



Ref: 20230209CG:NL

9 February 2023

Water Regulation Review  
Independent Pricing and Regulatory Tribunal

*Via online submission*

## **Draft Water Regulation Handbook and Draft Information Return**

Essential Water welcomes the opportunity to provide feedback to the Independent Pricing and Regulatory Tribunal (IPART) on its Draft Water Regulation Handbook (the handbook) and the Draft Information Return. We welcome IPART's innovative approach to designing a regulatory framework that is fit for the future and are supportive of its focus on customers, costs, and credibility (the 3Cs). We also appreciate the drafting of an accompanying handbook to guide water businesses in its practical application.

As we have stressed throughout this review, the ability to tailor the regulatory framework is particularly important, especially for a water business such as Essential Water, which provides an essential service to a small number of customers in a remote and challenging environment. It will be important that IPART is cognisant of the significant step change that the updated framework represents for businesses and that it allows for this in how it assesses initial proposals under the new framework. We note the comprehensive set of expectations set out in the handbook for regulatory proposals, which whilst appropriate for larger entities may not be as feasible for a small water business such as Essential Water.

We have set out below, our feedback on some specific areas of the handbook and draft information return.

### ***Summary table of expectations***

Overall, we find the handbook to be comprehensive. It is however quite a long document, and a suggested enhancement would be to include a summary table at the beginning, setting out IPART's list of expectations under the updated regulatory framework and a reference to the relevant section of the handbook. This would facilitate easier navigation of the content and could also serve as a checklist for businesses to ensure that they have adequately addressed each of IPART's expectations.

### ***Efficiency Benefit Sharing Scheme***

Chapter 6 of the handbook discusses the incentive schemes available under the new regulatory framework. In relation to the Efficiency Benefit Sharing Scheme (EBSS) it isn't clear how the benefit for the previous 5 year regulatory period will be treated when the scheme is newly applied; this will be relevant for setting the base year opex. Further clarification on this would be appreciated.

### ***Appendix E – Board Attestation***

The Board Attestation template in Appendix E states "The information provided in the pricing proposal submitted on [insert date] ...". As the board will be endorsing the proposal prior to its submission, the wording of the template would need to be updated to clarify that the submission will take place in the future.

### ***Draft Information Return***

Essential Water appreciates the work which IPART has done on updating the Information Return and understands that it will require further refinements to tailor the template to meet the particular characteristics of each business. We attended the workshop held by IPART on the Information Return

and have also had a separate session with IPART's modelling team to go through our specific questions and concerns. We have not listed these items in this submission as they are specific to the Essential Water business, and we are happy that they can be dealt with as the Information Return is further developed. We look forward to receiving an updated version of the Information Return for review before it is implemented.

Essential Water is happy to further discuss the above feedback. Please contact [REDACTED]  
[REDACTED]

Yours sincerely

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Natalie Lindsay  
**Head of Regulatory Affairs**