

15 March 2013



Dr Peter Boxall
Chair
Independent Pricing and Regulatory Tribunal
Level 8, 1 Market Street
SYDNEY NSW 2000

Dear Dr Boxall

Response to the Independent Pricing and Regulatory Tribunal's (IPART) draft report on prices for water, sewerage and stormwater drainage services for Gosford City Council and Wyong Shire Council

PIAC thanks IPART for the opportunity to provide comment on its draft report, *Gosford City Council and Wyong Shire Council—Prices for water, sewerage and stormwater drainage services from 1 July 2013 to 30 June 2017* (the Draft Report). PIAC's comments in this submission relate to the proposed prices in the Draft Report, as well as the discussion of customer assistance measures in the Draft Report and the availability of Centrepay to customers of Gosford City Council and Wyong Shire Council (the Councils).

IPART's proposed prices

PIAC's initial submission in response to IPART's issues paper for this review outlined PIAC's concerns about the significant price increases proposed by the Councils. PIAC, therefore, welcomes the fact that the prices outlined in the Draft Report would result in bills that are significantly lower than those proposed by the Councils. Firstly, Wyong Shire Council initially proposed a real increase of 40% over four years for a residential customer with sewerage services, using 160kL of water per year.¹ In the Draft Report, IPART outlines a decrease of 8.3% in real terms below current prices for residential customers with sewerage services, their own meter and consuming 200kL of water per year.² PIAC considers the proposed prices for Wyong Shire Council to be a good result for water consumers in the area.

Secondly, for Gosford City Council, the Draft Report outlines a real increase of 10.9% over four years for residential customers with their own water meter, sewerage services and using 200kL of water per year.³ While not a price decrease, this is significantly less than the 53% increase over four years for customers with the same services and consumption that was proposed by Gosford City Council in its initial submission to IPART.⁴ However, PIAC notes that due to the rebalancing of the overall tariff structure, customers on low levels of consumption experience much higher increases in bills. The proposed rebalancing increases fixed charges for residents in individually metered properties but keeps the consumption charge per kilolitre constant in

¹ Wyong Shire Council, *Review of water, sewerage and stormwater drainage services – Summary of Wyong Shire Council's proposal to IPART*, 2012, 2.

² IPART, *Gosford Shire Council and Wyong Shire Council: Prices for water, sewerage and stormwater drainage services from 1 July 2013 to 30 June 2017 – Draft report*, 2012, 12.

Wyong Shire Council and IPART use different consumption levels in their calculations. Due to the increase in the consumption component of bills, the proposed increase for Wyong Shire Council would have been even larger for household using 200kL.

³ Ibid, 11.

⁴ Gosford City Council, *Pricing submission to IPART*, 2012, 23.

nominal terms.⁵ An example of the effect of these changes outlined in the Draft Report is a nominal increase for pensioners consuming 100kL of water per year of 32.9%, or \$221 per year, by the end of the proposed four-year price path.⁶

PIAC does not support a tariff structure that bears so heavily on the most vulnerable consumers. Such an increase is likely to pose problems for consumers on fixed incomes, such as pensioners (who consume an average of 130kL per year, according to the Draft Report⁷). The effect of this increase in prices on pensioners is compounded by the fact that the pensioner rebate on water and sewerage services provided by local government authorities is likely to stay at the current level. As this rebate has not increased at all since the *Local Government Act 1993* (NSW) came into effect, PIAC repeats its recommendation, from its submission to IPART's issues paper for this review, that a process review and indexation should occur immediately.

In lieu of any improvement in customer assistance for pensioners and other low-income and vulnerable consumers, PIAC recommends that IPART take account of the impact that rebalancing tariffs will have on pensioners and other low-income and vulnerable groups with low levels of consumption, and recommend a tariff design that mitigates this effect.

Recommendation 1

PIAC recommends that the NSW Government immediately increase the pensioner rebate on water and sewerage services under the Local Government Act 1993 (NSW) and set the rebate as a percentage of total bills.

Recommendation 2

PIAC recommends that IPART recommend tariff structures that reduce the impact of tariff rebalancing on low-income consumers and pensioners with low levels of water consumption.

Customer assistance programs

The Draft Report highlights a number of proposals from PIAC and other organisations, including the Council of Social Services of NSW (NCOSS), regarding improvements to the Councils' customer assistance programs. These include Gosford Council indexing its pensioner rebate on consumption, the Councils better promoting assistance measures, introducing an emergency Payment Assistance Scheme, introducing payment plans and producing a yearly hardship report.⁸ IPART presents these proposals as suggestions that 'would increase the Councils' operating expenditure'.⁹ While there are costs associated with any new initiative, PIAC believes that in the case of the initiatives outlined above, these would be minor. For example, Hunter Water Corporation estimates that their Payment Assistance Scheme, which would serve as a good model for any new scheme introduced by the Councils, costs customers only 14 cents per bill.¹⁰ PIAC submits that this cost is heavily outweighed by the benefit that such a scheme would provide, by helping all consumers maintain access to water services, without flow restrictions, at times of sudden financial hardship.

In addition, PIAC notes that under Section 15 of the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), IPART is required to have regard to 'the social impact of the determinations and recommendations' that it makes.¹¹ PIAC submits that the costs and benefits of all customer assistance measures need to be assessed not only in terms of the increased operating expenditure required, but also the benefits they bring to both individuals experiencing hardship—and the broader community—through going some way towards addressing social disadvantage. Such an assessment would contribute to IPART meeting its obligations under its enabling legislation.

⁵ IPART, above n 2, 113.

⁶ Ibid 143.

⁷ Ibid 139.

⁸ Ibid 65.

⁹ Ibid.

¹⁰ Hunter Water Corporation, *Submission to IPART on prices to apply from 1 July 2013*, 2012, 132.

¹¹ Independent Pricing and Regulatory Tribunal Act 1992 (NSW), s 15(k).

Centrepay

One of PIAC's proposals that was not discussed in the Draft Report is that the Councils give their customers the option to access the Centrepay service. Centrepay is extremely useful in helping benefit recipients to manage their low and fixed incomes. Centrepay would also provide the Councils with greater certainty of cash flow from low-income consumers, who may otherwise struggle to pay their bills on time. By reducing the need to follow up payments, PIAC submits that Centrepay would provide benefits to the Councils that outweigh the cost of offering the service.

PIAC has repeatedly called for the Councils to offer access to Centrepay. Due to the Councils' apparent reluctance to do so, PIAC repeats its recommendations from its initial submission, for both the introduction of the service by both Councils, and for the NSW government to introduce a requirement for all utility providers to offer Centrepay to their customers.

Recommendation 3

PIAC recommends that Gosford and Wyong Councils allow eligible customers to pay their bills, or bill instalments, using Centrepay. The availability of Centrepay should be actively promoted to Gosford and Wyong Council customers.

Recommendation 4

PIAC recommends that the NSW Government introduce a requirement for all utility providers in NSW to offer the use of Centrepay to eligible customers.

Once again, thank you for the opportunity to provide comment on the Draft Report.

If you would like to discuss any matters related to this issue further, please contact myself or Oliver Derum, Policy Officer in the Energy + Water Consumers' Advocacy Program, on 8898 6518 or oderum@piac.asn.au.

Yours sincerely



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