



Energy & Water
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31 May 2005

Independent Pricing and Regulatory Tribunal
PO Box Q290
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Thank you for the opportunity to comment on the *Investigation into Water and Wastewater Service Provision in the Greater Sydney Region*

The Energy & Water Ombudsman NSW investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON believes that consumer protection is of paramount consideration when reviewing the future of the regulatory framework and policy directions in water provision in NSW. The key areas identified for possible industry structure and reform are all important however our experience is more directly related to pricing and consumer issues, and we have limited our response to these areas.

We have provided additional information in the attached response, and addressed the questions in the consultation paper where they relate to our experience.

If you would like to discuss this matter further, please contact me on 8218 5250, or Chris Dodds, Policy Officer, on 8218 5262.

Yours sincerely

A handwritten signature in black ink that reads "Clare Petre". The signature is written in a cursive, flowing style.

Clare Petre
Energy & Water Ombudsman NSW



Energy & Water
Ombudsman NSW

Department of Energy, Utilities and Sustainability

Investigation into Water and Wastewater Service Provision in the Greater Sydney Region

Issues Paper

May 2004

Response by the

Energy & Water Ombudsman NSW

31 May 2005

Introduction

The Energy & Water Ombudsman NSW (EWON) is pleased to respond to the issues paper *Investigation into Water and Wastewater Service Provision in the Greater Sydney Region May 2005*

While we are not in a position to comment on all areas raised in the issues paper, we have provided comments in relation to pricing structures and social outcomes. We have provided these comments 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 issues paper.

3 The Tribunal's Approach to this Review

3.2.5 Pricing Implications

As noted in section 2.5.4 the Tribunal began regulating prices charged by Sydney Water in 1992. In July 2004 the Tribunal issued a report into pricing structures.¹ At the present time the Tribunal is also undertaking a review into Metropolitan Water Agency Prices. It is important to note that over that time there have been some significant changes to pricing structures. In particular the move to a lower fixed access charge and an 'inclining block' structure has raised some equity issues about which EWON has previously commented.

Throughout this body of work by the Tribunal one aspect of pricing has remained constant. This has been the maintenance of what the Issues Paper calls 'postage-stamp pricing'. This method of pricing has resulted in customers paying a uniform rate throughout the area of service provision despite the differential cost for provision of services to different geographic areas.

Given that recent research² has drawn strong links between social disadvantage and physical location, it can be argued that it is essential to avoid pricing structures which could exacerbate existing inequalities.

If a potential pricing structure encouraged new providers to only service low cost/high return customers then the implications for high cost/ low return customers (and also for the provider of last resort) could be significant.

If decisions about the structure of the delivery of water and waste water services may result in a price shock, then EWON would support a process outlined in the Issues Paper which saw the management of this "through rebalancing of prices over time".

6 Non-price Implications of Reform

6.1 Legal and Regulatory Framework

If there are to be major changes to the structure of the water industry, in particular changes involving the introduction of new providers, we suggest that consideration should be given to requirements for all participants in the market to be members of an approved dispute resolution process.

6.3 Retail Competition

For the information of the Tribunal we note that some customers have raised with EWON their concern that the cost of the introduction of full retail competition in the energy market has not been matched by benefits for domestic consumers. Other consumers have complained about being denied what benefits are available because of their exclusion from the market as the result of geographic or socio-economic factors.

¹ Investigation into Pricing Structures to Reduce the Demand for Water in the Sydney Basin 2004

² Community Adversity and Resilience: the distribution of social disadvantage in Victoria and New South Wales and the mediating role of social cohesion. Tony Vinson. March 2004

7 Evaluation Framework

7.1 Evaluation Criteria

7.1 (d) Social outcomes

EWON supports the options that the Issues Paper has outlined for evaluating the social outcomes of different structural options. In particular we refer to the importance of avoiding adverse outcomes in the level of average prices.

7.2 Timeframes Over Which Costs and Benefits Should be Assessed

EWON supports the position outlined in the Issues Paper that the appropriate timeframe for assessment of costs and benefits is one linked to the term of the Metropolitan Water Plan.