to the following factors:

- Icon Water's budget when submitted to ACT Treasury in April 2015 was based on ActewAGL's draft budget. ActewAGL's final budget set in June 2015 was updated to reflect the AER's final 2014-19 electricity networks distribution determination for the period 1 July 2016 to 30 June

2019 and various initiatives identified by ActewAGL to respond accordingly. These updates significantly improved their final budget.

- ActewAGL's profit for the first half year is performing favourably to their budget by \$21.9m due to effective management of the AER's electricity pricing decision and stronger results from ActewAGL Retail.
- Icon Water's budget submission, consistent with prior years, did not budget for gifted assets revenue. Gifted assets revenue is \$11.4m favourable to budget.
- Water and sewage revenue exceeding budget by around \$6.2m mainly due to favourable weather conditions driving additional water sales. It should be noted that January and February weather conditions and associated water sales has been closer to budget.
- Icon Water is working hard to reduce its operating expenditure. For the half year operating expenditure is \$4.7m below budget, although this favourable variance will reduce by year end.
- Interest expense is \$4.3m favourable to budget as a portion of Icon Water's debt is linked to the Consumer Price Index (CPI), with the current CPI lower than budget.
- As a result of the profit upside outlined above, income tax expense is higher than budgeted, by \$15.7m.

Dividend Relief

An opportunity exists to provide Icon Water temporary dividend relief by excluding the extraordinary NPAT upside from the existing 100% dividend policy. This could be achieved by setting the dividend payment based on the 2015–16 budgeted profit of \$69.2m with 80% being payable on 30 June 2016 and the remaining being paid on 31 October 2016. This temporary dividend relief will enable Icon Water to temporarily stabilise its gearing ratio for 2015–16 (circa 55%) and reduce the amount that Icon Water would otherwise borrow this financial year.

ACT Government Implications

ACT Treasury has confirmed that the profit upside for Icon Water in 2015–16 has not been reflected in the ACT Government's 2015–16 Budget Review. In the event that temporary dividend relief is provided, the ACT Government will still receive additional income tax revenue of around \$21m given the additional Icon Water profit, positively contributing to the ACT Government 2015-16 Net Operating Balance.

Your consideration on providing Icon Water temporary dividend relief for 2015-16 is appreciated.

Yours sincerely

Sch 2 s2.2(a)(ii)

John Knox
Managing Director
Icon Water

32



10 March 2016

Mr Andrew Barr MLA
Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Mr Simon Corbell MLA
Deputy Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Dear Chief Minister *Andrew*

Dear Deputy Chief Minister *Simon*

I am pleased to provide the agenda and approved meeting minutes from the Icon Water Limited's Board meeting no.235 held on 10 February 2016.

If you have any questions concerning the above, please do not hesitate to contact me.

Yours sincerely

Sch 2 s2.2(a)(ii)

John Knox
Managing Director



Board Meeting No. 235

Time/Date: 12.00pm Wednesday 10 February 2016
 Venue: Icon Water Board room, level 5
 Address: ActewAGL House, 40 Bunda Street, Canberra ACT 2601

	Board administration	Purpose	Participant/s
1	Apologies	noting	All
2	Directors disclosure	noting	All
3	Previous minutes	noting	All
4	Matters arising from previous minutes	noting	All
5	Out of session papers	noting	All
6	Shareholders correspondence	noting	Knox
7	Managing Director's report	noting	Knox
8	Risk and Assurance Committee update (oral)	noting	Lilley
9	Subsidiary board observer	noting	Chair
10	Strategic performance report and quarterly report to shareholders	decision	Breaden
11	Statement of Corporate Intent 2016–17	decision	Breaden
12	Business performance report – Business Services	noting	Breaden, Sch 2
13	Strategic project reporting and communication	noting	Breaden
14	ICT strategy: target state implementation overview	noting	Spurrett
15	Enterprise Asset management strategy	noting	Lewry/Hezkial
16	Asset Management and Maintenance System project establishment	noting	Lewry/Hezkial
17	Business performance report – Asset Management	noting	Lewry
18	Business performance report – Project Delivery, Operations and Maintenance	noting	Hezkial
19	Cross agency forums on planning and management	noting	Knox, Sc
20	People strategy 2016–17	noting	Sch 2 s2.2(a)(ii)
21	Business performance report – People and Performance	noting	
22	Executive succession planning	noting	Knox/Spence
23	Regulatory Affairs and Pricing	noting	Sch 2 s2.2(a)
24	Regional opportunities – regulation	noting	Sachse, Sch
25	Efficiency benchmarking initiative – update	noting	Sachse
26	Business performance report – Finance	noting	Sachse
27	Consolidated financial performance	noting	Sachse, Sch 2
28	Gifted Assets	noting	Sachse, s2.2(a)
29	Business performance report – Joint Venture financial performance	noting	Sachse

Next meeting

Meeting no. 236 at 12.00pm on Thursday 21 April 2016

Venue: Icon Water Limited boardroom, ActewAGL House, level 5, 40 Bunda St, Canberra ACT 2600



Minutes Board Meeting No. 235

Date: Wednesday, 10 February 2016

Page: 1 of 7

Minutes of Meeting No. 235 of the Board of Directors of Icon Water Limited ABN 86 069 381 960, held on 10 February 2016, commencing at 12.00pm and concluding at 3.55pm, in the Icon Water Boardroom Level 5, 40 Bunda St, Canberra, ACT 2600.

Present

Michael Easson	Chairman
Wendy Caird	Deputy Chair
John Knox	Managing Director
Rachel Peck	Director
Jenny Goddard	Director
Allan Hawke	Director
Carol Lilley	Director
Tom Parry	Director (via telephone)

Jane Breaden	Company Secretary and General Manager Business Services
Sch 2 s2.2(a)(ii)	Executive Officer to Managing Director

Present part meeting

Sch 2	Manager Customer and Community Affairs
Richard Spurrett	General Manager Strategic Projects
Amanda Lewry	General Manager Asset Management
Ray Hezkial	General Manager Project Delivery, Operations and Maintenance
Sch 2 s2.2(a)(ii)	Manager Advisory
	Director People and Performance, ActewAGL
	Manager People Solutions, ActewAGL
	People and Performance Business Partner
	Director Regulatory Affairs and Pricing, ActewAGL
	Principle Economist, ActewAGL
Sam Sachse	General Manager Finance
Sch 2 s2.2(a)	Manager Finance

4431. Apologies 1

No apologies were noted.

4432. Director's disclosures 2

Sch 2 s2.2(a)(ii)

Resolution

The Board **noted** Dr Hawke's disclosure.

4433. Previous minutes 3

Resolution

The Board **approved** the minutes of Meeting No. 234 of 17 December 2015.

Signed _____
Chair



Minutes Board Meeting No. 235

Date: Wednesday, 10 February 2016

Page: 2 of 7

4434. Matters arising from previous meetings 4

Resolution

The Board **noted** the matters arising.

4435. Out of session papers 5

Resolution

The Board **noted** the out of session papers.

4436. Shareholders correspondence 6

Resolution

The Board **noted** the paper.

4437. Managing Director's report 7

The meeting discussed the upcoming first quarterly meeting between Icon Water and its Shareholders on 29 February 2016. Potential agenda items include ActewAGL's debt program which was discussed at a meeting held between Icon Water, ActewAGL and the Chief Minister's Chief of Staff in January 2016.

Resolution

The Board **noted** the Managing Director's report

4438. Risk and Assurance Committee update 8

Ms Lilley gave an overview of meeting no.2 of the Risk and Assurance Committee (RAC) held prior to the Board meeting, highlighting the following:

- Four audits have been completed since the last report – Financial controls, [REDACTED] Sch 2 s2.2(a)(xi) [REDACTED] – compliance with services agreement, Compliance with Emergency Planning Code and Drinking water quality management.
- The newly appointed Manager Safety, Sch 2 s2.2(a)(ii) [REDACTED] attended the meeting and provided an overview of three work health and safety strategy initiatives including asset profiling and inspection, mental health and safety management system.
- Three reportable incidents have been reported to WorkSafe ACT or WorkCover NSW. The Committee had recently requested further analysis relating to workplace injury and motor vehicle incidents. This analysis has been included in reporting and has been valuable in gaining greater understanding.
- Various emergency management testing has been undertaken. The Committee has asked for material relating to the hierarchy of emergency management plans and related documentation as well as the outcomes of recently completed tests, in order to gain greater understanding of emergency management processes. Recent testing has indicated that employees may also require further education and understanding of the established documentation hierarchy.
- All Icon Water employees have now completed fraud and corruption training.
- New items have been added to the Strategic Risk Register and there appears to be some duplication relating to existing items. Management has undertaken to review the report with this observation in mind.
- The Committee received an update on gifted assets. All control changes have been implemented and an interim reconciliation between the subsidiary system and fixed asset register will occur in May 2016, in preparation for final reconciliation in June 2016.

Signed _____
Chair



Minutes Board Meeting No. 235

Date: Wednesday, 10 February 2016

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- An overview was provided of the assurance mechanisms in place to address the risks associated with the Business Transformation Program.
- Management provided the annual overview of treasury management and an update on the debt management strategy. The Committee requested related papers be circulated out of session to the Board.

The Board discussed the important and broad subjects addressed by the RAC and agreed minutes from each meeting should be circulated to all Board members. Management undertook to facilitate this request.

Action

Management to distribute RAC meeting minutes following each meeting to all Board members.

Resolution

The Board **noted** the Risk and Assurance Committee update.

4439. Subsidiary board observer 9

Resolution

The Board **noted** the standing invitation to Dr Thomas Parry AM to attend and act as an observer on the boards of Icon Distribution Investments Limited (IDIL) and Icon Retail Investments Limited (IRIL).

4440. Strategic performance report and quarterly report to shareholders 10

The Board received an overview of the paper including clarification regarding material provided in the quarterly report to shareholders.

The Board requested the following be considered for inclusion in future quarterly reports:

- a definition of long term injuries (LTI) and serious injuries (SI)
- further detail regarding the community consultative forum and the community education program.

Resolution

The Board:

- **noted** strategic performance outcomes for quarter two 2015–16
- **approved** the Statement of Corporate Intent (2015-16) Second Quarter Report to Shareholders – 1 October 2015 to 31 December 2015.

4441. Statement of Corporate Intent 2016–17 11

The meeting discussed the Statement of Corporate Intent (SCI) and suggested some minor changes in regard to target definition and presentation of information.

Resolution

Subject to the suggested changes, the Board:

- **approved** the change of the 'brand' strategic objective to 'customer'
- **noted** the revised performance measures and service delivery targets
- **noted** that management will provide a draft 2016–17 SCI for Board consideration out of session in early March 2016
- **noted** future changes to quarterly Board reporting on the implementation of the strategic objectives contained in the SCI.

Signed _____
Chair



Minutes Board Meeting No. 235

Date: Wednesday, 10 February 2016

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4442. Business performance report – Business Services 12

A high level overview of the report was provided to the Board, with the following items highlighted:

- status and development of the community consultative forum
- the Icon Water education program, which was previously informal in nature, is being reviewed, with the development of a targeted and scheduled program.

The meeting discussed the Community Support Program. Management advised that customer feedback and survey results were being incorporated into developing a more balanced and better aligned sponsorship program for Icon Water.

The Board requested further detail regarding the strategy and rationale of the Community Support Program be provided, and a detailed sponsorship spend report be included in future Board papers.

Action

Management to provide more detail regarding the Community Support Program to the April 2016 Board meeting and include details regarding sponsorship costs in future Board reporting.

Resolution

The Board **noted** the current performance of the Business Services Group.

4443. Strategic project reporting and communication 13

The Board expressed interest in learning more about strategic projects and business transformation and advised a briefing with the General Manager Strategic Projects was being scheduled.

Resolution

The Board **noted** management's intention to:

- report biannually on each key strategy and their related strategic projects
- communicate the combined set of strategic projects as the Business Transformation Program.

4444. ICT strategy: target state implementation overview 14

The Board received a high level overview of the paper and queried when, and how regularly, expenditure updates would be provided. Management advised that further information would be provided to the June 2016 Board meeting, which aligned with the business case due date.

Resolution

The Board **noted** the overview of the projects and implementation approach to deliver the Level 3 'Defined' maturity target state of Icon Water's Information, Communications and Technology (ICT) strategy.

4445. Enterprise Asset Management strategy 15

An outline of the paper was provided to the meeting.

The Board queried how cost implications would be communicated, and were advised costs would be reported through profit and loss reporting. The Board commented the maturity models provided in the paper were helpful.

Resolution

The Board **noted** the Enterprise Asset management strategy.

Signed _____
Chair



Minutes Board Meeting No. 235

Date: Wednesday, 10 February 2016

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4446. Asset Management and Maintenance System project establishment 16

The Board were briefed on the highly collaborative project and discussed strategies regarding avoiding cost variations and the setting of timeframes and target dates.

Action

Management to provide an update on the AMMS project to the April 2016 Board meeting.

Resolution

The Board **noted** the establishment of the Asset Management and Maintenance System project.

4447. Business performance report – Asset Management 17

Resolution

The Board **noted** the current performance of the Asset Management Group.

4448. Business performance report – Project Delivery, Operations and Maintenance 18

An overview of the paper was provided to the meeting including advice that the capex forecast may require downward revision. An update regarding remediation works being completed on the backwash tank at the Lower Molonglo site was also provided.

Resolution

The Board **noted** the performance report of the Project Delivery, Operations and Maintenance Group.

4449. Cross agency forums on planning and management 19

Resolution

The Board **noted** the information presented in this paper, including the current focus of activities being undertaken by each of the forums identified.

4450. People strategy 2016–17 20

The meeting discussed the paper and provided feedback for management's consideration.

Action

Management to prepare for the Board meeting in April 2016, a table on workforce planning, which will include diversity statistics and targets and industry comparison data.

Resolution

The Board **noted** the People Strategy 2016–2017.

4451. Business performance report – People and Performance 21

Further detail was communicated to the Board regarding an existing bullying and harassment complaint, and a complaint received from the Australian Human Rights Commission.

Resolution

The Board **noted** the key People and Performance matters for the period from 1 December 2015 to 31 December 2015.

Signed _____
Chair



Minutes Board Meeting No. 235

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4452. Executive succession planning 22

The Board received an overview of the report and noted further opportunity for succession planning in the Strategic Projects Group should arise as the group expands.

The Board were advised executive succession planning will be reported annually, in line with organisational performance.

Resolution

The Board **noted** the Executive Succession Plan.

4453. Regulatory affairs and pricing 23

The meeting discussed the appointment of the interim Commissioners at the Independent Competition and Regulatory Commission, and were advised that Mr Knox, **Sch 2** and Mr Sachse would meet with the interim commissioners on 12 February 2016.

Resolution

The Board **noted** the developments in economic regulation of water and sewerage services in the ACT.

4454. Regional opportunities – regulation 24

Resolution

The Board **noted** the key considerations regarding the potential regulation for each of the cross-border opportunities under review.

4455. Efficiency benchmarking initiative – update 25

Resolution

The Board **noted** the benchmarking update and timeline, including the intention to provide further updates on the process once detailed investigation has been performed into identified outlier areas.

4456. Business performance report – Finance 26

Resolution

The Board **noted** the current performance report of the Finance Group and the potential increase to the capital project cost for the Mitchell Accommodation Project to \$13.7m.

4457. Consolidated financial performance 27

Resolution

The Board **noted** the consolidated financial performance report for the period ended 31 December 2015.

4458. Gifted Assets 28

Resolution

The Board **noted** the information provided in respect of gifted assets.

4459. Business performance report – Joint Venture financial performance 29

Resolution

The Board **noted** the current performance of ActewAGL Group for the period ended 31 December 2015 and the key matters facing ActewAGL.

Signed _____
Chair



Minutes Board Meeting No. 235

Date: Wednesday, 10 February 2016

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4460. Remuneration Committee Meeting 1-2016

Mr Knox, Ms Breden and Sch 2 left the meeting, Sch 2 s2.2(a) joined the meeting.

The Committee **noted** no apologies or declarations of interest.

The Committee **approved** the minutes from meeting 1-2015 of the Remuneration Committee held 26 August 2015.

Item 2.1 *Remuneration arrangements for the Managing Director (MD) 21 January 2016 – 30 June 2016* was discussed and the Sch2 s2.2(a)(xv)

A further remuneration review will take place on 1 July 2016 and every twelve months thereafter, aligning the Managing Director's review cycle with organisational and Executive performance reviews.

Sch2 s2.2(a)(xv)

Remuneration Committee meeting 1-2016 closed and Board meeting no.235 reconvened.

Resolution

The Board **endorsed** the Remunerations Committee's recommendation and **approved** an increase of 2.8% to the Managing Director's Fixed Annual Remuneration, to be backdated to 21 January 2016.

Meeting closed

Meeting closed at 3.55 pm.

NEXT MEETING: Meeting no. 236 at 12.00 pm on Thursday, 21 April 2016 at ActewAGL House, 40 Bunda St Canberra ACT.

Signed _____
Chair

Ministerial Brief - Initiated

Quarterly Meeting with Icon Water 29 February 2016

MIN:2016/001038



Correspondent:
Receiving Minister

Tracking

Receipt date
Date referred to directorate 23/02/2016
Date due to Minister
Date response rec'd in MO ___/___/___

Action

Priority **Routine** Critical date **25/02/2016**
Division **CMTEDD, EXPENDITURE REVIEW DIVISON**
Required action
reply by
Action officer **Liddicoat, Phil (Action officer)** Ext. _____
Action notes

Clearance

Director-General:	Approved	<input type="checkbox"/>		
Approved subject to changes indicated		<input type="checkbox"/>	_____	___/___/___
Resubmit with changes indicated		<input type="checkbox"/>		
Under Treasurer	Approved	<input type="checkbox"/>		
Approved subject to changes indicated		<input type="checkbox"/>	_____	___/___/___
Resubmit with changes indicated		<input type="checkbox"/>		
Chief Finance Officer			_____	___/___/___
Division Head			<u>Neil Bullock</u>	<u>24/2/16 (TRIM)</u>

Notes:

Filing

External file number _____
External file source _____
Date Filed ___/___/___

*When all action is complete, please file papers and provide file number. 'External file source' is the record keeping system on which the file is captured (e.g. ACT Record Services, Objective IDMS etc).

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15 March 2016

Mr Andrew Barr MLA
Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Mr Simon Corbell MLA
Deputy Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Andrew
Dear Chief Minister

Simon
Dear Deputy Chief Minister

Icon Water shareholder meeting

Please find below a summary of the issues discussed at our meeting on 29 February 2016.

- 1. Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)
-
-
-
-
-
-
- 2. •
-
-

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

3. Electricity Tariff Tribunal Result

- The Shareholders noted that the Australian Competition Tribunal referred many aspects of the AER final decision back to the AER for further consideration. This process will take some time to play out with the impacts on any decision likely to occur in the final two years of the regulatory period Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

4. Icon Water's Infrastructure Funding Arrangements/Capital Contributions Code

- The Shareholders indicated that the timetable to introduce a capital contributions code from 1 July 2016 is too short, given ICRC advice on the time required for consultation to occur sufficiently, and that Icon Water should consider delaying the introduction of the capital contributions code to 1 July 2017.
- The Shareholders outlined their intention to fund the augmentation associated with the Midtown development via the ACT Government budget in the interim.

5. PAC hearing 31/3/16 – AG's Bulk Water Alliance audit

- The Shareholders noted that Icon Water will be ready for the PAC hearing and that the information disclosed in the Auditor-General audit report will be the basis for Icon Water's responses to questions.

6. Icon Water Financial performance FY15-16 & 16-17

- The Shareholders noted Icon Water is expecting to generate significant additional profit for 2015-16 of between \$33m and \$50m dependant on weather conditions.
- Icon Water proposes to apply this profit upside to reduce the amount of debt borrowed in 2015-16 which will preserve its 2014-15 gearing ratio.
- The ACT Government will also generate an improved budget position for the year due to the additional income tax it will receive associated with Icon Water's higher profit.
- The Shareholders agreed to consider Icon Water's proposal for temporary dividend relief.

7. Riverview development status

- The Shareholders noted that the 11,000 block Riverview development proposes to be partly located in NSW. Although Icon Water will be able to find solutions to provide cross border services, there will be many other operational and logistical issues to consider by the ACT and NSW Governments.
- The Shareholders advised that they will continue to pursue a change to move the ACT border to encompass the whole Riverview development.

8. Best of Region Sewerage Management - Icon Water and Queanbeyan City Council

- The Shareholders noted that QCC will pursue a short term solution to meet their own requirements on the existing QSTP site near Oaks Estate. QCC are considering the best for region solution for the medium to longer term which could include consolidating the Fyshwick STP.

9. Icon Water Board succession planning

- There are a number of board members whose term is expiring over the next twelve months. ACT Treasury will provide advice to Icon Water on the process to fill any vacancies.
- The status of Board members is outlined below:
 - Allan Hawke - Final term expires 6 Dec 2016
 - Michael Easson (Chairman) - Expires 17 Mar 2017
 - Wendy Caird (Deputy Chair) - Term 3 expires 17 Mar 2017
 - Rachel Peck - Term 2 expires 2 May 2017
 - Jenny Goddard - Term 2 expires 1 Nov 2017
 - Tom Parry will join the subsidiaries (IDIL and IRIL) as an observer pending Rachel Peck's term concluding
 - Tom Parry would be recommended by Icon Water Board to join ActewAGL Board in March 2017
- The Shareholders noted that Icon Water would benefit from new board members having the following experience:
 - Technology/Business transformation
 - Asset Management

10. Dividend policy and guarantee fee

- It was noted that Cabinet are considering the dividend policy at the end of March 2016 along with Sch 2 s2.2(a)(xi), Sch 2 [REDACTED] and the potential Guarantee Fee.
- The Shareholders noted that Icon Water:
 - agrees in principle with a introducing a guarantee fee however on the basis that it doesn't result in Icon Water's credit rating deteriorating given that Icon Water's implied credit rating is already sub investment grade.
 - propose that options are considered to improve Icon Water's credit rating prior to transitioning to a full guarantee fee.

11. Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

- [REDACTED]

If you have any questions concerning the above, please do not hesitate to contact me.

Yours sincerely

Sch 2 s2.2(a)(ii)

John Knox
Managing Director



Sensitive: Cabinet

To: Chief Minister
Deputy Chief Minister

Subject: Request from Icon Water for temporary dividend relief in 2015-16

Critical date and reason

1. **5 May 2016.** To propose that in your capacity as Icon Water’s Voting Shareholders you agree to a one-off variation in 2015-16 to the prevailing dividend policy of 100 per cent of Net Profit after Tax (NPAT) with the objective of maintaining an appropriate capital structure for Icon Water.

Recommendation

2. That you both sign the letter at Attachment C addressed to Mr John Knox, Managing Director of Icon Water, agreeing to a lower dividend payout in 2015-16.

APPROVED/NOT APPROVED/PLEASE DISCUSS



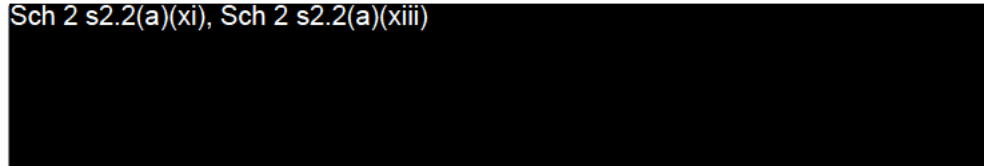
Andrew Barr MLA *Andrew Barr* 5/5/16

APPROVED/NOT APPROVED/PLEASE DISCUSS

Simon Corbell MLA *[Signature]* 5.5.16 / /

Sensitive: Cabinet

Supporting Reasoning

3. According to Icon Water's constitution the Directors shall declare such dividend as is agreed between them and the Voting Shareholders or as the Voting Shareholders direct in writing.
4. It is appropriate that the Government as shareholders decide on the applicable dividend policy, as these financial distributions can be made available for the benefit of the broader community.
5. Sch 1 s1.6

6. Icon Water's current dividend policy is to pay a cash dividend of 100 per cent of Net Profit after Tax (NPAT) with 80 per cent to be paid in the current financial year and 20 per cent in the subsequent financial year (Attachment A refers).
 - a. The current dividend policy requires Icon to borrow funds to meet a portion of the dividend as the total annual net profit after tax is not entirely comprised of cash earnings mainly due to:
 - i. Gifted assets contributed by property developers are non-cash revenue items.
 - ii. Each year ActewAGL retains a level of cash from reported profits for capital expenditure in the following year.
7. In the past Icon Water has had a relatively low level of borrowings and the dividend payout ratio was intentionally set at the highest level to reflect the Government's preference for a high and relatively stable annual dividend stream subject to Icon Water's gearing ratio remaining within a reasonable commercial range.
8. Icon considers it should no longer be required to borrow to pay a portion of the dividend now that the gearing level is approaching the standard benchmark for utilities.
 - a. Sch 1 s1.6

 - b. Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

 - c. It is usual practice for government businesses in other states to only pay dividends from cash profits and to explicitly exclude non-cash accounting transactions.

Sensitive: Cabinet

- d. Between 60 per cent and 70 per cent is generally considered an acceptable gearing level for infrastructure companies.
 - e. Icon Water's current gearing ratio is around 55 per cent.
 - i. Under the current dividend policy Icon Water's gearing ratio steadily increased from 37 per cent in 2008 to almost 60 per cent in 2015.
 - ii. However, a revaluation of Icon Water's investment in ActewAGL in 2014-15 reduced the gearing ratio to 54.9 per cent.
9. The Managing Director of Icon Water, Mr John Knox, has in a letter to Voting Shareholders dated 26 February 2016, requested a one-off variation to the current dividend policy in the 2015-16 financial year (see Attachment B).
- a. Note that the numbers discussed below are an update of the numbers provided in Mr Knox's letter at Attachment B.
 - b. Icon Water is now anticipating a potential full year improved 2015-16 net profit result in the order of \$49 million higher compared to budget.
 - c. Icon Water is seeking your approval to exclude some of this additional profit from the 2015-16 dividend payment to assist in preserving Icon Water's existing gearing ratio by reducing the amount Icon would otherwise have to borrow.
10. In recent discussions with Treasury, Icon Water has proposed that it retain \$42 million of the additional net profit of \$49 million.
- a. This will enable Icon Water to reduce its new borrowing requirement from \$89 million to approximately \$49 million.
 - b. The approximate balance of \$7 million would be returned to the Budget in addition to the original budget dividend forecast of \$69.2 million.
 - c. In addition, Icon Water would still be required pay additional income tax of \$21 million resulting from the improved profit result. The Territory's share of the total upside for 2015-16 is in the order of \$28 million.
11. It is recommended that you write, as the Voting Shareholders, to the Managing Director of Icon Water, Mr John Knox, formally agreeing to exclude forecast additional net profits relating to gifted assets, ActewAGL distributions and operational savings, noting that this is a temporary one-off relief.

Consultation and Communication

12. Icon Water.

Sensitive: Cabinet

Financial

13. There would be additional dividends from profits generated by the water and sewerage business with expected additional associated Tax receipts (including from ActewAGL's additional profits and the Gifted Assets) from Icon Water in 2015-16 as a result.

Management of Other Risks

14. Information contained in this brief is Cabinet sensitive.

Under Treasurer Clearance:

 4/5

Executive Clearance: Neil Bulless, Executive Director, Expenditure Review Division

Stuart Friend, Director, Expenditure Review Division

Date: 3 May 2016

Action Officer: Tony Hays

Phone: 75062

Sensitive: Cabinet



Katy Gallagher MLA

CHIEF MINISTER
TREASURER
MINISTER FOR HEALTH
MINISTER FOR INDUSTRIAL RELATIONS

MEMBER FOR MOLONGLO

Mr Mark Sullivan
Managing Director
ACTEW Corporation Ltd
GPO Box 366
CANBERRA ACT 2601

Dear Mr Sullivan *Mark*

We are writing in our capacity as Voting Shareholders in response to your letter of 6 May 2011 concerning ACTEW's draft 2011-12 Statement of Corporate Intent (SCI).

Firstly, we would like to confirm that we have decided to retain the current dividend policy of 100 per cent net profit after tax, with 80 per cent paid in the current year and 20 per cent to be paid in the subsequent year.

We recognise the impact of the major capital expenditure program that is being debt funded will result in ACTEW's level of gearing approaching the standard benchmark for infrastructure utilities.

We also appreciate that under the current arrangements ACTEW is required to borrow monies to pay part of the dividend. This approach is not uncommon for infrastructure companies, which reflects a preference for the shareholders to receive cash dividends instead of capital gains.

Although it is our clear preference to maintain a reasonably strong dividend stream, we are prepared to consider an adjustment to the current dividend policy should any adverse circumstances arise that would present a significant commercial risk.

In regard to the draft SCI, we support the commercial objectives, and business and corporate strategies outlined in the document. In doing so, we note your advice that economic conditions or circumstances may change prior to the Treasurer tabling the final SCI in the Legislative Assembly.

Yours sincerely

Katy Gallagher
Katy Gallagher MLA
Chief Minister

Andrew Barr
Andrew Barr MLA
Deputy Chief Minister

23 JUN 2011

ACT LEGISLATIVE ASSEMBLY



26 February 2016

Mr Andrew Barr MLA
Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Mr Simon Corbell MLA
Deputy Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600


Dear Chief Minister


Dear Deputy Chief Minister

Dividend for financial year 2015–16

Background

Icon Water and ACT Government's Treasury formed a joint working group in 2015 to review Icon Water's financial health. There is recognition that, without changes to the current 100% dividend policy, Icon Water's gearing will reach unsustainable levels at some point in the future. It is my understanding that Cabinet is due to consider the dividend policy in March 2016. Pending the transition to a sustainable dividend policy, there is an opportunity to provide temporary dividend relief given the extraordinary profit upside expected this financial year and preserve Icon Water's 2014–15 gearing ratio through reducing the amount that Icon Water would otherwise borrow. Providing temporary dividend relief aligns with the existing dividend policy framework whereby the shareholders ultimately sets the dividend to be paid by Icon Water from year to year.

Significant 2015-16 net profit after tax upside

This financial year we anticipate significantly higher than budgeted results for net profit after tax (NPAT).

NPAT for the first half year exceeded budget by \$33m. The 2015–16 full year NPAT is anticipated to be around \$50m higher than the \$69.2m budget. This will be validated further upon completing the detailed full year forecast in March 2016.

The NPAT is subject to weather-driven energy and water revenue and development activity driving gifted asset revenue. The current upside is specifically attributable to the following factors:

- Icon Water's budget when submitted to ACT Treasury in April 2015 was based on ActewAGL's draft budget. ActewAGL's final budget set in June 2015 was updated to reflect the AER's final 2014-19 electricity networks distribution determination for the period 1 July 2016 to 30 June

2019 and various initiatives identified by ActewAGL to respond accordingly. These updates significantly improved their final budget.

- ActewAGL's profit for the first half year is performing favourably to their budget by \$21.9m due to effective management of the AER's electricity pricing decision and stronger results from ActewAGL Retail.
- Icon Water's budget submission, consistent with prior years, did not budget for gifted assets revenue. Gifted assets revenue is \$11.4m favourable to budget.
- Water and sewage revenue exceeding budget by around \$6.2m mainly due to favourable weather conditions driving additional water sales. It should be noted that January and February weather conditions and associated water sales has been closer to budget.
- Icon Water is working hard to reduce its operating expenditure. For the half year operating expenditure is \$4.7m below budget, although this favourable variance will reduce by year end.
- Interest expense is \$4.3m favourable to budget as a portion of Icon Water's debt is linked to the Consumer Price Index (CPI), with the current CPI lower than budget.
- As a result of the profit upside outlined above, income tax expense is higher than budgeted, by \$15.7m.

Dividend Relief

An opportunity exists to provide Icon Water temporary dividend relief by excluding the extraordinary NPAT upside from the existing 100% dividend policy. This could be achieved by setting the dividend payment based on the 2015-16 budgeted profit of \$69.2m with 80% being payable on 30 June 2016 and the remaining being paid on 31 October 2016. This temporary dividend relief will enable Icon Water to temporarily stabilise its gearing ratio for 2015-16 (circa 55%) and reduce the amount that Icon Water would otherwise borrow this financial year.

ACT Government Implications

ACT Treasury has confirmed that the profit upside for Icon Water in 2015-16 has not been reflected in the ACT Government's 2015-16 Budget Review. In the event that temporary dividend relief is provided, the ACT Government will still receive additional income tax revenue of around \$21m given the additional Icon Water profit, positively contributing to the ACT Government 2015-16 Net Operating Balance.

Your consideration on providing Icon Water temporary dividend relief for 2015-16 is appreciated.

Yours sincerely

Sch 2 s2.2(a)(ii)

John Knox
 Managing Director
 Icon Water

TO	
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<input type="checkbox"/>	LEGAL ADVISER
<input type="checkbox"/>	MEDIA ADVISER
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<input checked="" type="checkbox"/>	CHIEF OF STAFF
<input type="checkbox"/>	HEALTH ADVISER
<input type="checkbox"/>	ENVIRONMENT ADVISER
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 Treasury 9/13
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ANDREW BARR MLA
CHIEF MINISTER

COPY

Treasurer
Minister for Economic Development
Minister for Urban Renewal
Minister for Tourism and Events

Member for Molonglo

Mr John Knox
Managing Director
Icon Water Limited
GPO Box 366
CANBERRA ACT 2601

Dear Mr Knox

Icon Water Limited Dividend Policy for 2015-16


We are writing in our capacity as Voting Shareholders in response to your letter dated 26 February 2016 seeking a one-off variation in 2015-16 to the existing dividend policy.

In light of your recent discussions with Treasury we have decided to vary the prevailing 100 per cent net profit after tax dividend policy in 2015 -16 by allowing Icon Water to retain \$42 million in profit as a form of debt relief. This is predicated on Icon Water achieving an anticipated additional net profit result of approximately \$49 million compared to the original budget estimate in 2015-16 of \$69.2 million.

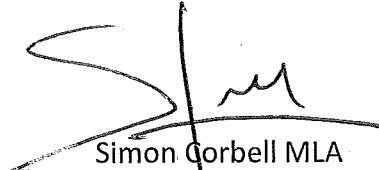
Based on Icon Water's most recent estimates we understand applying this revised dividend payout ratio in 2015-16 is expected to realise a modest increase to the original dividend payment identified in the budget with the benefit of limiting Icon Water's total new borrowing requirement in 2015-16 to about \$49 million.

We appreciate at this point it is difficult to predict with absolute certainty the actual profit results. Therefore we would appreciate being kept informed of any substantive variation in the expected profit results and the total new borrowing requirements.

Yours sincerely


Andrew Barr MLA
Chief Minister/Treasurer

- 5 MAY 2016


Simon Corbell MLA
Deputy Chief Minister
5-5-16



11 July 2016

Mr Andrew Barr MLA
 Chief Minister
 ACT Legislative Assembly
 GPO Box 1020
CANBERRA ACT 2600

Mr Simon Corbell MLA
 Deputy Chief Minister
 ACT Legislative Assembly
 GPO Box 1020
CANBERRA ACT 2600

Andrew
 Dear Chief Minister

Simon
 Dear Deputy Chief Minister

Under section 16A of the *Territory-owned Corporations Act 1990*, Icon Water has an obligation to advise you as its Voting Shareholders of significant events. I am writing to advise that the Icon Water Board has approved the proposed sale of approximately \$30m worth of NSW Regulated Murrumbidgee high security water entitlements (Intangible assets) in the 2016-17 financial year.

The current peak in market price creates an excellent opportunity for Icon Water to divest the asset. Icon Water predicts that water availability in the region will increase in the short-term and consequently reduce the value of the asset. The capital from the sale will be used to reduce Icon Water's debt.

The entitlements were purchased as part of the Water Security Major Projects over 2009 to 2012 for the Tantangara Transfer Option (TTO). The strengthening of water security, coupled with a significant decline in water demand, now leaves these entitlements excess to water security requirements. The sale of the entitlements does not disable the TTO; however, operational cost will be higher should the TTO be required in the future.

Assessment of long-term water security indicates the ability to far exceed the 1 in 20 year likelihood of restrictions that Icon Water strives for even without an operational TTO. This, along with the current high market price for water entitlements, means that it is in the community's best interest to sell the entitlements now and if required, buy back water licences at a lower price in the future.

There should be no impact to the ACT Government as a direct result of the sale. The Under-Treasurer, David Nicol has been informed and Environment and Planning Directorate has been consulted for the proposed sale.

Attachment 1 describes further details of the TTO operation. If you have any questions concerning this matter, please do not hesitate to contact me.

Yours sincerely

Sch 2 s2.2(a)(ii)

John Knox
 Managing Director

Attachment 1



Tantangara Transfer Option explained

The Tantangara Transfer Option was implemented to provide Icon Water with a source of water independent of ACT rainfall. The physical water comes from Tantangara Dam, a very productive catchment (300GL/year). Despite this source being upstream of the ACT, getting access to it is much more complicated.

Icon Water owns water entitlements in the Regulated Murrumbidgee River. The entitlements are allocated temporary water each year which is 'real' water. Temporary water can be traded on a market and Icon Water sells the allocations to irrigators when they are not required for a Tantangara Transfer.

Figure 1 presents how water from the Regulated Murrumbidgee ends up in Googong Dam when a Tantangara Transfer is implemented. Icon Water gives up 11GL of ownership of temporary water in the Regulated Murrumbidgee region and gains the right to release 11GL of water from Tantangara Dam (operated by Snowy Hydro Limited) into the Upper Murrumbidgee River.

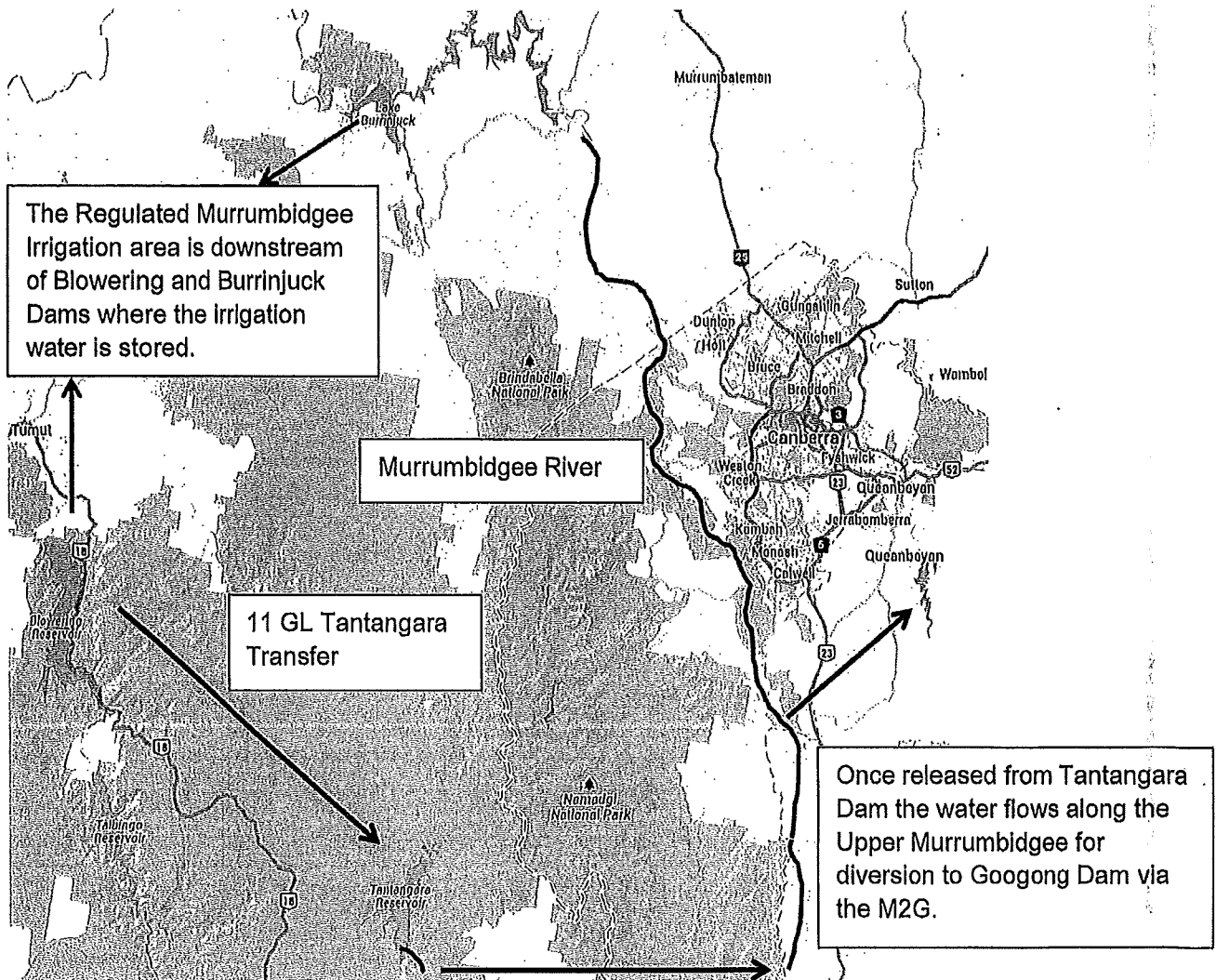


Figure 1 – Getting Icon Water owned Water to the ACT

The water flows east then north in the Upper Murrumbidgee River until it reaches Angle Crossing and the M2G pumps it into Burra Creek which flows into Googong Dam.

The ACT and NSW governments have an intergovernmental agreement to enable the transfer of water across territory boundaries. Icon Water has a commercial agreement with Snowy Hydro Limited (also approved by their licensor) for compensating them for the management of the transfer of the water and loss of electricity generation due to releasing water away from their hydro generators.

All of these costs make water from the Tantangara Transfer Option exceptionally expensive. However, if it is only access during times of drought, the water is far more valuable than the costs as it could keep the ACT and Queanbeyan communities out of water restrictions. Thus, the Tantangara Transfer Option is an insurance against the severest of droughts.



11 July 2016



Mr Andrew Barr MLA
Chief Minister
ACT Legislative Assembly
GPO Box 1020
CANBERRA ACT 2600

Mr Simon Corbell MLA
Deputy Chief Minister
ACT Legislative Assembly
GPO Box 1020
CANBERRA ACT 2600

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Yours sincerely

Sch 2 s2.2(a)(ii)
[Redacted]
John Knox
Managing Director

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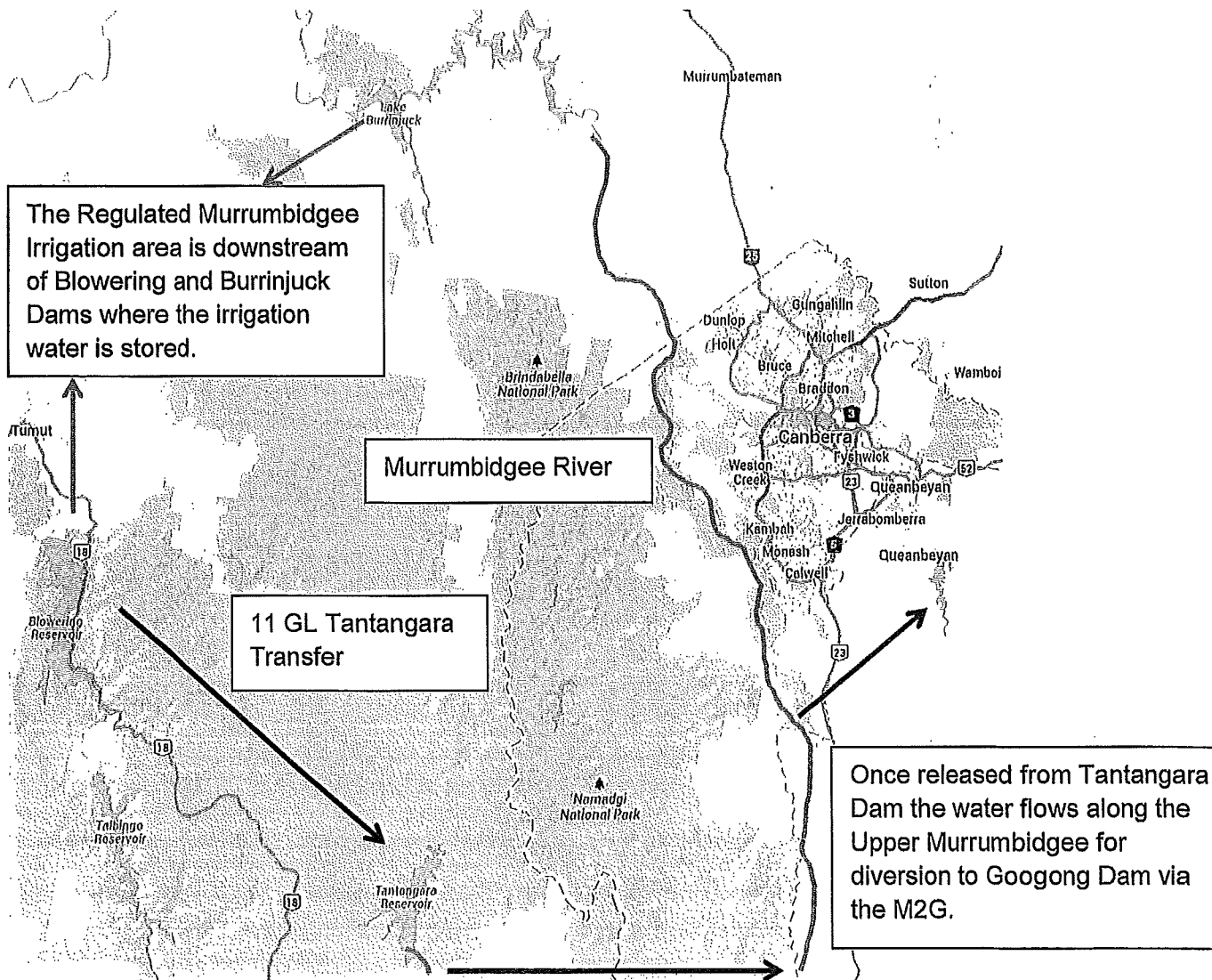


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Letter - Agenda and approved meeting minutes from Icon Water Limited's Board meeting
no.237 held on 15 June 2016 - John Knox

MIN:2016/004323



Correspondent: Knox, John (Mr)
Receiving Minister: Barr, Andrew (Mr) MLA

Tracking

Receipt date 12/08/2016
Date referred to directorate 12/08/2016
Date due to Minister
Date response rec'd in MO ___/___/___

Action

Priority Routine Critical date
Division CMTEDD, EXPENDITURE REVIEW DIVISON
Required action Appropriate action by directorate
For reply by Nil
Action officer Ext. _____
Action notes

Clearance

Director-General:
Approved
Approved subject to changes indica _____ / /
Resubmit with changes indicated
Under Treasurer:
Approved
Approved subject to changes indica _____ / /
Resubmit with changes indicated
Chief Finance Officer _____ / /
Division Head _____ / /

Notes:

Filing

External file number _____
External file source _____
Date Filed ___/___/___

*When all action is complete, please file papers and provide file number.
'External file source' is the record keeping system on which the file is
captured (e.g. ACT Record Services, Objective IDMS etc).



5 August 2016

Mr Andrew Barr MLA
Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Mr Simon Corbell MLA
Deputy Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Dear Chief Minister *Andrew*

Dear Deputy Chief Minister *Simon*

I am pleased to provide the agenda and approved meeting minutes from Icon Water Limited's Board meeting no. 237 held on 15 June 2016.

If you have any questions concerning the above, please do not hesitate to contact me.

Yours sincerely

Sch 2 s2.2(a)(ii)

John Knox
Managing Director

Board Meeting No. 237

Time/Date: 12.30pm Wednesday 15 June 2016

Venue: Icon Water Board room, level 5

Address: ActewAGL House, 40 Bunda Street, Canberra ACT 2601

Status	Board administration	Purpose	Participant/s
	Board meeting planner and calendar	<i>information</i>	<i>Breaden</i>
1	Apologies	<i>noting</i>	<i>All</i>
2	Directors disclosure	<i>noting</i>	<i>All</i>
3	Previous minutes	<i>noting</i>	<i>All</i>
4	Matters arising from previous minutes	<i>noting</i>	<i>All</i>
5	Out of session papers	<i>noting</i>	<i>All</i>
6	Shareholders correspondence	<i>noting</i>	<i>Knox</i>
	Corporate governance		
7	Shareholder meeting – update	<i>(oral) noting</i>	<i>Easson</i>
8	Managing Director's report	<i>noting</i>	<i>Knox</i>
9	Risk and Assurance Committee update	<i>(oral) noting</i>	<i>All</i>
10	Board remuneration review	<i>(oral) decision</i>	<i>Knox</i>
	Strategy		
11	Board succession planning	<i>discussion</i>	<i>Knox/Breaden</i>
12	Water Sensitive Urban Design (WSUD) asset management and funding	<i>discussion</i>	<i>Breaden</i> Sch 2
13	Best for region sewage management project – update	<i>noting</i>	<i>Knox</i> Sch 2
14	Industry update	<i>noting</i>	<i>Breaden</i> Sch 2 Sch 2
15	Strategy progress report – people	<i>noting</i>	Sch 2 s2.2(a)(ii)
16	Strategy progress report – financial	<i>noting</i>	<i>Sachse</i>
	Operations		
17	Selling Icon Water's high security water entitlements	<i>decision</i>	<i>Lewry</i>
18	Business performance report – Asset Management	<i>noting</i>	<i>Lewry</i>
19	Macquarie Perch management in the Cotter Dam	<i>noting</i>	<i>Breaden</i> Sch 2
20	Rebranding – customer survey results	<i>noting</i>	<i>Breaden</i> s2.2(a)(ii)
21	Business performance report – Business Services	<i>noting</i>	<i>Breaden</i>
22	Business performance report – Finance	<i>noting</i>	<i>Sachse</i>
23	Business performance report – Regulatory Affairs and Pricing	<i>noting</i>	Sch 2 s2.2(a)(ii)
24	Business performance report – People and Performance	<i>noting</i>	
25	Business performance report – Project Delivery, Operations and Maintenance	<i>noting</i>	<i>Hezkial</i>

Next meeting

Meeting no. 238 at 12.00pm on Thursday 25 August 2016

Venue: Boardroom, Level 5, ActewAGL House, 40 Bunda Street, Canberra

Minutes Board Meeting No. 237

Date: Wednesday 15 June 2016

Page: 1 of 9

Minutes of Meeting No. 237 of the Board of Directors of Icon Water Limited ABN 86 069 381 960, held on 15 June 2016, commencing at 12.00pm and concluding at 4.00pm, in the Icon Water Boardroom Level 5, 40 Bunda St, Canberra, ACT 2600.

Present

Michael Easson	Chair
Wendy Caird	Deputy Chair
John Knox	Managing Director
Rachel Peck	Director
Jenny Goddard	Director
Allan Hawke	Director
Carol Lilley	Director

Jane Breaden Sch 2 s2.2(a)	Company Secretary and General Manager Business Services Executive Officer to Managing Director
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Apology

Tom Parry	Director
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Present part meeting

Sam Sachse	General Manager Finance
Amanda Lewry	General Manager Asset Management
Ray Hezkial	General Manager Project Delivery, Operations and Maintenance
Sch 2 s2.2(a)(ii)	Manager Finance
	Manager Advisory
	Senior Analyst Advisory
	Water Resource Engineer
	Manager Environment and Sustainability
	Manager Customer and Community Affairs
	Director People and Performance, ActewAGL
	Manager, People Solutions, ActewAGL
	Business Partner for Icon Water, ActewAGL
	Principle Economist, ActewAGL
	Principal, Sch 2 s2.2(a)(xi)

Icon Water Board Meeting No. 237 suspended at 12.00pm and the Remuneration Committee convened.

4497. Remuneration Committee Meeting 2-2016

Board Remuneration Review

Sch 2 s2.2(a)(ii) joined the meeting.

Sch2 s2.2(a)(xv)

Signed _____
Chair

Minutes Board Meeting No. 237

Date: Wednesday 15 June 2016

Page: 2 of 9

Sch2 s2.2(a)(xv)

Resolution

The Committee endorsed and requested that the Board **approve** submission of the following to its Voting Shareholders:

- That remuneration for the Icon Water Limited Board be set, effective [from a date to be determined by Voting Shareholders, as follows:

Board role	Fixed Remuneration*	Annual
Chair	\$92,250	
Deputy Chair	\$64,500	
Committee Chair RAC	\$52,000	
Non-Executive Directors	\$45,750	

* Including superannuation

- That Board remuneration be reviewed every twelve months, taking into account CPI movements and other factors the Voting Shareholders deem relevant.
- That a full review of Board remuneration be undertaken every three years, with the next review to apply from [+ 3 years from effective date determined by Voting Shareholders].
- The Chair will discuss the remuneration report directly with the Voting Shareholders.

Sch 2 s2.2(a)(ii) left the meeting.

Remuneration Committee Meeting 2-2016 closed at 12.27 pm and Board meeting no. 237 reconvened.

4498. Apologies 1

The Board **noted** Tom Parry's apology.

4499. Director's disclosures 2

The Board noted there were no disclosures.

4500. Previous minutes 3

Resolution

The Board **approved** the minutes of Meeting No. 236 of 21 April 2016.

Signed _____
Chair

Minutes Board Meeting No. 237

Date: Wednesday 15 June 2016

Page: 3 of 9

4501. Matters arising from previous meetings 4

Item 236/4467

The Board discussed:

- Various aspects concerning board member tenure.
- The appointment of Dr Parry to the ActewAGL Board following the expiration of Dr Easson's term in March 2017.
- The membership composition of the Icon Water subsidiary boards (Icon Distribution Investments Limited and Icon Retail Investments Limited). Specifically:
- As required by the Board Charter, there are three members of the Icon Water (IW) Board appointed to the subsidiary boards. However, the Managing Director recommended that membership of the subsidiary boards be expanded to include all Icon Water Board members.
- Any amendments to the relevant charters should be dealt with by an out of session paper, noting that implementation requires Voting Shareholder approval and may be delayed due to the impending 'caretaker period' prior to the ACT election.

Item 236/4469

- The Board requested an update on this item.

Action

Management to provide:

- In due course (giving consideration to appropriate timing for seeking Voting Shareholder approval), an out of session paper to the Board addressing proposed changes to the relevant charters to expand membership of the subsidiary boards to all Board members.
- Further information on ActewAGL Distribution's successful tender to participate in the ACT Government's rollout of free Wi-Fi.

Resolution

The Board **noted** the matters arising.

4502. Board remuneration review 10

The Board discussed and considered the recommendations from the Remuneration Committee and **approved** submission of the recommended information (at 4497 above) to the Voting Shareholders.

4503. Board *in camera* discussion

At 12.40 pm the Board adjourned to an *in camera* discussion amongst Directors only. Jane Breaden and **Sch 2 s2.2(a)** left the meeting.

At 1.50 pm the Board resumed its meeting and Jane Breaden and **Sch 2 s2.2(a)** joined the meeting.

The Chairman summarised the discussion and the Board **noted**:

- The Chairman provided an update on ActewAGL **Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii) Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)**.
- The Board discussed the community support program and requested that Manager Customer and Community Affairs contact each Director individually to discuss any outstanding questions on the matter.

Signed _____
Chair

Minutes Board Meeting No. 237

Date: Wednesday 15 June 2016

Page: 4 of 9

- The Board discussed Item 11, Board Succession Planning, and resolved that a suitable, independent person, **Sch 2 s2.2(a)(ii), Sch 2 s2.2(a)(xi)**, be appointed to interview directors to determine a skills and experience matrix.
- Regarding the question of the nomination of the Icon Water Board Chair and Deputy Chair (whose terms conclude in March 2017), this will be considered later this year as well as determining the Icon Water representation on the ActewAGL Board.

Action

- Manager Customer and Community Affairs to contact each Director individually to discuss any outstanding questions on the Community Support Program and update the Board at its next meeting on the outcomes of those discussions and finalisation of the Program's criteria.
- The Chair and management to advise the Board of the likely future arrangements for appointing Icon Water Board members to the ActewAGL Board.

4504. Out of session papers 5

Resolution

The Board **noted** the out of session papers.

4505. Shareholders correspondence 6

Resolution

The Board **noted** the paper.

4506. Shareholder meeting - update 7

The Chair provided an update on the recent meeting with the Voting Shareholders. The discussion included the following items:

- The Chair, Deputy Chair and Managing Director attended the Shareholders meeting on 25 May 2016. Michael Costello, Chief Executive Officer ActewAGL, was also invited to provide the Shareholders with an update on regulatory matters. The Federal Court will likely hear Australian Energy Regulator's appeal of the Australian Competition Tribunal decision in September/October 2016.
- Icon Water is investigating the opportunity to build a best for region sewage treatment plan (STP) with Queanbeyan Palerang Regional Council (QPRC) located on the existing QPRC sewage treatment plant site. This will enable Icon Water's existing Fyshwick STP site to be decommissioned, remediated and sold for commercial/residential development.
- An update was provided in response to the Minister for Environment's letter relating to the management of Macquarie Perch within the Cotter Reservoir.
- Icon Water will be conducting the inaugural community engagement forum in early June, with membership from a range of community organisations.

Resolution

The Board **noted** the discussions held with Voting Shareholders.

Signed _____
Chair

Minutes Board Meeting No. 237

Date: Wednesday 15 June 2016

Page: 5 of 9

4507. Managing Director's report 8

Mr Knox provided the Board with an overview of the Managing Director's report.

Resolution

The Board **noted** the Managing Director's report

4508. Risk and Assurance Committee update 9

Ms Lilley gave an overview of meeting no.4 of the Risk and Assurance Committee (RAC) held prior to the Board meeting, highlighting the following:

- The RAC held a meeting *in camera* with the external auditors, PwC. The external auditors have concluded their interim audit and advised that there were no major findings with only minor issues raised with ActewAGL staff. The external auditors are satisfied with key controls and systems and noted that the control framework has matured. They also advised that the statement preparation is on track.
- No new management points have arisen from interim work by the Auditor-General's office and any remaining issues from last year will be closed.
- The proposed internal audit strategy for the next three years was discussed and the program of work was approved.
- The RAC will circulate an update of asbestos management to the Icon Water Board through an out of session paper. The related paper presented to the RAC on the presence of asbestos in Icon Water above ground assets and the underground pipe network will also be circulated to the Icon Water Board.
- Management confirmed that representatives from **Sch 2 s2.2(a)(xi)** have reaffirmed their commitment to improving their operations following Icon Water's internal audit into their safety management.
- An update on the Business Transformation Program was received which highlighted some continuing performance issues but noted considerable re-prioritisation was carried at the last workshop.

Dr Hawke commended the high quality of work completed by the Manager Quality and Internal Audit.

Resolution

The Board **noted** the Risk and Assurance Committee update.

4509. Water Sensitive Urban Design (WSUD) asset management and funding 12

The Board received an overview of this paper and in particular noted the continuing discussions between Icon Water and the Environment and Planning Directorate on WSUD assets.

Resolution

The Board **noted**:

- The update on the ACT Government's consideration of alternative management and funding arrangements for the ACT's Water Sensitive Urban Design (WSUD) assets performance outcome.
- Icon Water's approach to engage with the ACT Government process.

Signed _____
Chair

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4510. Best for region sewage management project - update 13

The Board received a progress report on the best for region sewage management project and in particular noted that there appears to be a viable Best for Region solution which is more cost effective than a stand-alone solution. The Board were advised that the stakeholder management plan is crucial with engagement with key stakeholders to recommence in July 2016. The Board requested future updates on this matter.

Resolution

The Board **noted** the progress of the proposed best for region sewage management project.

4511. Industry Update 14

The meeting received an overview of this paper.

Resolution

The Board **noted** current industry and integrated planning issues relevant to Icon Water.

4512. Strategy progress report - people 15

The Board received a progress report on the People Strategy and noted the key achievements to date, in particular the support for victims of domestic violence; the significant investment in training in the areas of leadership, competency and ensuring that training no longer takes an ad hoc approach. The Board requested the specific inclusion of gender in the diversity statement in the People Strategy document and also noted the move to blind shortlisting of candidates for positions in Icon Water.

Action

Include a reference to gender in the diversity statement in the People Strategy.

Resolution

The Board **noted** progress against the People Strategy.

4513. Strategy progress report – financial 16

The Board received a progress report on the Financial Strategy and noted the good progress on sustainable debt levels and that management is now forecasting a gearing level of 57 per cent by 2020 (reduced from 65 per cent). The Board commended management on the ongoing focus on the financial strategy initiatives.

Resolution

The Board **noted** the progress against the Financial Strategy.

Signed _____
Chair

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4514. Selling Icon Water's high security water entitlements 17

The Board received an in depth briefing on the current status of Icon Water's high security water entitlements, following a review of the Tantangara transfer scheme, with a view to selling the licences on the market.

Action

Management to consult with the Under Treasurer concerning the ACT Government's views on the sale of water licenses for the Tantangara transfer scheme.

Resolution

The Board **approved** the sale of 9,459ML of regulated Murrumbidgee high security water entitlements at a price not below **Sch 2** subject to there being no objections from the Voting Shareholders.

The Board **noted** Icon Water will remain a part of the Tantangara Transfer Option subject to further investigation and analysis.

4515. Business performance report – Asset Management 18

The Board received an overview of this paper and an update on the progress with:

- dam management
- working with the Utilities Technical Regulator
- rectification of processes concerning work with the **Sch 2 s2.2(a)(xi)**

Resolution

The Board **noted** the performance outcomes for the Asset Management Group as at 30 April 2016.

4516. Macquarie Perch management in the Cotter Dam 19

The Board received a briefing on solutions being investigated to ensure the continuing presence of healthy Macquarie Perch in the enlarged Cotter Dam. Management confirmed it is in the process of developing a suitable response to Minister Corbell's letter, which would consider catchment issues.

Resolution

The Board **noted** Icon Water's pro-active efforts to minimise and mitigate impacts of the enlarged Cotter Dam to the threatened species, Macquarie Perch.

4517. Rebranding – customer survey results 20

The meeting was provided with the latest customer survey results and noted the progress with brand recall which is at a satisfactory level, and what further actions can be undertaken to improve this. Management confirmed that, where available, comparison results with other utilities will be analysed and provided in future reporting.

Resolution

The Board **noted**:

- Performance outcomes of the April 2016 customer survey results.
- Management's communication with the Voting Shareholders regarding results from Icon Water's April 2016 customer satisfaction survey that relate to brand recall and recognition.

Signed _____
Chair

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4518. Business performance report – Business Services 21

Management highlighted:

- The improvement in safety performance, noting further work is ongoing
- Commonwealth Superannuation Scheme legal claims
- the successful initial meeting of the Community Consultative Forum held recently and the Forum's request for members to meet more regularly.

Action

Management to:

- provide a summary report to the Board following the next meeting of the Community Consultative Forum
- include in the BSG business performance report relevant information on key activities of the communications team

Resolution

The Board **noted** the current performance of the Business Services Group.

4519. Business performance report – Finance 22

The meeting discussed the paper and were advised that prior to the next Board meeting an out of session paper on dividend payment would be distributed for consideration.

The Board also received updates on the progress of:

- the review of the Corporate Services Agreement
- work at the Mitchell offices.

Ms Braden advised the November 2016 Board meeting is scheduled to be held in the upgraded office at Mitchell.

Resolution

The Board **noted** the current performance report of the Finance Group.

4520. Business performance report – Regulatory Affairs 23

Resolution

The Board **noted** the developments in economic regulation of water and sewerage charges in the ACT.

4521. Business performance report – People and Performance 24

Resolution

The Board **noted** the key People and Performance matters for the period 1 March 2016 to 31 May 2016.

Signed _____
Chair



Minutes Board Meeting No. 237

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4522. Business performance report – Project Delivery, Operations and Maintenance 25

The Board received an overview of this paper and in particular noted:

- The Project Delivery program deviation in the full year forecast which is currently within the organization program performance tolerance of 10% and that this does not impact the capital program.
- The update concerning the introduction of GPS fleet management system into all Icon Water vehicles.

Action

Management to provide a trend analysis on the Project Delivery Program and achievements gained.

Resolution

The Board **noted** the performance outcome of the report of the Project Delivery, Operations and Maintenance Group as at 30 April 2016.

Meeting closed

Meeting closed at 4.00pm.

NEXT MEETING: Meeting no. 238 at 1.00 pm on Thursday 25 August 2016 at ActewAGL House, 40 Bunda St Canberra ACT.

Signed _____
Chair

46



ACT
Government

Chief Minister, Treasury and
Economic Development

To: Chief Minister
Deputy Chief Minister

Subject: Voting Shareholder Quarterly Meeting with Icon Water 25 August 2016

Critical date and reason

1. **22 August 2016.** Information for your meeting with Icon Water on 25 August 2016 from 9:30am to 10.30am in the Executive Meeting Room in the Chief Minister's office.

Recommendations

2. That you note the information.

NOTED/PLEASE DISCUSS

Andrew Barr MLA *Andrew Barr* 21/8 / 16

NOTED/PLEASE DISCUSS

Simon Corbell MLA / /

SENSITIVE

Supporting Reasoning

3. Principal attendees include:

Voting Shareholders: Chief Minister and Deputy Chief Minister

Departmental Officials: David Nicol, Under Treasurer, Dorte Ekelund, DG EPD, Stuart Friend, Acting ED ERD.

Icon Water: Dr Michael Easson, Chair, Wendy Caird, Deputy Chair, John Knox, Managing Director, and Sam Sachse, General Manager Finance.

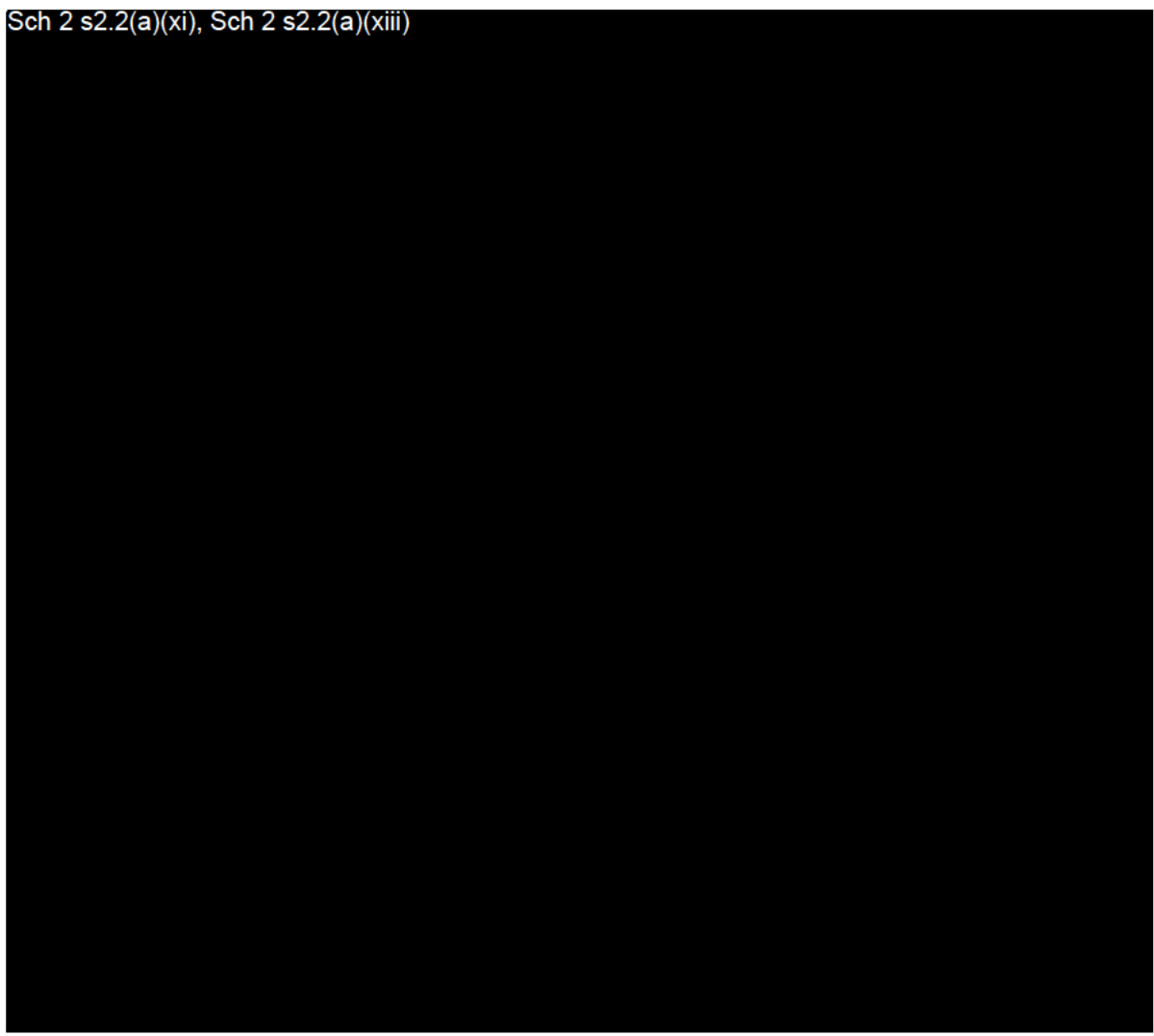
ActewAGL: Michael Costello, Chief Executive Officer, Steve Skourakis, Chief Finance Officer (Items 1 to 3, then depart the meeting).

4. Icon Water has identified the following topics for discussion:

Item 1 ActewAGL Regulatory Update

5. Michael Costello to provide an update on ActewAGL matters.


Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



SENSITIVE

SENSITIVE

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



Item 4. Annual General Meeting

14. Icon Water will discuss the AGM to be held on 7 September 2016 and may ask the Shareholders if there are any particular matters they would like raised at the AGM. Treasury does not have any suggestions in this regard.

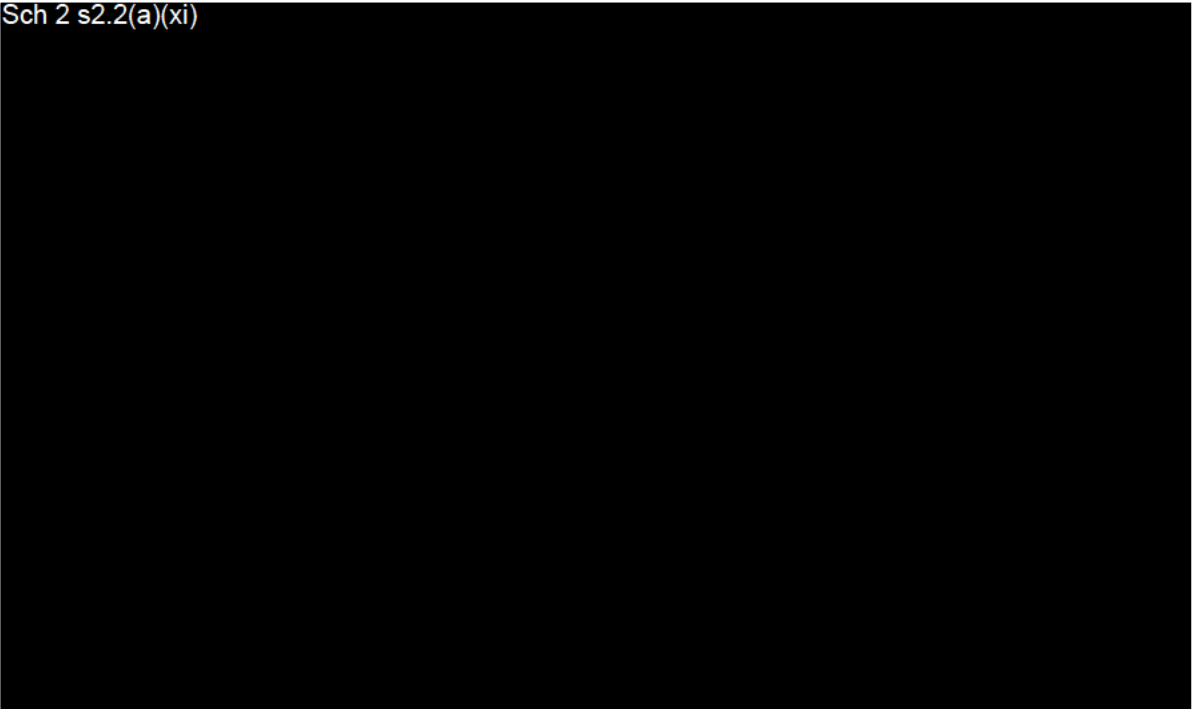
Item 5. Best of Region Sewage Treatment Plant Solution

15. Icon Water will provide an update on the proposal being considered with the Queanbeyan Palerang Regional Council to replace the existing Fyshwick and Queanbeyan sewage treatment plants with a new facility on the Queanbeyan site:
16. Treasury understands Icon Water is continuing to investigate the project with the Council including developing a stakeholder management plan, and conducting a peer review of the work to date (technical and site options, project evaluation and conclusions drawn).

SENSITIVE

SENSITIVE

Sch 2 s2.2(a)(xi)




Item 7. Community Engagement Forum

19. Icon Water is expected to provide you with feedback received from the community.
20. Icon Water may also raise the ICRC Tariff review that has been in the media recently.
 - a. Icon Water is concerned about the recent reporting in the Canberra Times of extreme scenarios drawn from ICRC technical papers concerning a possible revised tariff structure for water charges.
 - b. Icon Water is looking to reassure its customers that price shocks of that magnitude would be untenable by way of media interviews, community meetings and providing information sheets to each of its customers.

Other Potential Matters Not Listed

Sch2 s2.2(a)(xv)



Consultation and Communication

23. EPD, GSO, and Icon Water.

SENSITIVE

SENSITIVE

Financial

24. N/a

Management of Other Risks

25. Certain information contained in this brief is commercially sensitive.

Under Treasurer Clearance:

22/8

Executive Clearance:

Stuart Friend, Acting Executive Director,
Expenditure Review Division

Date: 19 August 2016

Action Officer: Tony Hays
Extension 75062.

SENSITIVE



23 November 2016

Mr Andrew Barr MLA
Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Mr Mick Gentleman MLA
Minister for the Environment and Heritage
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Andrew
Dear Chief Minister

Mick
Dear Minister

I am pleased to provide Icon Water Limited's (Icon Water) first quarter 2016–17 report recently approved by the Icon Water Board at its meeting on 16 November 2016.

The attached report provides a summary for the quarter 1 July to 30 September 2016 against the 2016–17 activities outlined in the Icon Water 2016-17 to 2019-20 Statement of Corporate Intent.

If you have any questions concerning the above, please do not hesitate to contact me.

Yours sincerely

Sch 2 s2.2(a)(ii)

[Redacted signature area]

John Knox
Managing Director



**Statement of Corporate Intent
First Quarter Report to Shareholders
1 July 2016 to 30 September 2016**

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1 Overview

The 2016–17 to 2019–20 Statement of Corporate Intent (2016–17 SCI) details the four strategies Icon Water Limited (Icon Water) will pursue to achieve its objectives under the *Territory-owned Corporations Act 1990* (TOC Act) and its four strategic objectives.

Under the TOC Act, Icon Water has four main objectives:

- **Efficiency:** operate at least as efficiently as any comparable business.
- **Sustainable return:** maximise the sustainable return to our shareholders on the investment in ACTEW (now named Icon Water Limited).
- **Social responsibility:** show a sense of social responsibility by having regard to the interests of the community in which we operate, and by trying to accommodate and encourage those interests.
- **Ecologically sustainable development:** effective integration of environmental and economic considerations in decision-making processes.

The 2016–17 SCI identifies the four strategic objectives over the period 2016–17 to 2019–20 as:

- **People** – a culture that protects, engages and develops our people.
- **Asset Management** – excellence in asset management.
- **Customer** – meeting customer needs, exceeding customer expectations.
- **Financial** – sustainable financial returns and gearing.

The 2016–17 SCI outlines the four strategies relating to the above strategic objectives as well as performance measures and targets to enable monitoring and reporting against achievement of these objectives.

The following pages provide outcomes for the first quarter, 1 July 2016 to 30 September 2016 against key activities for 2016–17 contained in the 2016–17 SCI.

2 People strategy

2.1 2016–17 key activities

Key activities for 2016–17 include:

- Commence a safety engagement program to engender a belief amongst all staff that all safety incidents are preventable.
- Continue implementation of a Just Culture framework.
- Commence a program to reduce musculoskeletal injuries.
- Deliver unconscious bias training to Executives, Managers and Team Leaders.
- Develop a leadership capability framework for Executives, Managers and Team Leaders.
- Conduct an employee engagement survey.

2.2 Quarter 1 outcomes

Work health and safety strategy

- The safety engagement program aims to create a shared belief across the organisation that all incidents are preventable. A pilot program was conducted on 14 and 15 July 2016 involving 16 employees including the Managing Director. Feedback from participants was very positive and twenty one programs have been scheduled for the financial year, commencing in September 2016.
- The mental health initiative aims to ensure Icon Water provides a mentally healthy workplace which encourages openness about mental health issues and supports staff with mental health conditions. During the quarter four presentations were delivered to staff that aimed to reduce the stigma associated with mental health. In addition an online mental health survey was conducted and three focus groups involving 41 employees completed. The report from the survey and focus groups has now been received and the results and additional initiatives will be communicated to staff in October and November 2016.

People strategy

- A support package for employees who are victims of domestic violence was implemented, including extra leave, an alternative confidential reporting channel and the development of workplace safety plans as required.
- A comprehensive training review was completed to ensure organisation-wide training is fully effective, supports the delivery of corporate strategies and is aligned to personal employee development plans.
- A leadership capability framework has been developed which is designed to establish a common and consistent language on required leadership capabilities and to ensure that all leaders understand the behaviours and attributes expected of them when leading their teams.
- An online training program has been implemented offering all employees the opportunity to complete professional development modules on a range of topics including Microsoft products, leadership and change management.

3 Asset management strategy

3.1 2016–17 key activities

- Finalise the projects to document all asset management processes to leverage the international standard on asset management (ISO 55001:2014 *Asset Management – Management Systems - Requirements*).
- Finalise the revision of all costed maintenance plans that link to stakeholder objectives.
- Commence the Asset Maintenance Management System (AMMS) project to provide information technology solutions to better understand and enhance our use of asset data to inform consistent asset management decisions.
- Develop asset planning analytics and predictive modelling tools to further optimise asset management decisions.
- Provide updated Asset Management Plans and a robust pricing submission to the economic regulator.

3.2 Quarter 1 outcomes

- The IMS Project that documents all asset management processes is progressing well. Project Delivery Operations and Maintenance (PDOM) Group has completed approximately 30% of the documentation describing its target state and Asset Management (AM) Group is now reviewing the Business Activity Maps that were developed in 2015 to ensure activity levels are consistent. PDOM and AM Group continue to work together to identify process touchpoints and potential overlaps.
- Development of costed maintenance plans progressed, being well supported within the Asset Management, Maintenances and Operations groups. The Maintenance Requirements Analysis (MRA) process involves two high level components – the development of maintenance strategies for assets and the detailed development of component maintenance plans. Maintenance strategies have been developed for 15% of assets, while a resourcing plan has now been finalised for the detailed maintenance plans. Development of detailed maintenance plans will commence in mid-November 2016.
- The AMMS project is currently at Phase 3 involving the selection of the appropriate product.
- Development of the asset planning and predictive modelling tools (APAS) has commenced.
- Updating of asset management plans, to feed into a robust pricing submission to the economic regulator, has continued. Internal stakeholder engagement and detailed planning is now complete. The next milestone is the completion of draft asset management plans (AMPS) by December 2016.

4 Customer strategy

4.1 2016–17 key activities

- Commence the customer CARE program.
- Launch the “Talking Icon Water” customer engagement program, including the introduction of a community consultative forum.
- Continue to realign the Community Support Program to our new brand.
- Refine our technology to provide contemporary self-service channels for seamless customer service.

4.2 Quarter 1 outcomes


- The ‘Talking Icon Water’ program is a multi-pronged approach to community engagement. The program consists of traditional surveys and focus groups, a ‘Think Tank’ and a community consultative forum. During the quarter, three fora were held, the ‘Think Tank’ was used to gauge the community’s willingness to pay for various services and a traditional survey was used for market research.
- Icon Water’s community consultative forum convened three times this quarter. This forum is an advisory body of fourteen members who are representative of our community. It provides an opportunity for Icon Water to speak directly with the community to understand community values and most importantly, to help inform future planning for our business.
- A realignment of the Community Support Program commenced with a refresh of the assessment guidelines to better reflect corporate values and corporate vision. The guidelines were developed in consultation with a number of our long-term community partners to ensure we created a seamless application process, set transparent expectations and continued to provide an equitable distribution of support to the Canberra community.

5 Financial strategy

5.1 2016–17 key activities

- Continue to define the efficiency opportunities within Icon Water and the program of works required to realise the benefits.
- Continue with the introduction of a debt program for ActewAGL Distribution.

5.2 Quarter 1 outcomes

- Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

- Work has begun on the 2018–23 regulatory submission. Although work is preliminary there has been a continued focus on identifying operating efficiencies to ensure a good regulatory outcome for Icon Water and its customers.

6 Key service delivery targets

Key Service Delivery Targets were set by Icon Water against industry standards used by comparable utilities. The targets were selected from a range of measures included in the National Performance Report to the Bureau of Meteorology. Table 1 (over page) details performance against the key service delivery targets. For the first quarter, Icon Water met 19 out of the 21 targets with water service complaints above the target for the quarter and the percent of effluent recycled slightly below the target.

Table 1. Key service delivery targets – 2016–17 Results

Service delivery measures		Target 2016-17	1st Quarter Results
Water			
Quality	Compliance with routine monitoring against the Public Health (Drinking Water) Code of Practice 2007 (ACT) (%)	100	99.53
	Number of zones where drinking water microbiological compliance is achieved (%)	100	100
Reliable supply	Water main breaks (per 100km of water main)	20-25	2.77
	Average duration of an unplanned interruption – water (minutes)	111-150	127.97
	Frequency of unplanned interruption – water (per 1000 properties)	63-127	20.53
	Real losses (litres/service connection/day)	59-73	50
	Water volume ¹ to meet demand (ML/day)	140-300	105.34
Sewerage			
	Sewerage mains breaks and chokes (per 100km sewer main)	40-66	14.36
	Property connection sewer breaks and chokes (per 1000 properties)	8-15	3.28
	Average sewerage interruption (minutes)	37-44	33.53
Customer satisfaction			
	Water quality complaints (per 1000 properties)	0.9-2.0	0.32
	Water service complaints (per 1000 properties)	1.0-2.0	0.75
	Sewerage service complaints (per 1000 properties)	1.0-2.0	0.26
	Billing and account complaints – water and sewerage (per 1000 properties)	0.1-1.5	0.15
	Total water and sewerage complaints (per 1000 properties)	3.5-5.0	1.43
Environment and sustainability			
	Compliance with environmental flow requirements, licence requirements and environmental authorisations (%)	100	100
	Net greenhouse gas emissions (net CO ₂ equivalent per 1000 connected water properties)	<257 ²	62
	Sustainability infrastructure scorecard is incorporated into all capital projects over \$50,000	100%	100
	Operational resource use and waste reduction ³	TBD ³	
	- generation of waste (tonnes)		1,747
	- paper use (ream)		863
	- water use (kL)		48,507
	Percentage of biosolids reused (%) ⁴	100	100
	Recycled water (percent of effluent recycled)	11-13	10.73

¹ Volume is the total production by the water treatment plants and supply through the water supply system.

² Representing a reduction year on year.

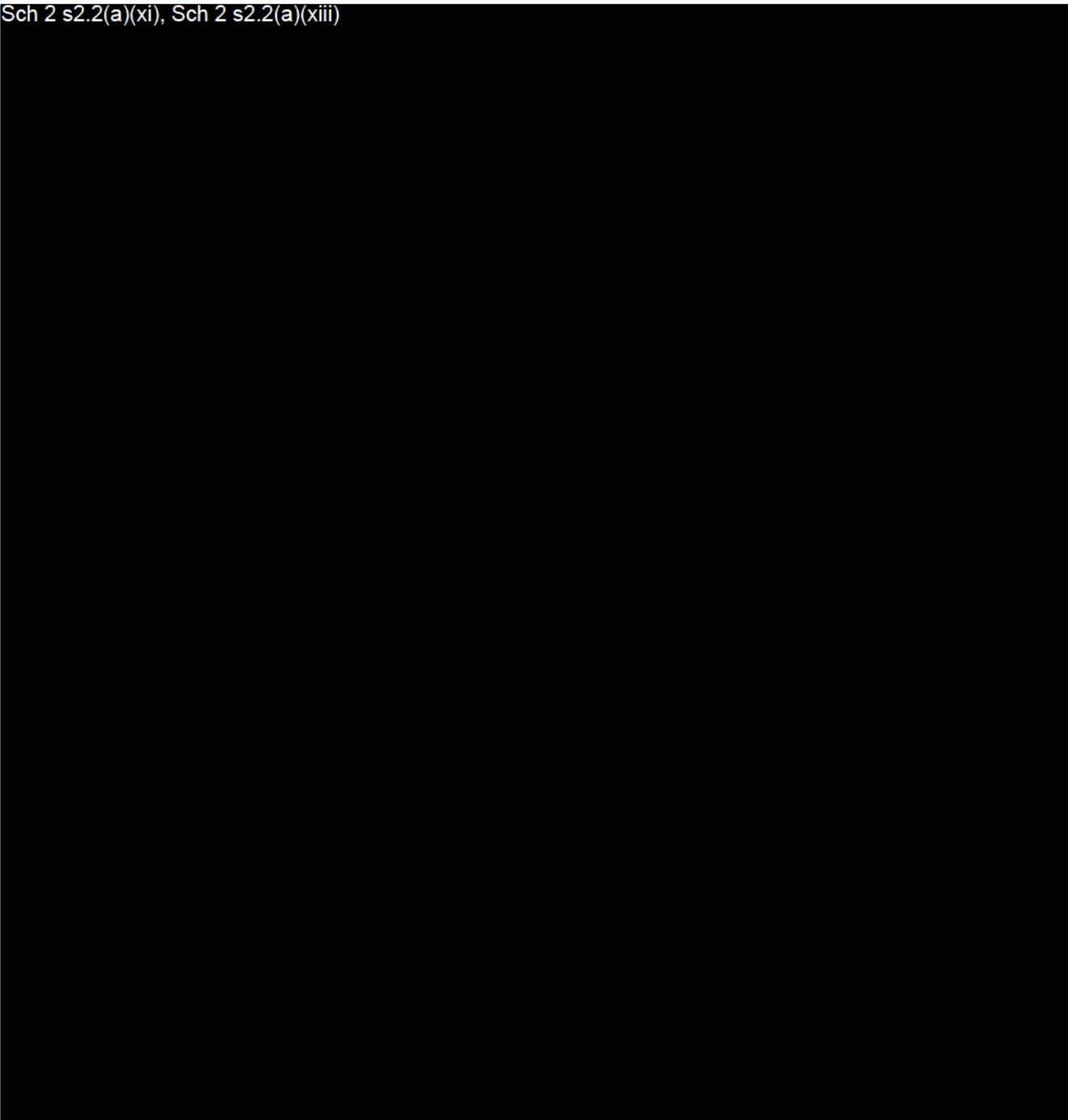
³ Operational resource use refers to consumption of chemicals, water, paper and generation of waste.

⁴ Percentage of biosolids reused may be greater than 100% if a utility is reusing stockpiles of biosolids.

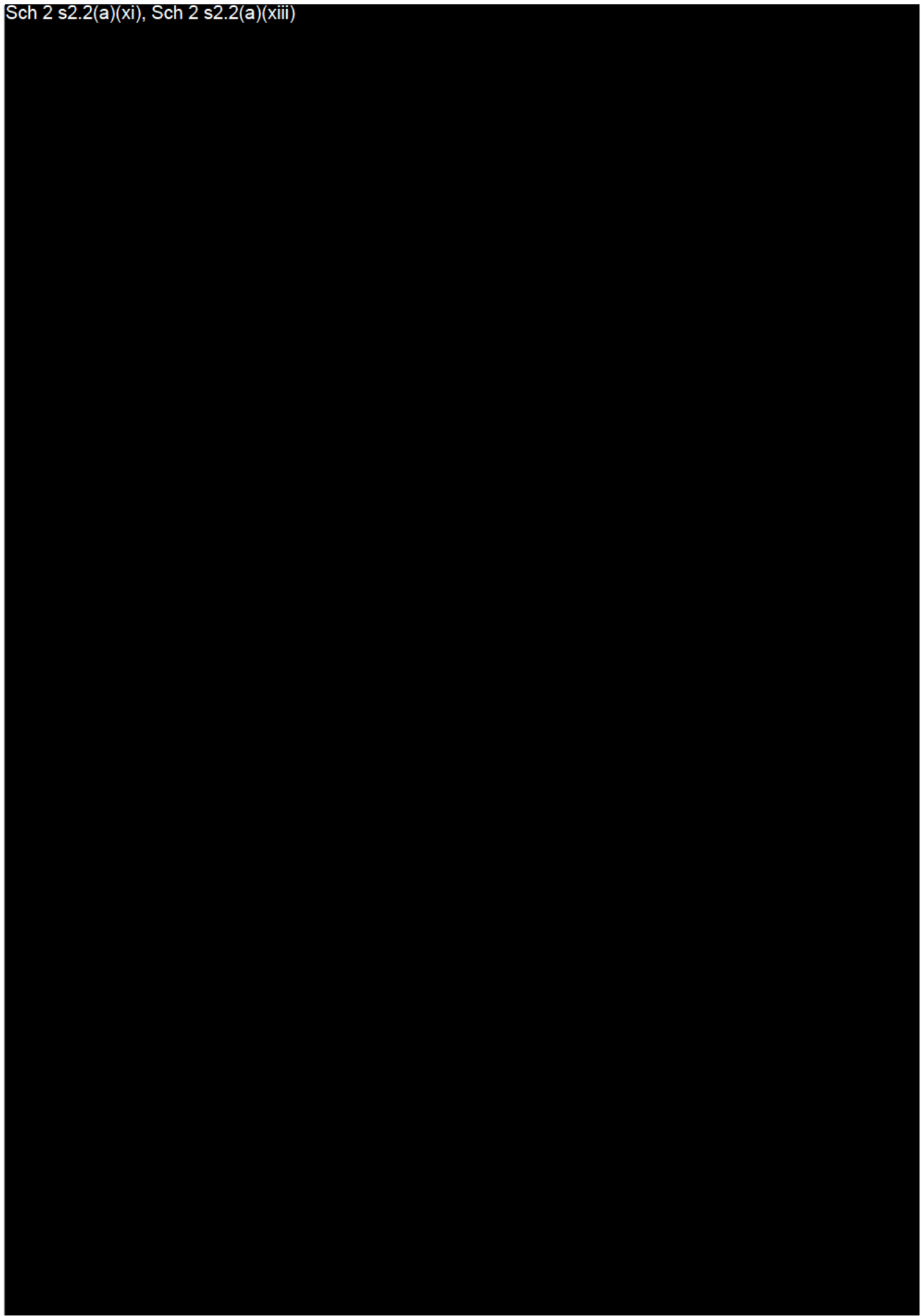
7 Financial report

7.1 Business performance summary

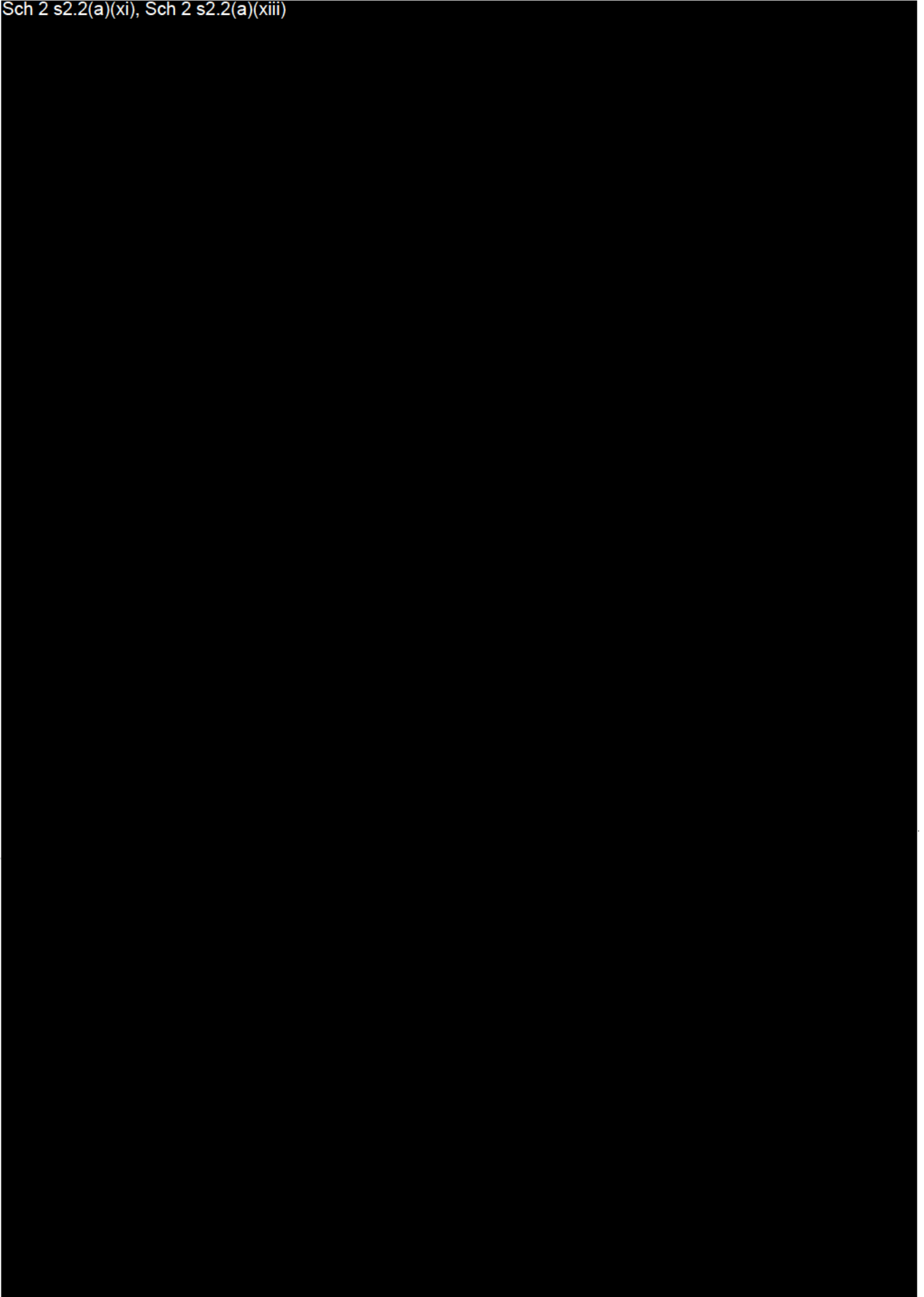
Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



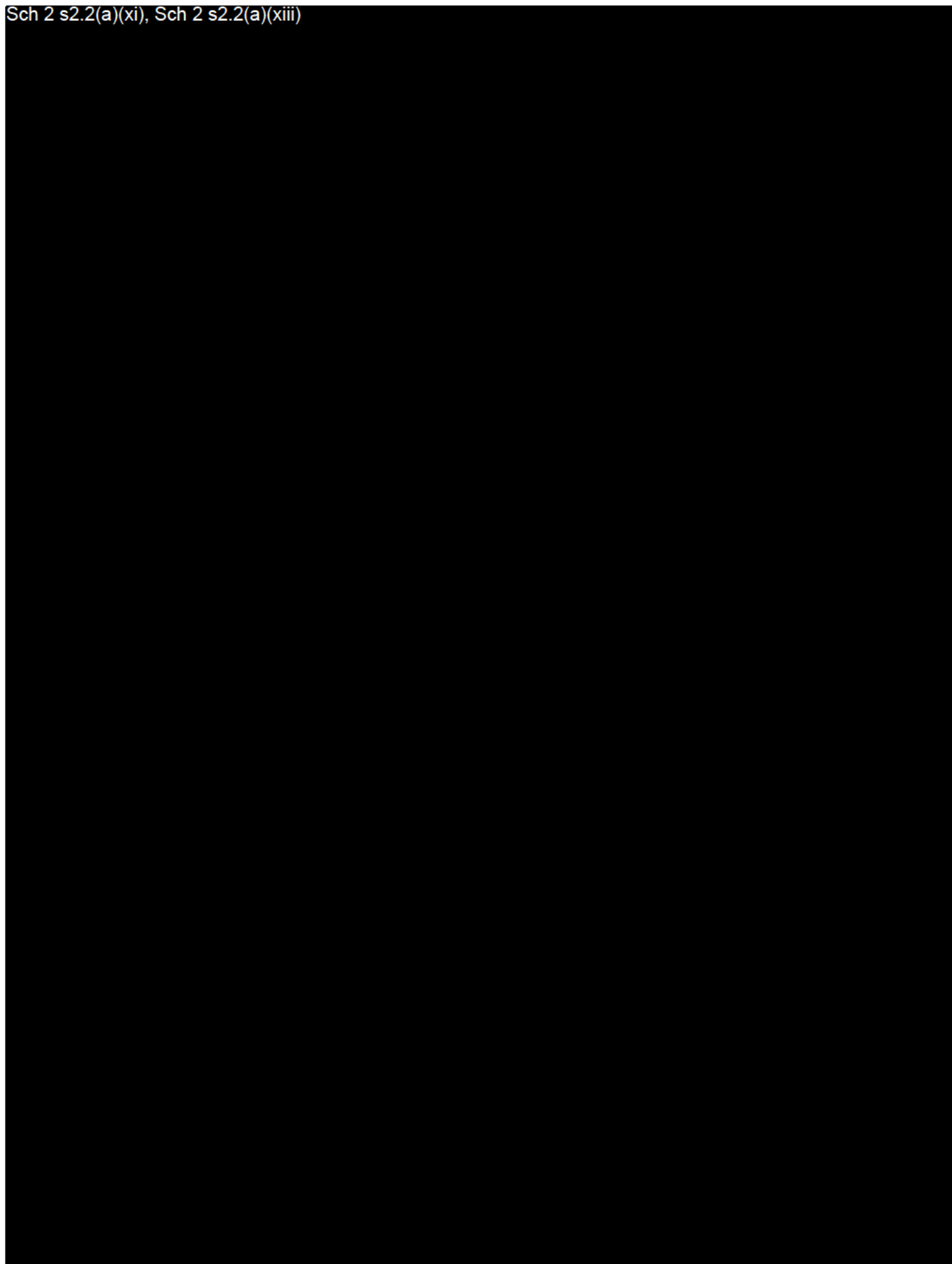
Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



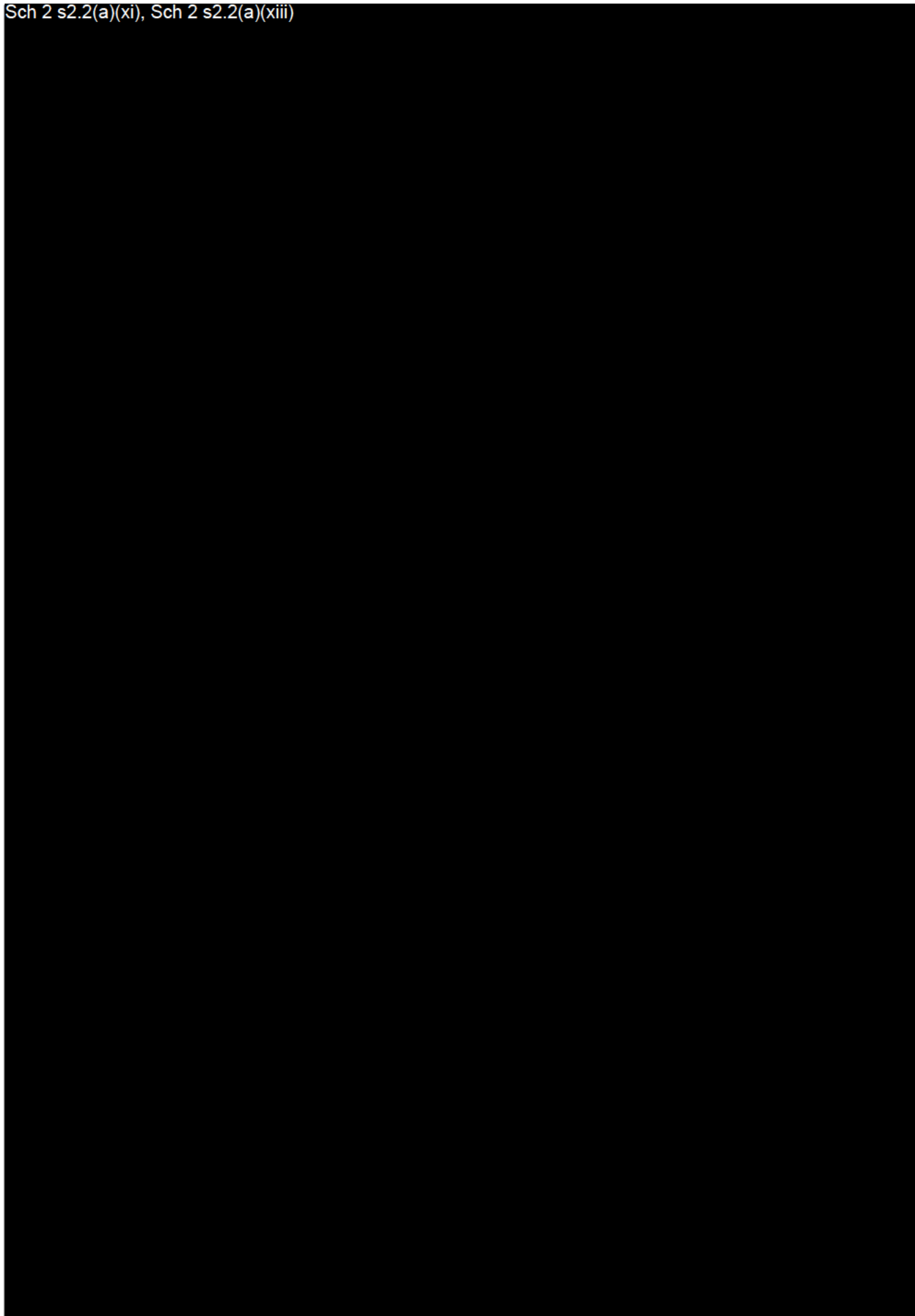
Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)




Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)




Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



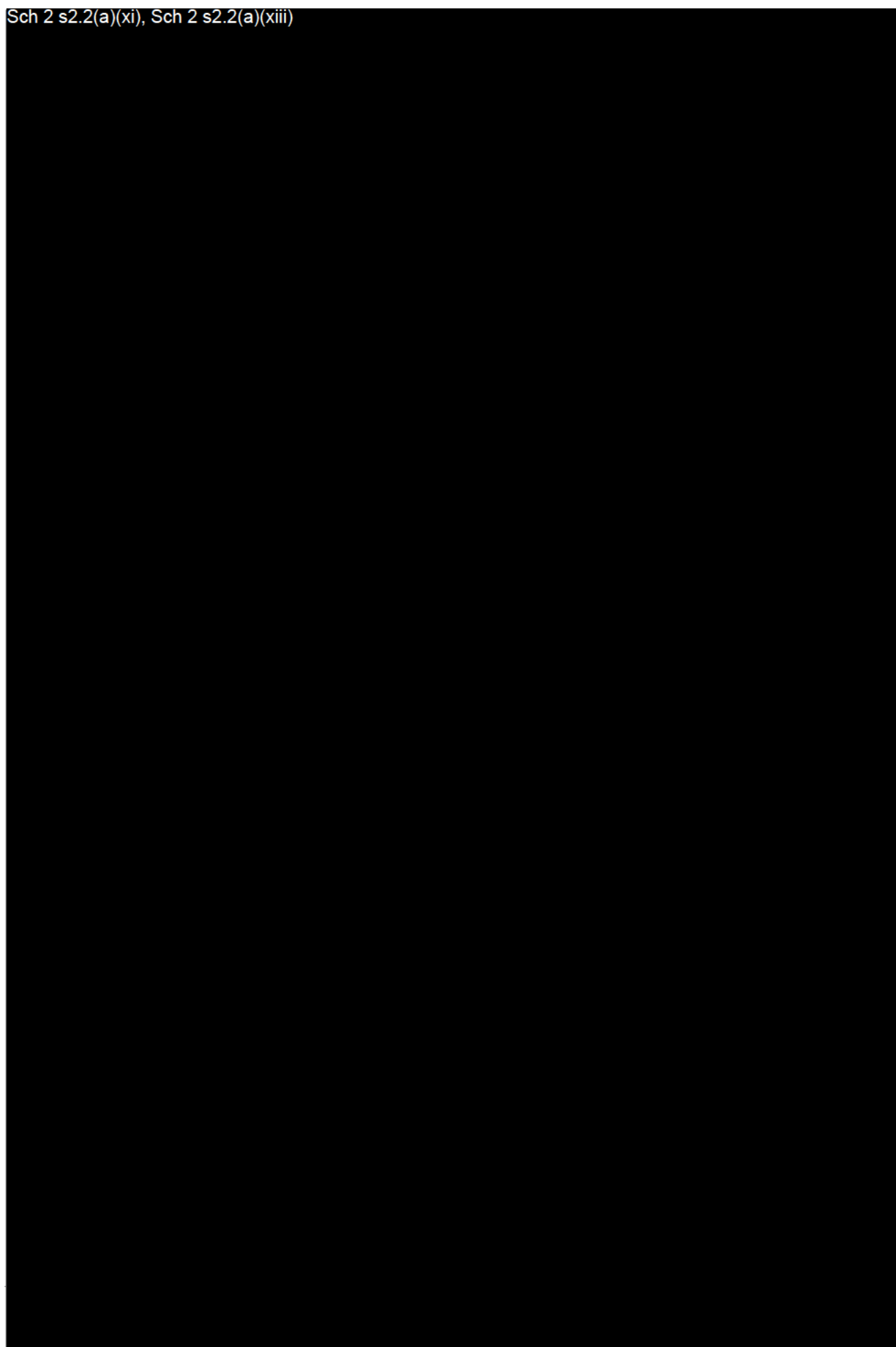
Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)





TRM 2017-1060

15 March 2017

Mr Andrew Barr MLA
Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Mr Mick Gentleman MLA
Minister for the Environment and Heritage
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Andrew
Dear Chief Minister

Mick
Dear Minister

Notes on meeting held on Tuesday 21 February 2017

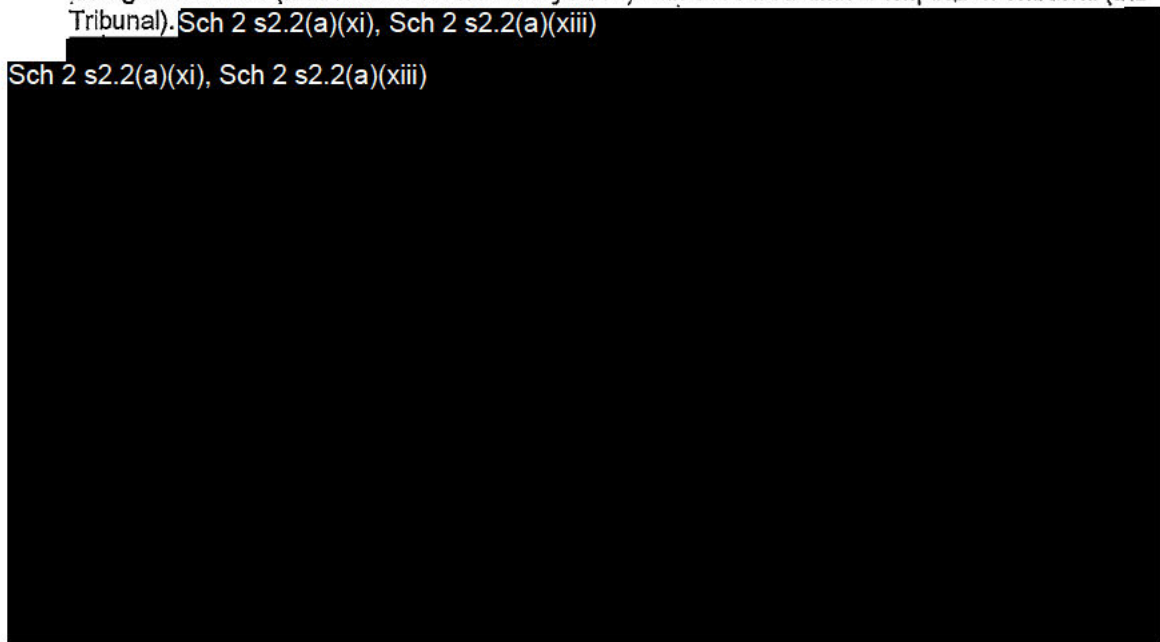
1. Energy investment – update

ActewAGL regulatory update

Electricity decision: Following the decision handed down by the Australian Competition Tribunal on 26 February 2016, the AER applied to the Federal Court for judicial review of the Tribunal's decision. The judicial review occurred in October 2016 and ActewAGL Distribution (AAD) is awaiting the decision.

Gas Decision: AAD lodged an Application for Leave and Application for Review of the AER's final gas decision (handed down on 26 May 2016) with the Australian Competition Tribunal (the Tribunal). Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

2. Best for Region – general update and Icon Water’s response to Queanbeyan-Palerang Regional Council sewage master plan

Icon Water submitted a response to QPRC sewage master plan in late December 2016 indicating Icon Water’s capability and the benefits associated with a Best for Region Sewerage Treatment Plant (BfR).

Icon Water is working towards a completed BfR concept design by July 2017 to compare with the QPRC standalone option.

QPRC has now advised that their standalone concept design will be delayed by 18 months and that no significant decisions will be made by QPRC during the administration period (September 2017).

Icon Water will continue with its BfR concept design to ensure it is ready should QPRC be in a position to consider Icon Water’s proposal.

Sch 2 s2.2(a)(xi)

3. Yass Valley Council – update

- On 19 January 2017, the Yass Valley Council (YVC) General Manager hosted Icon Water key employees on a bus tour of the key water and sewerage assets in Murrumbateman and Yass areas and provided a comprehensive overview of the current and future network requirements.
- On 30 January 2017, the General Manager Projects Delivery Operations and Maintenance hosted YVC key employees on a tour of the enlarged Cotter dam, with a further tour planned of the Stromlo Water Treatment Plant.
- Management are in active discussions with YVC regarding the potential short, medium and long term partnership of the two parties, and are aiming to formalise agreed views in the form of a shared memorandum of understanding (MoU) in due course.
- Short term partnering opportunities may include reciprocal placement of employees for extended periods and any other sharing of intellectual property. Ahead of this, appropriate documentation would be put in place to address matters such as confidentiality arrangements, provision of suitably qualified employees and clarity on roles and responsibilities.
- YVC has strong growth ambitions over the next twenty years in close proximity to the ACT, with specific focus on the established townships of Yass and Murrumbateman. The importance of infrastructure as a prerequisite for sustainable growth in the area, including a

secure water supply, is well articulated and understood. IW, as provider of water and sewerage services in the ACT and provider of bulk water to Queanbeyan Palerang Regional Council, is well placed to support Yass Valley Council's investigations as development progresses in the region.

4. Water and sewerage capital contributions code

- We continue to consult with industry on the capital contributions charges.
- We have received fairly strong views from developers, which were expected.
- There are three major areas of feedback.
 - the largest area of feedback is around the transitional arrangement. Sch 2 s2.2(a)(xi)
 - the second area of feedback is some developers want one precinct where as other developers want 100 precincts. Sch 2 s2.2(a)(xi)
 - the third area of feedback from developers is that the costs should be funded from all water and sewerage customers rather than funded by developers and passed on to the buyers of the property.
- Sch 2 s2.2(a)(xi)
- We have chosen to meet further with various industry groups on 2 March and extend the consultation period to 17 March, which will put some pressure on the proposed 1 July 2017 go live date given the ICRC will undertake a further review of our proposal.

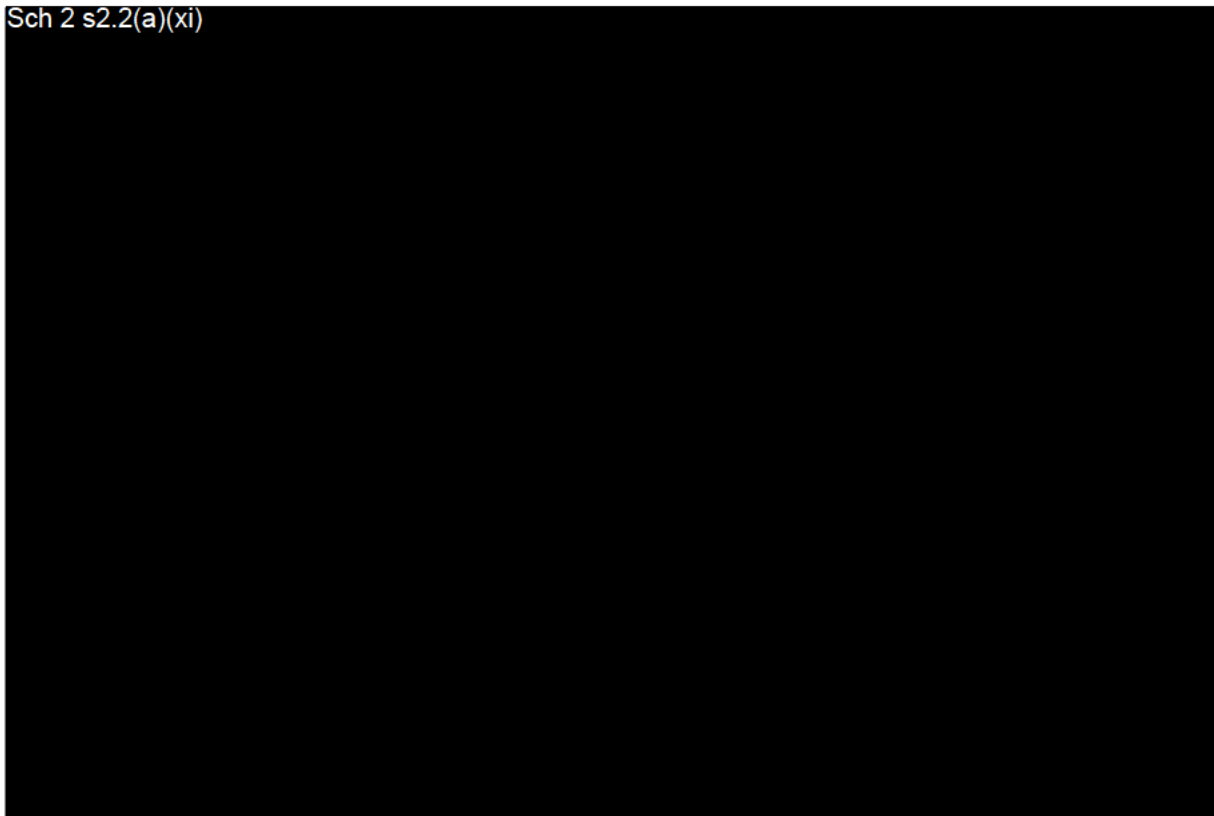
5. Tariff review/Regulatory proposal

- Icon Water will submit its regulatory proposal for the period 2018–2023 to the Independent Competition and Regulatory Commission (ICRC) in June 2017. The ICRC final report on its review of tariff structures (due this month) is expected to be principles-based and require Icon Water to propose a tariff structure as part of its regulatory proposal.
- Icon Water continues to investigate looking at modest alternatives to improve water tariff structure while ensuring affordability for low income low consumption households. Sch 2 s2.2(a)(xi)

Sch 2 s2.2(a)(xi)

- [Redacted]
- The approach will need to be re-evaluated over the coming months in light of:
 - the ICRC tariff review final report, once it has been released
 - the forecast revenue requirement and forecast demand, as they are finalised in the lead up to the June 2017 submission.

Sch 2 s2.2(a)(xi)



6. Board Director recruitment process – update

- The new Director positions were advertised in:
 - The *Weekend Australian* – 28-29 January and 4-5 February
 - The *Financial Review* on Friday 27 January and Friday 2 February.
- Applications closed on Friday 17 February and there are approx. **210** applications.
- The selection panel is:

- Ms Wendy Caird (Deputy Chair Icon Water)
- Ms Carol Lilley (Chair Icon Water Risk and Assurance Committee)
- Mr David Nicol, ACT Under Treasurer.
- Selection criteria is currently being finalised for the position to inform the short-listing process.

7. Stakeholder engagement activities

Icon Water is planning to or undertaking a number of stakeholder engagement activities regarding particular services that are currently provided by Icon Water including:

- Capital Contributions (current)
- Trade waste (current)
- Tariff structures (current)
- Hydraulic asset acceptance process(planning)
- Building approvals process (planning)

8. ACT Government Priorities

Icon Water has identified a number of opportunities where it can support the ACT Government in achieving the following priorities:

- Urban renewal and planning
- Water and catchment management
- Regional collaboration.

In addition Icon Water will work further with the ACT Government in refining the ACT Government's water policy (refer Item 5 above).

Yours sincerely

Sch 2 s2.2(a)(ii)

John Knox
Managing Director



MINISTERIAL BRIEF

Chief Minister, Treasury and Economic
Development Directorate

SENSITIVE

To: Treasurer

Tracking No.: CMTEDD2017/174

Minister for the Environment and Heritage

From: Director, Expenditure Review Division

Date: 26 April 2017

Subject: Voting Shareholder Quarterly Meeting with Icon Water

Critical Date: 1 May 2017

Critical Reason: To provide a brief to the Voting Shareholders for the above meeting to be held on 3 May 2017.

• UT *fr* 27/4/17

Purpose: To Brief the Voting Shareholders on issues to be raised by Icon Water.

Recommendations

That the:

- 1. Voting Shareholders note the brief.

Noted/Please Discuss

Noted/Please Discuss

Andrew Barr MLA. *[Signature]* 2/5/17

Mick Gentleman MLA. *[Signature]* 28/4/17

Minister's Office Feedback

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Background

1. The Voting Shareholders are scheduled to meet with Icon Water/ActewAGL for the next quarterly meeting on Wednesday 3 May 2017 from 10.00 to 11.00 am in the Executive Meeting Room in the Chief Minister's office.
2. Icon Water has submitted the following discussion items:
 - i) ActewAGL Gas Billing Processes
 - ii) ActewAGL Structure Review
 - iii) ActewAGL Rebranding
 - iv) ActewAGL debt facility update
 - v) Icon Water Pricing Submission
 - vi) 2016-17 Financial performance and forward Budget (SCI)
 - vii) M2G Pipeline pursuit of alternative maintenance options
3. Principal attendees include:

Departmental Officials: David Nicol, Under Treasurer, Ben Ponton, DG EPSDD, Stuart Friend, Director, Expenditure Review Division.

Icon Water: Ms Wendy Caird, Chair, Carol Lilley, Deputy Chair, John Knox, Managing Director, and Sam Sachse, General Manager Finance.

ActewAGL: Michael Costello, Chief Executive Officer (Item 1 only)

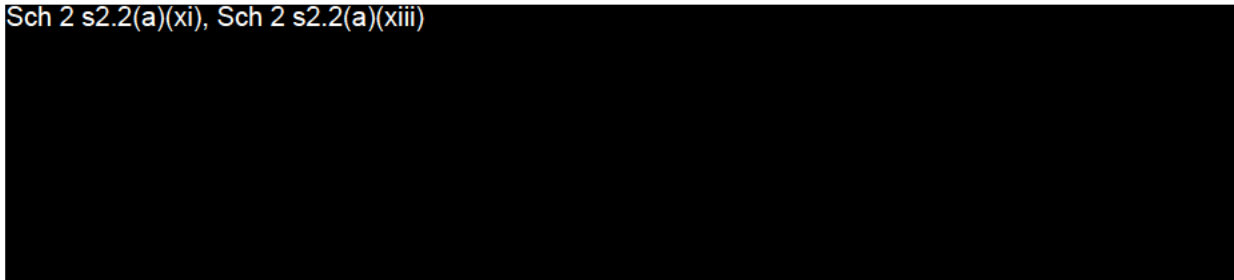
Issues

4. Background information against each topic is as follows:

Topic 1. ActewAGL Gas Billing Processes

5. Michael Costello will provide an update on ActewAGL's efforts to address widespread customer concerns due to receiving gas bills based on estimated usage rather than actual meter readings.

Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)


Topic 3. ActewAGL Rebranding

7. New ring fencing rules established by the Australian Energy Regulator will require any ancillary businesses to be established as separate entities with their own distinctive brand names.
 - a. It is anticipated the ring fencing rules may require for either ActewAGL Retail or ActewAGL Distribution to be rebranded.

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Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

Topic 5. Icon Water Pricing Submission

9. On 31 March 2017 the ICRC released an issues paper on the next water pricing determination 2018-23 and its final report of the Tariff Review. The outcomes of the tariff Review will be considered in further depth as part of the pricing investigation process.
- a. The draft report released in September 2016 proposed a substantially higher fixed charge plus a significantly lower volumetric charge tariff structure. However, the final report moved away from this proposal, and rather focused on developing a principles based approach to determining future changes to the water tariff structure in the Territory.
 - b. The Government provided a submission to the ICRC in November 2016 highlighting the Government's key concerns including the potential significant cost impact on low volume users and vulnerable residents.
10. The ICRC is calling for submissions on the issues raised in the Issues paper for water and sewerage pricing investigation. Treasury proposes the Government does not provide a formal submission until the release of the draft ICRC Report scheduled for December 2017.
11. John Knox will provide an update on Icon's submission to the ICRC.

Topic 6. 2016-17 Financial performance and Forward Budget (SCI)

12. A summary of the revised financial performance for 2016-17 based on the February 2017 forecast is as follows:

Item	Budget 2016-17 \$'000	Revised Forecast 2016-17 \$'000	Variance \$'000
Water Revenue	190,830	182,046	(8,784)
Sewerage Revenue	127,850	122,920	(4,930)
Joint Venture Dividend	73,163	82,153	8,990
Other Income	26,176	26,779	603
Less Expenses	301,352	293,429	7,923
Profit before Tax	116,665	120,469	3,804
Less Income Tax (ITE)	34,999	37,336	2,337
Net Profit after Tax	81,666	83,133	1,467
Less Gifted Assets	9,892	9,431	(461)
Profits available for Dividend	71,774	73,702	1,928

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13. Icon Water is on track to meet its budget targets for 2016-17 with a net increase in projected dividend (\$1.9m) and increased ITE (\$2.3m) which is mainly due to a favourable result in the energy investment due to higher volumes and lower costs of sales, together with water operating expense savings offset by reduced revenue from the water and sewerage business due to customer numbers and consumption volumes being lower than budgeted for.
14. As you are aware from a recent Treasury brief (TRIM 2017-1050) Icon Water provided its 2017-18 budget and forward estimates in its draft Statement of Corporate Intent (SCI). You signed a letter on 19 April 2017 to Icon Water advising that you were in agreement with their general strategic direction recognising that the numbers in the draft SCI may be varied as the final budget numbers are completed. Following office to office discussions Icon Water has made some revisions to the estimates which will be reflected in the final Budget and SCI.
15. The table below shows the NOB Impact from variations for dividends and tax payments to the Government in the new 2017-18 Budget/SCI period compared with the 2016-17 Budget and SCI.

	2016-17 Budget \$'000	2017-18 Draft Budget \$'000	2018-19 Estimate \$'000	2019-20 Estimate \$'000
2016-17 Budget	109,494	112,122	135,111	155,118
2017-18 Budget/SCI	111,038	100,160	115,653	125,156
Difference- NOB Impact	1,544	(11,962)	(19,458)	(29,693)

16. Driving these projected reductions are anticipated future regulatory determinations yet to be made. The next ICRC pricing determination for ActewAGL retail is due to commence on 1 July 2017 (Final Determination due June 2017). The next water and sewerage pricing determination is due to commence on 1 July 2018 (Final Determination due May 2018). The next ActewAGL wholesale determination is due to start on 1 July 2019.
17. The main reasons for the proposed decreases across the 2017-18 Budget/SCI period from the 2016-17 Budget/SCI are as follows:
- a) The inclusion of Icon's revised expectations around the next regulatory period commencing in 2018-19, which assumes pricing will increase in line with actual CPI. Sch 2 s2.2(a)(xi)

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- b) In 2016-17 Icon has experienced lower than forecast number of water customers, sales volumes and CPI which has also impacted the 2017-18 estimate. Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

- c) Sewerage Revenue is revised down in 2016-17 and 2017-18 to reflect current customer numbers and lower prices.

- d) Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

- e)

Topic 7. M2G pursuit of alternative maintenance options

18. Icon is intending to obtain independent expert advice on the future expected use of the pipeline and its maintenance costs.

Financial Implications

19. Nil

Consultation

Internal

20. EFG

Cross Directorate

21. Nil

External

22. Icon Water

Benefits/Sensitivities

23. To update the Voting Shareholders on current issues facing Icon Water and ActewAGL.

Media Implications

24. Nil.

Signatory Name: Stuart Friend

Phone: 70213

Action Officer: Tony Hays

Phone: 75062

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29 May 2017

Mr Andrew Barr MLA
Chief Minister
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Mr Mick Gentleman MLA
Minister for the Environment and Heritage
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2600

Dear Chief Minister *Andrew*

Dear Minister *Mick*

Icon Water shareholder meeting

Please find below a summary of the issues we discussed at the Shareholder meeting on 3 May 2017.

1. ActewAGL gas billing

- ActewAGL Retail experienced an increase in customer complaints about gas billing. The increase in complaints was due to the higher than normal billing estimates Sch 2 s2.2(a)(xi), compared to the general experience Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii) Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)

- ActewAGL Retail and its suppliers have now remedied the situation with the number of billing estimates returning to normal levels.

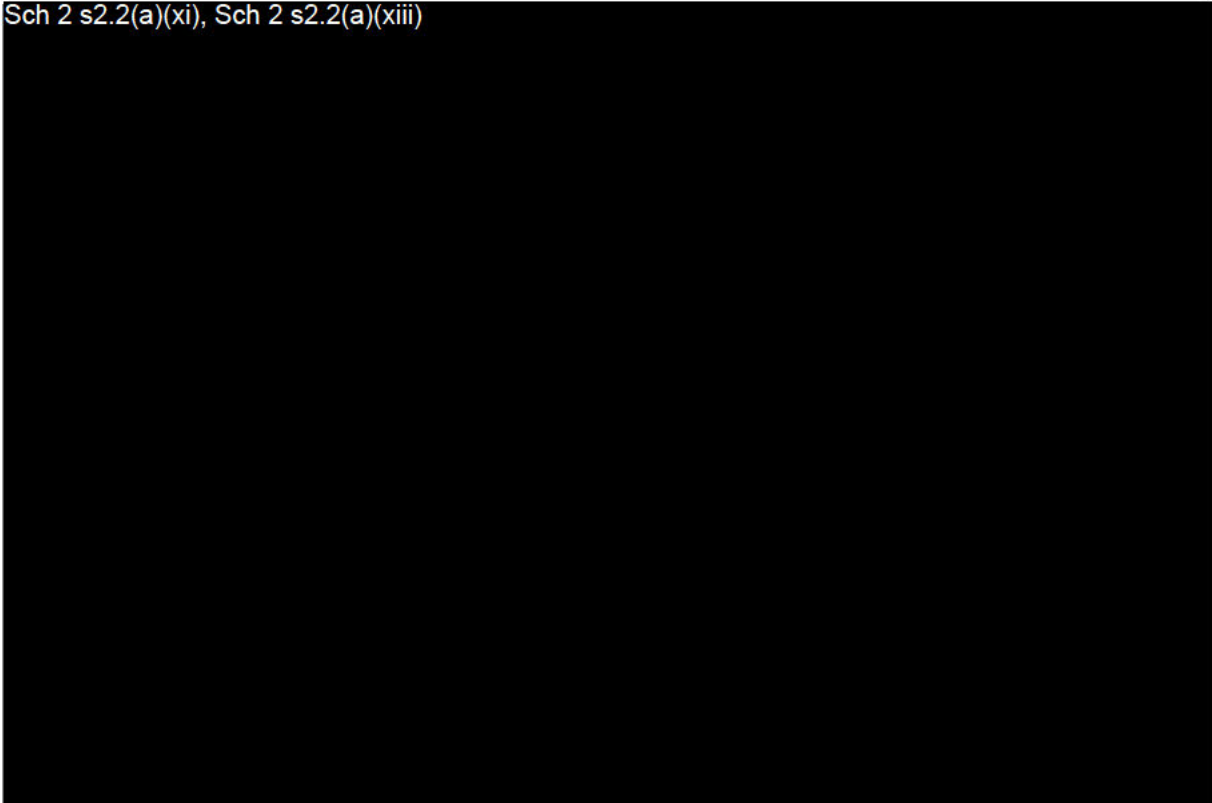
2. ActewAGL Retail prices

- The Independent Competition and Regulatory Commission (ICRC) draft decision to the transitional franchise tariff is for electricity prices to increase by 11 per cent due to higher wholesale electricity prices. Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)


3. ActewAGL Distribution AER appeals

- The Federal Court and Australian Competition Tribunal are expected to announce their decision on the appeals on respective electricity and gas distribution prices in late May 2017. Both decisions may result in referrals back to the Australian Competition Tribunal or Australian Energy Regulator for further analysis which will delay the final prices for the current regulatory periods.

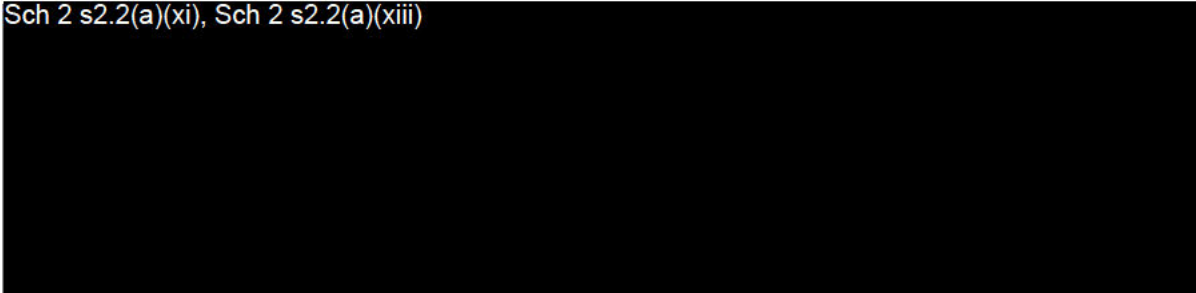
4. Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



5. ActewAGL rebranding

- The ringfencing guidelines released by the Australian Energy Regulator require legal and brand separation of regulated network operators and their non-regulated activities (e.g. streetlights activities, including ActewAGL Retail).
 - As a result, it is proposed for ActewAGL Distributions Energy Networks to be rebranded by 1 December 2017 to ensure compliance with the ringfencing guidelines.
 - Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)
- 

6. Sch 2 s2.2(a)(xi), Sch 2 s2.2(a)(xiii)



7. Pricing submission

- Icon Water will submit its regulatory proposal for the period 2018–2023 to the ICRC in June 2017. The ICRC final report on its review of tariff structures (due this month) requires Icon Water to propose a tariff structure as part of its regulatory proposal.

- Sch 2 s2.2(a)(xi)

-

-

- The combined water and sewerage bill impacts on a typical residential customer would be \$26 (or a 2.2 per cent increase) in 2018–19, with similar impacts in each subsequent four years.

8. Best for Region Sewage Treatment Plant

- Progress continues on the concept design for the 'best for region' sewage treatment plant with Queanbeyan Palerang Regional Council (QPRC). This is to be completed by July 2017 to enable the comparison to the QPRC standalone option.

- Sch 2 s2.2(a)(xi)

9. Yass Valley Council

- The General Manager of Yass Valley Council (YVC) met with Icon Water to further explore short, medium and long term partnership opportunities between the two parties through signing a memorandum of understanding (MoU) focused on collaboration.
- YVC has strong growth ambitions over the next twenty years within close proximity to the ACT, with a specific focus on the established townships of Yass and Murrumbateman. The importance of infrastructure as a prerequisite for sustainable growth in the area, including a secure water supply, is well articulated and understood.

10. Murrumbidgee to Googong Pipeline

- Icon Water is investigating the optimum solution to minimise ongoing costs for the Murrumbidgee to Googong Pipeline water security asset, given that the ACT is currently forecasted to be in a position of high level of water security.
- The optimum solution could include:
 - Continue to operate the pipeline for short periods throughout the year to ensure the pipeline remains in a state of readiness

- Place the pipeline in standby mode for an extended period of time which will result in a longer lead time for the pipeline to be made operational when needed in the future.
- The investigation is expected to be completed by 31 July 2017.

If you have any questions concerning the above, please do not hesitate to contact me.

Yours sincerely

Sch 2 s2.2(a)(ii)

John Knox
Managing Director