



Customer Expectations – Service Standards in the next regulatory period and beyond

**Presentation to Essential Services Commission's Service Standards Seminar
Thursday 30th June 2011**

Jo Benvenuti


Consumer Utilities Advocacy Centre

About CUAC

- Established in 2002 to:



Represent all Victorian energy and water consumers in policy and regulatory processes



Facilitate and undertake research on consumer utilities issues



Monitor grassroots consumer utilities issues with particular regard for low-income, disadvantaged and rural consumers

The price / service mix

In his speech last year to the VicWater Annual Conference, Dr Ron Ben David argued that as prices increase, customers will demand increasing value for their money. He suggested that utilities would increasingly need to demonstrate to customers (and to the ESC) that they were delivering better services and value and acting efficiently and prudently to keep prices down.

Consumer experience: water prices have risen in this period

CPI impact for water consumers for 2011/12, ahead of the next pricing determination, show:

- average metropolitan water increases from 14-15%, with a typical household bill at the highest end of \$894.
- In regional and rural Victoria rises will increase by 5% - 13% with a typical household bill at the highest end of \$1,126.

Water price rises: context of rising essential services electricity and gas

Bear in mind that according to the Australian Bureau of Statistics, over the five years to December 2010, electricity prices have risen in Australia by 54% and according to a report by the Australian Industry Group, over the next five years, electricity prices are predicted to increase by a further 100%.

Frontline customer service: all consumers

These services provide a fundamental component of the service mix that delivers value to customers, including:

- consumer engagement
- billing advice
- payment options
- links to hardship programs/assistance
- flexibility and innovation

Focus on consumers experiencing hardship

“...there was a strongly held perception that managing to pay utility bills is getting harder, not easier, even though many are making what they describe as considerable efforts to reduce water and energy usage. When asked to think about what the future may hold there was little room for optimism. Those who have the least flexibility in relation to income and outgoings tend to express a sense of desperation. They imagine, not only difficulty in relation to keeping up with utility payments, but potentially a future situation where they may have to reduce their usage to an extent that their standard of living will be severely affected.”

Customers of water and energy providers in financial hardship

Hall & Partners Open Mind Report

For the participants in this sample, moving through instalment plan options was difficult, with consumers indicating that the negotiation process was “less collaborative and more rigid and inflexible”

Worryingly this included failure to negotiate payments taking account of capacity to pay, in potential breach of consumer protection regulation.

Hardship GSL should be extended

In its 2009-10 Water Performance Report, the ESC reported that of the 3166 domestic customers who had their water restricted in this period, 555 (17.5%) were concession card holders.

Augmentation, network reliability: need for meaningful consumer engagement

Future supply/infrastructure augmentation decisions must be based:

- best available evidence - analysis of costs and benefits
 - close consultation and engagement with the community.
-
- Failure to do so will result in community values not being reflected in decision making and considerable community concern over any associated price increases

Water quality:information/education and public reporting

Go live of Wonthaggi Desalination Plant:

- requires transparency of explanation of how consumers in each business will be impacted (eg. water source, water quality and testing).
- need to consider customer satisfaction with the “aesthetic” qualities of water.

Water supply/restrictions/water efficiency/price

- Water businesses, in discussion with government, should review their water efficiency programs and communications
- CUAC research into energy smart meters offers insights
- For low income and vulnerable consumers, in particular, energy efficiency messages were perceived to be best conveyed through a discussion of how to achieve dollar savings.

A challenge to water policy makers, industry and regulators

What drives better service standards in the regulated water monopoly businesses?

Energy distribution: improved service but cost too high

Choice not working to provide good customer service

For water monopolies

- incentives good service = financial bonus
- penalties for poor service

A challenge to water policy makers, industry and regulators

- Impacts of higher costs— context of all essential utilities
- Affordability will be a substantial issue
- Need to reassess frontline customer service, pathways
- Augmentation of infrastructure: transparency, cost benefit analysis and genuine consumer engagement
- Water quality: transparency and communication
- Water supply augmentation – new efficiency paradigm needed
- Challenge to industry and regulators – what incentivises water monopolies – is a financial for bonus for continuous improvement appropriate? Or should there be penalties?