

Review of dishonoured or declined payment and late payment fees

22 March 2016



WHAT

IPART has released Draft Reports on Sydney Water's and Hunter Water's prices.

Among other things, these reports outline IPART's draft decisions to:

- ▼ specify a new maximum late payment fee (including terms and conditions) and recommend a maximum dishonoured or declined payment fee to be charged by Sydney Water, and
- ▼ recommend a maximum dishonoured or declined payment fee to be charged by Hunter Water.

The Draft Report for Sydney Water can be accessed [here](#).

The Draft Report for Hunter Water can be accessed [here](#).



WHY

Pursuant to section 12A of the IPART Act, the Premier has asked IPART to undertake a periodic investigation and report on the:

- ▼ maximum late payment fee and dishonoured or declined payment fee to be charged by Sydney Water, and
- ▼ maximum dishonoured or declined payment fee to be charged by Hunter Water.



HOW

This investigation is to be run concurrently with the periodic price reviews for Hunter Water and Sydney Water. These reviews are currently underway for the maximum prices to apply from 1 July 2016.



WHEN

The key dates for this price review are:

- ▼ 11 April 2016 - Public Hearing
- ▼ 18 April 2016 - Submissions due in response to the Draft Reports
- ▼ mid-June 2016 - IPART releases Final Reports and Determinations
- ▼ 1 July 2016 - New prices take effect.



WHAT NEXT

A public hearing will be held on 11 April 2016. Details can be found [here](#).

Submissions are due by 18 April 2016.

We prefer submissions via our online form. You can also send comments by fax to (02) 9290 2061, or by mail to:

Review of late payment, dishonoured or declined payment fees

Independent Pricing and Regulatory Tribunal

PO Box K35

Haymarket Post Shop NSW 1240

Unless they are identified as confidential, we plan to put all submissions on our website soon after the closing date for submissions.

1 Sydney Water

We have accepted Sydney Water's proposed late payment and dishonoured or declined payment fees, however with a slight upward adjustment for corporate costs. Our:

- ▼ late payment fee is \$4.16 in 2016-17 increasing to \$4.40 in real terms by 2019-20, the end of the determination period
- ▼ dishonoured or declined payment fee is \$12.50, in 2016-17 increasing to \$13.23 in real terms by 2019-20, the end of the determination period.

Sydney Water has the provision to charge both these fees under its Customer Contract. We consider that Sydney Water's proposed fees are reasonable, simple to understand, and below that charged by other service providers.¹

With respect to the late payment fee, we consider that it is appropriate to recover the efficient costs of late payment in this fee, given that there are protections for vulnerable customers. Customers who impose the additional costs should pay them, rather than all customers (including vulnerable customers) bearing additional costs.

At a minimum, Sydney Water cannot charge a late payment fee if it has already agreed to a deferred payment date or another payment arrangement with a customer.² Customers identified as being in hardship are also exempt from late payment fees. Sydney Water's proposed terms and conditions for its late payment fee mostly mirror exemptions available in NSW under the National Energy Consumer Framework³ and were generally supported by stakeholders.⁴ We have accepted Sydney Water's terms and conditions, with an added provision that the fee only be levied if the customer has been notified in advance of the late payment fee.

2 Hunter Water

Hunter Water has not proposed introducing a late payment fee.

We have recommended accepting Hunter Water's proposed declined and dishonoured payment fees. Hunter Water has three separate fees for different payment types. Its proposed fees are:

- ▼ **Declined bank cheques** – \$35.95, up from \$35.80 (\$2015-16) at the 2013 Determination.
- ▼ **Declined direct debits** – \$28.45, up from \$27.79 (\$2015-16) at the 2013 Determination.
- ▼ **Declined Australia Post cheques** – \$40.95, down from \$41.15 (\$2015-16) at the 2013 Determination.

These would increase with inflation over the determination period.

¹ However, we have recommended an upward adjustment to the fees to allow them to recover a share of the utility's corporate costs. We consider it important to allocate costs consistently across the business.

² Sydney Water's operating licence provides that, at a minimum, Sydney Water must not charge a late payment fee if it has already agreed with a customer a deferred payment date, or an arrangement to pay by instalments with respect to the overdue account balance, or it has entered into a payment assistance arrangement with the customer. IPART, *Sydney Water Corporation Operating Licence 2015-20, Schedule 4 - Customer Contract*, July 2015, p 14.

³ See Rule 73(2) of the *National Energy Retail Rules*, and clause 10 of the *National Energy Retail Law (Adoption) Regulation 2013*.

⁴ The Energy Water Ombudsman NSW (EWON) was supportive of this fee and the exemptions, noting they could be extended to pensioners: EWON submission to IPART Issues Paper, October 2015, pp 6-7. The Public Interest Advocacy Centre (PIAC) was supportive of the proposed fee and its conditions as long as it does not negatively impact those who are facing hardship: PIAC submission to IPART Issues Paper, October 2015, p 9.