



Energy & Water  
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27 July 2005

Dr Michael Keating AC  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Dear Dr Keating,

Thank you for the opportunity to comment on the *SWC HWC SCA Prices of Water Supply, Wastewater and Stormwater Services Draft Report and Draft Determination*

The Energy & Water Ombudsman NSW investigates and resolves complaints from customers of electricity and gas providers in NSW, and water customers of Sydney Water, Hunter Water and Country Energy (Broken Hill).

Please find attached a copy of our comments, where we have addressed aspects of the Draft Determination where they relate to our experience.

Please contact me or Chris Dodds, Policy Officer, on 8218 5262 if you would like to discuss this matter further.

Yours sincerely

A handwritten signature in cursive script that reads 'Clare Petre'.

Clare Petre  
Energy & Water Ombudsman NSW



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Ombudsman NSW

**Independent Pricing and Regulatory Tribunal**

**SWC HWC SCA  
Prices of Water Supply, Wastewater and Stormwater  
Services**

**Draft Report and Draft Determination**

**Draft Determinations 5, 6 & 7. 2005**

**Response by the  
Energy & Water Ombudsman NSW**

## **Introduction**

The Energy & Water Ombudsman NSW (EWON) is pleased to comment on the Draft Determinations 5 6 & 7.

While we are not in a position to comment on all areas raised in the draft determinations, we have provided comments in relation to price structure and transition as well as social programs from the perspective of EWON's experience as an independent dispute resolution mechanism for customers of Sydney Water Corporation and Hunter Water Corporation.

For ease of reference we have adopted the same numbering as the Draft Determinations.

### **10.3. Sydney Water**

#### **10.3.1 Implications for Customers**

We note that in line with Section 15 of the IPART Act the Tribunal has explicitly considered the likely impact of its decisions on customers and in particular the impact on affordability.

The staged nature of the proposed price increases for a bill of 250kL per year is a 7% increase in the first year followed by 4%, 2% and finally 3% in 2008/9. For a customer using 500kL a year the increases are 12% in the first year followed by 5%, 4% and finally 5% in 2008/9.

This structure seems to indicate that the Tribunal has chosen the "price shock" approach raised in the issues paper. EWON suggests that a more even spread of the price rise might have less adverse impact on affordability, at the same time achieving the Tribunal's objective of price increases within a reasonable time frame.

The determination has introduced an inclining block tariff, but indicates that "an average consumer could avoid any real increase in their water and sewerage bill by reducing their consumption by 11.7%"(p117 Draft Report Nos 5, 6 & 7 IPART 2005). Further the determination indicates that the 400kL level was set to ensure non-discretionary water usage was provided for ( at least for households of 5 or less).

We believe that this determination may still leave some tenants vulnerable to adverse impacts from the price rises. Among the range of tenancy related issues raised in our previous submission was the fact that often tenants have little control over water consumption, especially in the context of leaks and water efficient infrastructure. As a result, the ability to reduce water consumption by the 11.7% figure identified by the Tribunal would be difficult, if not impossible for many tenants.

EWON again emphasises our view that education programs and refit programs are as important as pricing signals as demand management tools, particularly for consumers who are often not able to link their daily consumption behaviour with quarterly billing cycles.

## **Social Programs**

EWON welcomes the continuation and expansion of Sydney Water's current social program. The increase of the pensioner concession is an important part of this program, and needs to be monitored so that the increase in pensioners' bills is no greater than the average increase for other customers. This is necessary because the existing pensioner rebate is not linked to consumption charges and the new pricing structure will progressively increase the importance of consumption over fixed costs.

The continuation of the refit program is also welcomed and supported as a significant initiative by Sydney Water

The extension of Payment Assistance Scheme (PAS) eligibility to ensure better access for tenants is welcomed but there remain some practical difficulties, in particular the lack of a direct financial relationship between Sydney Water and tenants. EWON has indicated a willingness to work with Sydney Water and other stakeholders to address these difficulties.

The commitment of a significant amount of funding by Sydney Water to the No Interest Loan Schemes (NILS) is a positive and important initiative. This is a practical and effective mechanism for assisting disadvantaged people to reduce consumption through purchase of efficient water related appliances such as washing machines and hot water services.

We repeat our suggestion that the option for payment of water accounts through Centrepay should be made available for eligible customers. This would be consistent with payment options offered by electricity and gas suppliers.

The Tribunal has identified the potential impact on large families of rate rises combined with an inclining block tariff. The Tribunal has suggested that large households (defined by the Tribunal as six or more people) could be assisted through receipt of special PAS with eligibility based on a health care card, as well as the premises having had a retrofit. This would be a rebate "for the difference in charges between the first and second tier for consumption less than 80kL per capita." (p118 Draft Report Nos 5, 6 & 7 IPART 2005)

We understand from Sydney Water that currently only around 2000 customers access PAS. At present the scheme is limited in both its application and distribution because of issues of access by tenants, as well as a limited number of distribution points. Many community welfare agencies rely on volunteers, and given the complexity of the mechanism proposed by the Tribunal, it could be difficult for many of these agencies to administer.

We suggest that consideration might be given to less complex means of assisting large families, for example, a simple registration of household numbers with Sydney Water combined with an allowance (80kL per head using the Tribunal's suggestion) which increases the 400kL tip point in the inclining block.

## **10.4 Hunter Water**

### **10.4.1 Implications for Customers**

EWON notes the Tribunal's concern about affordability, particularly in the light of information that household incomes in the Hunter Region are lower than average. EWON suggests that a more even spread of the price rise might have less impact on affordability, at the same time achieving the Tribunal's objective of price increases within a reasonable time frame.

While part of the draft determination for Sydney Water deals with social programs, EWON notes that there is no equivalent section in the determination which relates to Hunter Water. We believe that issues of affordability are similar for the two utilities, and that the determination for Hunter Water should include an equivalent expectation.

In particular EWON would welcome an expansion of Hunter Water's PAS scheme to include tenant access, a review of the pensioner concession (at present a fixed amount), a commitment to NILS, and an ongoing commitment to a refit program.