

IPART 2015 household survey – Payment difficulties



20 September 2016



WHAT

This fact sheet discusses our 2015 household survey's findings on payment difficulties. We asked households:

- ▼ whether they had felt financially unable to pay their electricity, gas or water bills
- ▼ whether they had approached their supplier about this, and what assistance their supplier offered
- ▼ whether they had received payment assistance vouchers, and
- ▼ whether their supply had been disconnected or restricted.



WHY

We include questions about payment difficulties in our household surveys to help us understand the context of our decisions on water and energy. Our findings could also provide background information for policy discussions on measures to assist vulnerable households.



HOW

We commissioned Roy Morgan Research to conduct the survey. It interviewed 4,404 households in five areas:

- ▼ Sydney Water Corporation's area of operation (Sydney)
- ▼ Hunter Water Corporation's area of operation (Hunter)
- ▼ Gosford City Council's area (Gosford)
- ▼ Riverina region, mainly Wagga Wagga and Albury (Riverina), and
- ▼ Mid-North Coast and Northern Rivers (North Coast).



FINDINGS

- ▼ Households were less likely to have had difficulty paying gas or water bills than electricity bills.
- ▼ The prevalence of payment difficulties was fairly similar across the survey areas, except North Coast where it was higher.
- ▼ When approached, suppliers' most common response was to extend the bill's due date or allow it to be paid in instalments.
- ▼ About 5% of households had used energy payment assistance (EAPA) vouchers. Fewer had used water vouchers.
- ▼ The likelihood of a household experiencing payment difficulties depends on a combination of its income, size, usage and/or housing costs (rent or mortgage payments).



WHAT ELSE

The information paper with this fact sheet provides more detail on our findings on payment difficulties. We have also published:

- ▼ other fact sheets and information papers about the survey, and its findings on energy and water usage, energy and water conservation, solar PV panels, and concession cards and rebates,
- ▼ reports on water and energy usage (which include technical appendices), and
- ▼ output tables of the survey responses (Excel files).

These documents are available on our [website](#).

1 Why we asked about payment difficulties

Some households find it financially difficult to pay their energy or water bills. To help gauge the extent of this problem, our survey asked households whether they had felt financially unable to pay their household electricity, gas or water bills in the previous 12 months, and between 12 months and three years ago.

If they had felt unable to pay their bills, we asked them whether they had approached their supplier for help and, if so, what assistance they received. We also asked if they'd been disconnected or had their water flow restricted. We asked them if they had received payment assistance vouchers to help with their utility bills.

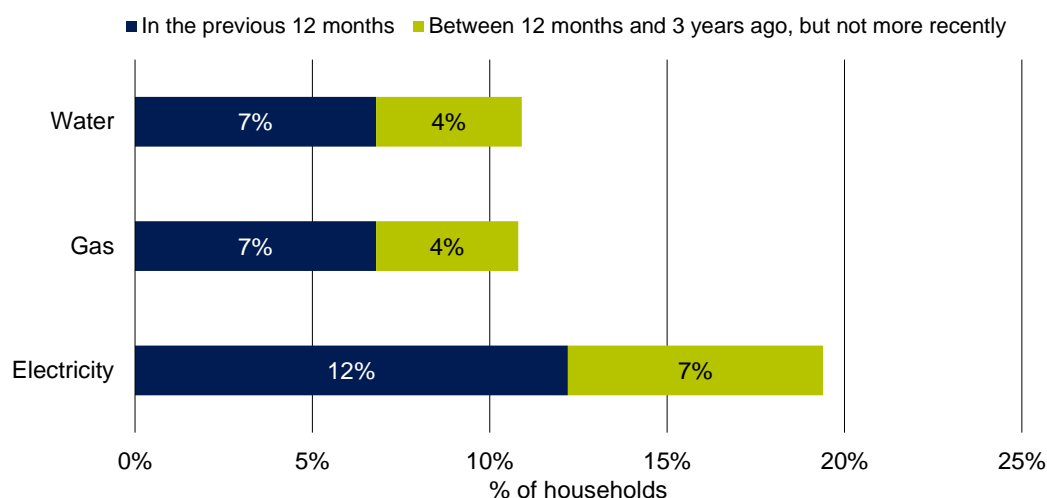
We also explored whether the households that said they had difficulty paying electricity bills were more likely to have certain characteristics, or to have higher electricity usage than other households.

2 Prevalence of payment difficulties

Households were less likely to have had difficulty paying gas or water bills than electricity bills

About 7% of households said they had felt unable to pay gas or water bills in the last 12 months, and a further 4% had felt unable to pay their bills between one and three years ago, but not in the last 12 months. A higher proportion of households had felt unable to pay their electricity bills (12% in the last 12 months and 7% before that.) (Figure 1.) Box 1 discusses possible reasons why households are less likely to experience difficulty paying gas or water bills than electricity bills.

Figure 1 Households that felt unable to pay electricity, gas or water bills (% of households)



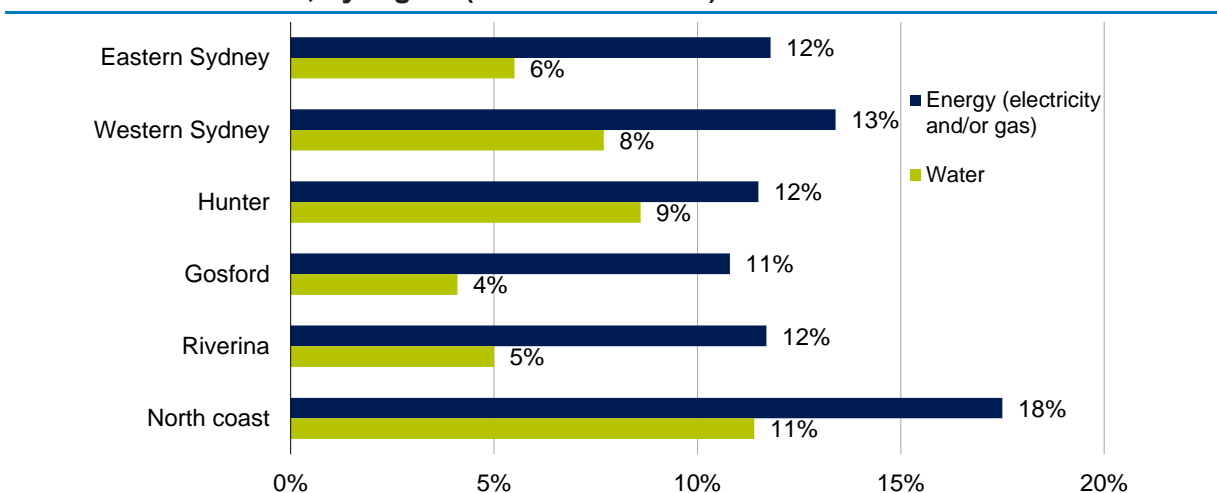
Note: Each household is counted only once. Households that do not pay water usage charges are excluded from the analysis for water. The data are weighted to represent the NSW population as a whole. This means respondents in Sydney receive a higher weight than those in other survey areas, as Sydney residents make up a higher proportion of the NSW population (see IPART, *IPART 2015 Household Survey – About the survey*, September 2016).

Source: 2015 Household Survey.

The prevalence of difficulties was similar across most survey areas

Our findings on the prevalence of payment difficulties are fairly similar across most survey areas. However, a higher proportion of households in North Coast said they had felt unable to pay energy and water bills in the previous 12 months (Figure 2). One possible reason for this is that of all the survey areas, North Coast has the lowest median weekly income,¹ and highest proportion of low income households (more than 40% compared to about 25% in Sydney and 35% in other areas).²

Figure 2 Households that felt unable to pay energy or water bills in the previous 12 months, by region (% of households)



Note: Each household is counted only once. Households that do not pay water usage charges are excluded from the analysis for water. Western Sydney includes Baulkham Hills and Hawkesbury, Blacktown, Sydney Outer South West, Sydney South West, Sydney - Outer West and Blue Mountains. The data are weighted by area weights (see IPART, *IPART 2015 Household Survey – About the survey*, September 2016).

Source: 2015 Household Survey.

¹ IPART, *IPART 2015 Household Survey - About the survey. Information Paper*, September 2016, p 3.

² See IPART, *IPART 2015 Household Survey - Output tables - All areas*, 2016.

Box 1 Why households are less likely to have difficulty paying water or gas bills than electricity bills

Households are less likely to feel financially unable to pay their gas or water bills because:

- ▼ Gas and water bills tend to be smaller than electricity bills.
- ▼ A smaller proportion of gas customers than electricity customers have low incomes. For example, we found that 18% of residential gas customers had annual incomes below \$41,600,^a compared with 27% of residential electricity customers.
- ▼ Households that rent pay only a small component of the dwelling's water bill directly to their supplier, if any at all. (Some or all of the charges for water and sewerage are covered by their rent.)
- ▼ Many low income households that own their home have an eligible concession card and receive a pensioner rebate on their water bill.^b In Sydney, these rebates are comparatively large.^c

^a Total household income (before tax). We have classified these households as low income households (see Box 2 below).

^b See IPART, *IPART 2015 household survey – Concession cards and rebates*, September 2016.

^c See <https://www.sydneywater.com.au/SW/accounts-billing/paying-your-bill/pension-rebates/index.htm>.

3 Responses to payment difficulties

Suppliers most often allowed payment in instalments or extended due date

Around half of the households that had felt unable to pay **electricity or gas bills**, and around one-third that had felt unable to pay water bills, had approached their supplier about their difficulty.

Of those who approached their supplier, around 98% of households were offered assistance. Most of these households said that when approached, their supplier had helped by allowing the bill to be paid off in instalments and/or extending the bill's due date. In a few instances, the supplier had referred the household to an emergency relief agency or a financial counsellor.

Around 92% of households that felt unable to pay their **water bill** had been offered assistance by their supplier. Further, 3% said they'd had their water flow restricted.

The rate of disconnections amongst all households was low: only around 1% of all households in our survey said they had experienced a disconnection or a water flow restriction in the previous three years.³

Some households used payment assistance vouchers

The NSW Government funds community welfare organisations (such as St Vincent de Paul and the Salvation Army) to distribute vouchers to help people in emergencies or crisis situations pay their utility bills. Energy Accounts Payment Assistance (EAPA) vouchers are

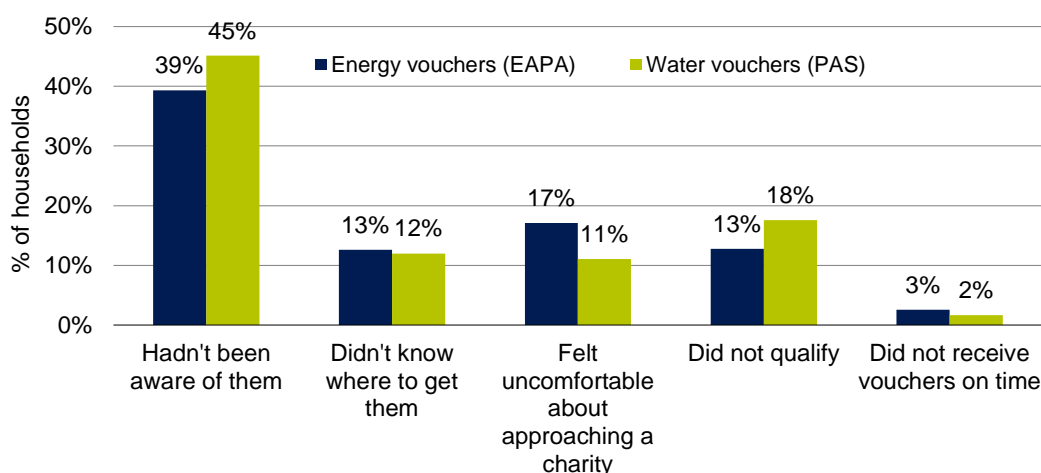
³ For information about when electricity and gas can be disconnected and water flow restricted, see <http://www.ewon.com.au/index.cfm/help-for-customers/disconnection-restriction>.

available to help with gas or electricity bills,⁴ and Payment Assistance Scheme (PAS) vouchers are available to help with water bills.⁵

Only a small proportion of households said they had used these vouchers over the previous three years. Among all households, 5% had used EAPA vouchers and 2% had used PAS vouchers.⁶

However, a higher proportion of households – roughly one-third – said they had needed these vouchers over the previous three years but had not used them. When asked about their reasons for this, these households most commonly said they had not been aware of them (Figure 3). A significant proportion said they had felt uncomfortable about approaching a charity.

Figure 3 Reasons for not using payment assistance vouchers among households that said they had needed them (% of households)



Note: Respondents could give more than one reason. Households that do not pay water usage charges are excluded from the analysis for water vouchers. The data are weighted to represent the NSW population. This means that respondents in Sydney receive a higher weight than respondents in the other survey areas, as Sydney residents make up a higher proportion of the NSW population (see IPART, *IPART 2015 Household Survey – About the survey*, September 2016).

Source: 2015 Household Survey.

4 Payment difficulties by household type and household structure

We examined our findings on households that had experienced difficulties paying their electricity bills in the previous 12 months to identify which types of household are more likely to have payment difficulties.

Our findings suggest that on its own, household income is not a good indicator of whether or not a household is likely to have payment difficulties. Rather, this likelihood appears to depend on a combination of characteristics.

⁴ For more information on EAPA vouchers, see <http://www.resourcesandenergy.nsw.gov.au/energy-consumers/financial-assistance/stay-connected-through-financial-crisis> or <http://www.ewon.com.au/index.cfm/help-for-customers/help-paying-bills/eapa/> (extracted 30 June 2016).

⁵ PAS vouchers are available for customers of Sydney Water, Hunter Water and Shoalhaven Water. For more information, see <http://www.ewon.com.au/index.cfm/help-for-customers/help-paying-bills/pas/> (extracted 30 June 2016).

Specifically, we found that the households more likely than others to have felt unable to pay electricity bills were those that had a combination of:

- ▼ lower income, and
- ▼ larger size (three or more people), and/or
- ▼ high accommodation costs (renting or buying home).

For example, around 18% of households in the low income group had experienced difficulty paying their bills, compared with around 5% of those in the high income group. But among low income households, the proportion that had experienced difficulty varied between:

- ▼ 8% of one or two person households that had fully paid off their home
- ▼ 25% of one or two person households paying rent, and
- ▼ 42% three or more person households paying rent.

Among higher middle income households, the proportion that had experienced difficulty varied between:

- ▼ 2% of one or two person households that had fully paid off their home
- ▼ 9% of one or two person households paying rent, and
- ▼ 17% of three or more person households paying rent (see Figure 4).

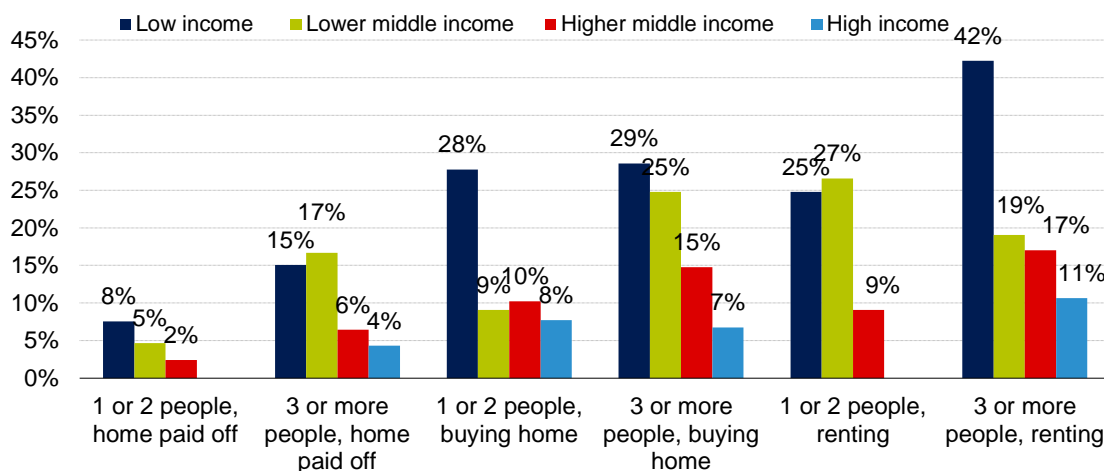
Box 2 explains how we defined household income groups.

Box 2 How we defined household income groups

We asked survey respondents to provide their total household income from all sources (before tax) in one of nine categories. To simplify our analysis, we consolidated these categories into four groups:

- ▼ Low income (up to \$41,600 pa)
- ▼ Lower middle income (more than \$41,600 up to \$78,000 pa)
- ▼ Higher middle income (more than \$78,000 up to \$156,000 pa)
- ▼ High income (more than \$156,000 pa).

Figure 4 Households that had felt unable to pay electricity bills in the previous 12 months, by income group, size and housing costs (% of households)



Note: The data are weighted to represent the NSW population. This means that respondents in Sydney receive a higher weight than respondents in the other survey areas, as Sydney residents make up a higher proportion of the NSW population (see IPART, *IPART 2015 Household Survey – About the survey*, September 2016).

Source: 2015 Household Survey.

5 Payment difficulties and usage

We also examined our findings on households that had felt unable to pay electricity bills in the previous 12 months to investigate the extent to which payment difficulties are associated with higher than average usage and therefore higher bills. We confined this analysis to households that only used electricity (ie, did not use mains gas or cylinder gas).

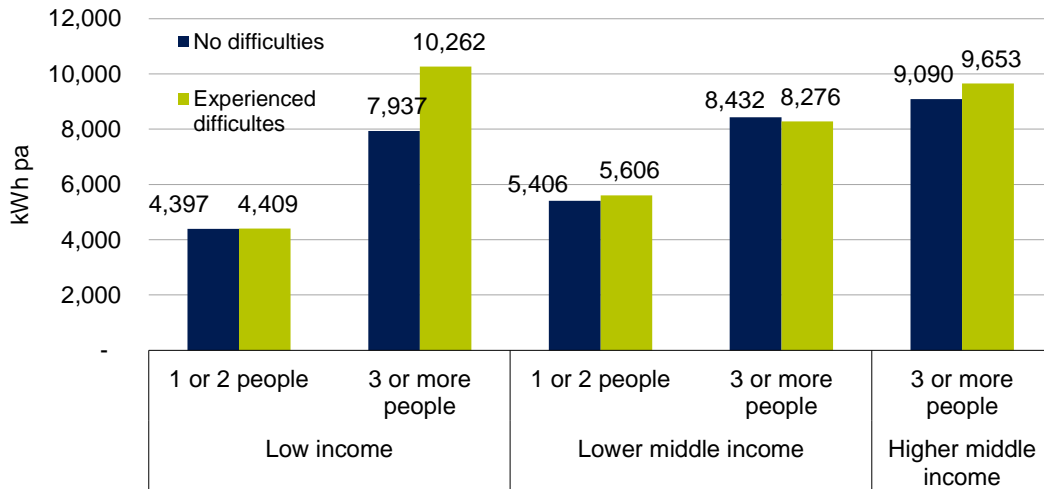
We compared the average electricity usage of households that had experienced payment difficulties with the average usage of those that had not. We also took account of household income and household size, because these characteristics influence how much electricity a household uses (Figure 5).⁷

Our findings suggest that higher than average usage is likely to be an important reason why **some** households had payment difficulties.⁸ However, the majority of households that had experienced difficulties did not have significantly higher average electricity usage than similar households that had not experienced difficulties.

⁷ Our report on energy usage discusses ‘drivers’ of electricity usage.

⁸ Particularly households with relatively low incomes and two or more people.

Figure 5 Average usage of household that had and had not felt unable to pay electricity bills over the previous 12 months, by income group and size(kWh pa)



Note: Households that use mains or cylinder gas are excluded. The data are weighted to represent the NSW population. This means that respondents in Sydney receive a higher weight than respondents in the other survey areas (see IPART, *IPART 2015 Household Survey – About the survey*, September 2016).

Source: 2015 Household Survey.

Frontier’s report on energy usage further considers the relationship between income, the drivers of energy usage and vulnerability to experiencing payment difficulties.

Box 3 Further information on our household survey

We have published the results of the 2015 household survey in a series of facts sheets and information papers together with two reports that investigate our findings on water and energy usage. We have also published a set of output tables (Excel files) that report the detailed responses to each survey question.

Fact sheets and information papers:

- ▼ About the survey
- ▼ Water usage (fact sheet only)
- ▼ Energy usage (fact sheet only)
- ▼ Energy and water conservation
- ▼ Solar PV panels
- ▼ Payment difficulties (this one)
- ▼ Concession cards and rebates

Reports:

- ▼ Residential energy usage (electricity and gas).
- ▼ Residential water usage.

Output tables:

- ▼ Each survey area and NSW as a whole (the latter weighted to represent the regional distribution of the population).
- ▼ Sydney, by income group and as a whole
- ▼ Hunter, by income group and as a whole

We cannot report on the other survey areas by income group because the sample sizes for some of the income categories are too small.

We engaged Frontier Economics (Frontier) to conduct statistical analysis of the survey data for our reports. Frontier analysed the energy usage data and produced a separate report on its findings. It also analysed the water usage data, and we have included its findings in our report on water usage. The reports include detailed technical appendices to allow other parties to conduct further research into residential energy and water usage.

You will find the documents on our [website](#).