



# MEASURING THE EFFECTS OF ADDITIONAL HARDSHIP ALLOWANCES

Final decision

December 2013



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# 1 INTRODUCTION

In the Metropolitan Water Price Review Final Decision 2013<sup>1</sup> the Commission allowed \$5.25 million for the metropolitan retailers (City West Water \$1 million, South East Water \$2 million, Yarra Valley Water \$2 million, and Western Water \$250 000) to help them to assist customers to manage the impact of price increases.

The allowances are for customer programs with verifiable and reportable outputs. Businesses are expected to use the additional revenue to enhance existing hardship policies, expand programs, adopt best practice and improve associated infrastructure. The extra revenue is not intended for direct financial customer assistance – the Government provides direct financial assistance to applicable water customers through concessions and the Utility Relief Grant Scheme.

With these allowances came the requirement that businesses continue to consult with customer and welfare groups and put in place improved measures to support customers who have difficulty paying their bills, particularly low income and vulnerable customers. Businesses must update the Commission regularly on how the additional allowances are being spent during the third regulatory period (1 July 2013 – 30 June 2018).

This final decision outlines the indicators that will be used to measure the effects of the allowances provided to water businesses to spend on their financial assistance and hardship programs for low income and vulnerable customers. This final decision also outlines the reporting requirements by businesses on these measures. The Commission acknowledges the contributions of the Vulnerable Customer Taskforce, CUAC and CALC, and EWOF in the creation of these hardship indicators.

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<sup>1</sup> Essential Services Commission 2013, Price Review 2013: Greater Metropolitan Water Businesses — final decision, June. available at [www.esc.vic.gov.au](http://www.esc.vic.gov.au)

## 2 BACKGROUND

Historically the Commission has imposed requirements of water businesses to apply hardship policies to assist low income and vulnerable customers. Water businesses are required to publish hardship policies on their websites and must make a copy available to customers on request. Within the framework of the Customer Service Code<sup>2</sup>, water businesses have been working with low income and vulnerable customers and reporting on the results for many years. The support programs in place are outlined on the businesses' websites.

In addition to the support provided by water businesses, there are support measures in place for customers in hardship such as:

- government grants in the form of the Utility Relief Grant Scheme (URGS) and
- concession and health care card discounts.

The Commission began developing measures for the additional hardship allowances provided in the 2013 Final Decision through a workshop with water businesses and customer welfare groups. In September 2013, the Commission released a staff paper: *Developing an approach to measure the effects of additional hardship allowances.*<sup>3</sup> This proposed possible measures and suggested reporting requirements.

The Commission received three submissions in response to the paper. The Commission held a workshop with the water businesses to discuss their current programs and proposals and how they considered the benefits produced by the additional allowances should be measured.

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<sup>2</sup> Essential Services Commission 2013, Customer Service Code: Urban water businesses, July. Available at [www.esc.vic.gov.au](http://www.esc.vic.gov.au)

<sup>3</sup> Available at [www.esc.vic.gov.au](http://www.esc.vic.gov.au)

# 3 SUBMISSIONS

The Commission’s September 2013 staff paper: *Developing an approach to measure the effects of additional hardship allowances*, included a range of indicators used by other energy and water regulators. The staff paper did not propose measures, but rather sought submissions from interested parties on what the approved measures should be.

The Commission received submissions in response to its paper from:

- the Energy and Water Ombudsman Victoria (EWOV)
- a joint submission from the Consumer Action Law Centre and the Consumer Utilities Advocacy Centre (CALC & CUAC)
- a joint submission from City West Water, South East Water, Western Water and Yarra Valley Water (the “joint submission”).<sup>4</sup>

## 3.1 ENERGY AND WATER OMBUDSMAN VICTORIA

In response to the questions in the staff paper EWOV had the following comments.

### **What issues should the water businesses address with the allowances?**

EWOV submitted that some water corporations could improve their engagement with customers in financial hardship through better customer service relationships.

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<sup>4</sup> All submissions are available at [www.esc.vic.gov.au](http://www.esc.vic.gov.au)

### **Which qualitative indicators would be most useful to measure the outcomes of businesses' financial assistance programs?**

EWOV's submission stated the two most useful measures are:

- regular reporting by water corporations about new hardship programs
- discussions with financial counsellors on their views of the water businesses' hardship programs.

### **Which quantitative indicators would be most useful to measure the outcomes of businesses' financial assistance programs?**

EWOV supported a range of quantitative indicators listed in the staff paper.

### **Propose measures that you think would be useful to measure the outcomes of businesses' financial assistance programs.**

EWOV's submission proposed the Commission consider the quality of the water businesses' internal processes concerning the new programs and that businesses update their internal 'best practice' procedure documents to detail the support provided by the new allowances. The submission proposed that businesses keep records of the training given to call centre staff about customer financial hardship and that this information be provided to the Commission.

### **How should the data or results be reported?**

EWOV's submission supported the Commission reporting the results of the new support programs in a publically available annual report in December.

## 3.2 CONSUMER ACTION LAW CENTRE AND CONSUMER UTILITIES ADVOCACY CENTRE

In response to the questions in the Commission's paper the CUAC and CALC submission made the following points.

### **What issues should the water businesses address with the allowances?**

The submission stated that the issues highlighted by the Commission's workshop on customer financial hardship support, and in the Commission's paper, are relevant. The submission especially supported the recognition of the importance of early intervention.

### **Which qualitative indicators would be most useful to measure the outcome of businesses' financial assistance programs?**

Regarding qualitative indicators, the submission made the following points:

- In addition to focus groups and case studies of customers experiencing hardship there should be a wider focus, including people vulnerable to financial difficulties.
- Water retailers could engage independent experts to review their call centres.
- The number of complaints from customers to EWOV could be a measure.

### **Which quantitative indicators would be most useful to measure the outcomes of businesses' financial assistance programs?**

The submission stated there is a need for greater clarity for the quantitative indicators to ensure they provide meaningful data and that each retailer should take a baseline measurement for each indicator to ensure that improvements can be measured against this. The indicators should be reviewed annually to ensure they remain effective.

The submission's specific suggestions included:

- an additional indicator worded as "the number of customers who have taken up an offer of financial assistance after a first approach by the water retailer"
- surveys of customer experience of financial programs should capture customers vulnerable to hardship, and those who have fallen out of hardship programs

- the indicator *‘the levels of customer debt when beginning a customer service program’* be refined to indicate the number of customers in different debt brackets.

The submission strongly supported the inclusion of the indicator *‘percentage of customers in financial assistance programs who are: not meeting ongoing water and sewage costs; covering ongoing water and sewerage costs; and covering ongoing cost and portion of arrears’*.

The submission stated the inclusion of an additional indicator measuring the “number of customers subject to interest charges on overdue accounts” would be useful.

The submission emphasised the importance of the quality of meetings between businesses and of the partnerships businesses have with community organisations rather than the number of meetings.

#### **How should data or results be reported?**

The submission stated data should be published around December each year.

### **3.3 METROPOLITAN WATER INDUSTRY SUBMISSION**

The water retailers provided a joint submission in response to the questions in the Commission’s staff paper which had the following comments.

#### **What issues should the water businesses address with the allowances?**

The joint submission agreed with the issues raised in the discussion paper and with the conclusions of the workshop hosted by the Commission.

#### **Are there other issues water businesses should address with the allowances?**

The submission stated there is a need to ensure clear definitions. The Vulnerable Customer Taskforce, which is comprised of water retailers and consumer groups, has begun to consider definitions around vulnerability and hardship. These will be agreed upon by December 2013, and can be referenced in the Commission’s ongoing reporting.

### **Which qualitative indicators would be most useful to measure the outcomes of businesses' financial assistance programs?**

On the qualitative measures in the Commission's staff paper, the submission recommended that discussions with financial counsellors on their views of the water businesses' hardship programs be expanded to include discussions with other community service and social service organisations.

The submission also made the following suggestions:

- Qualitative focus groups and research should be undertaken and funded by the Commission; the water retailers would provide input into the formulation of this research, survey questions and case studies.
- Qualitative reporting should continue on programs created with the funding but not funded after the five year Water Plan 3 period.

### **Which quantitative indicators would be most useful to measure the outcomes of businesses' financial assistance programs?**

The submission proposed that to ensure consistency in the data provided by water retailers, when the final measures are determined, the four retailers develop clear and concise descriptions and definitions under each measure. These can be determined by the Vulnerable Customers Taskforce and should be agreed on by all parties.

### **Propose measures that you think would be useful to measure the outcomes of businesses' financial assistance programs.**

The joint submission included table 1 and table 2 below which outline the water retailers' recommended measures.

**TABLE 1 RECOMMENDED QUANTITATIVE MEASURES**

| Quantitative measures   |            | Desired outcomes from the ESC funding |                       |                              |
|---|------------|---------------------------------------|-----------------------|------------------------------|
|   |            | Early identification/ prevention      | Visibility/ awareness | Assistance/ support programs |
| Customers aware of assistance available                         | % increase | X                                     | X                     |                              |
| New customers identified and assisted through the programs      | % increase | X                                     | X                     | X                            |
| Customers on payment plan                                       | % increase | X                                     | X                     | X                            |
| Retrospective concession applied                                | % increase | X                                     | X                     |                              |
| Customer in hardship programs meeting their agreed payment plan | % increase | X                                     | X                     | X                            |
| Meeting between water businesses to discuss best practices      | Number     | X                                     | X                     | X                            |

**TABLE 2 RECOMMENDED QUALITATIVE MEASURES**

| Qualitative measures   | Desired outcomes from ESC funding |                       |                              |
|--|-----------------------------------|-----------------------|------------------------------|
|  | Early identification/ prevention  | Visibility/ awareness | Assistance/ support programs |
| Staff training and awareness of vulnerability and hardship indicators to implement early intervention strategies | X                                 | X                     |                              |
| Effectiveness of outreach activities to engage with vulnerable or hardship customers                             | X                                 | X                     | X                            |
| Water business co-operation through innovations and using similar programs or techniques with success            | X                                 | X                     | X                            |
| Feedback from external community service agencies who are aware of vulnerable and hardship support               | X                                 | X                     | X                            |
| Feedback from customers supported through programs   |                                   | X                     | X                            |
| Awareness of customer support available  | X                                 | X                     |                              |

### How should the data or results be reported?

The submission endorsed the proposal to release an annual report starting in December 2014 and highlighted the points agreed on in the workshop on 18 October 2013 on the report, including:

- the report will not be a comparative report, in order to promote cooperation among water businesses on sharing best practice solutions.
- the initial report will be primarily formulated using qualitative data. Where quantitative data is used this will be accompanied by commentary on the data including matters such as the relevant data collection time periods.
- the report will explore the effectiveness of the programs undertaken by the water businesses.
- the report will consider data from the date the funding was allocated in 1 July 2013.
- there will be disparity across the water businesses because some may have begun to change their vulnerable and hardship programs when the allocation became available in 1 July 2013.

### Are there any other areas of concern?

The submission stated that the majority of funding will be spent within the first three years.

# 4 FINAL MEASURES

## 4.1 COMMISSION'S CONSIDERATION

An important part of the Commission's consideration is the weight it has placed on the work of the Vulnerable Customer Taskforce which is comprised of City West Water, South East Water, Yarra Valley Water and Western Water, as well as CEOs from three social service organisations – Good Shepherd Youth and Family Service, Kildonan Uniting Care and the Adult Migrant Education Service. The role of the Taskforce is to identify, prioritise, guide and progress industry-wide programs that support vulnerable customers and front line staff, and add value to existing programs.

We have considered the written input received from EWOV and the CUAC & CALC submission, as well as the points raised during the workshop on hardship indicators hosted by the Commission.

The Commission has considered several aspects of the hardship indicators:

- the information to be included
- what work is required to refine the chosen measures and how this should be done
- how information will be reported.

## 4.2 MEASURES TO BE INCLUDED

The Commission accepts the measures proposed in the submission from the water businesses on both the qualitative and quantitative measures. The Commission's view is that these measures constitute a useful set of measures on hardship spending. Our view is that the indicators incorporate most of the suggested objectives of the measures proposed in EWOV's and CUAC & CALC's submissions. We consider that

because the businesses developed these measures themselves, in consultation with community and customer representative groups, the measures:

- will be feasible to be reported on by businesses
- will capture information relevant to customers in hardship.

We have changed the title of the measure *Customers on payment plan* as proposed in the water businesses' submission, to *Instalment plans* because this is the title used in the current Performance Reporting framework.

The Commission agrees with EWOV and water businesses' submissions that qualitative measures will be important in the early reporting on the measures, particularly the reporting by businesses on new hardship programs and discussions with financial counsellors, community organisations and customers on hardship programs.

The Commission agrees with the CUAC & CALC submission on the usefulness of a measure on the level of debt when a customer begins a hardship program differentiated by the level of debt. We recognise there are several variables that will influence customers' debt levels when they begin a hardship program, some of which are beyond the capacity of businesses to address through early intervention (such as family size). Despite this, our view is that this measure may be a useful guide to the success of early intervention programs.

The required information is summarised in table 3 and table 4.

**TABLE 3 QUANTITATIVE MEASURES**

| Indicator reference | Indicator Name  | Measure             |
|---------------------|---|---------------------|
| H1                  | Customers aware of assistance available   | Percentage increase |
| H2                  | New customers identified and assisted through the programs                                      | Percentage increase |
| UPP1                | Instalment plans*   | No. customers       |
| H3                  | Retrospective concessions applied   | Percentage increase |
| H4                  | Customers in hardship programs meeting their agreed payment plans                               | Percentage increase |
| H5                  | Meetings between water businesses to discuss best practices                                     | Number              |
| H6                  | The level of debt when a customer begins a hardship program differentiated by the level of debt | Number              |

\* Already collected for the Annual Performance Report.

**TABLE 4 QUALITATIVE MEASURES**

| Measures   |
|--|
| Staff training and awareness of vulnerability and hardship indicators to implement early intervention strategies |
| Effectiveness of outreach activities to engage with vulnerable or hardship customers                             |
| Water businesses' co-operation through innovations and using similar programs or techniques with success         |
| Feedback from external community service agencies who are aware of vulnerable and hardship support programs      |
| Feedback from customers supported through programs   |
| Awareness of customer support available  |

The Commission requires both absolute numbers and percentage changes as part of reporting on these measures. We also require businesses to provide a table indicating which hardship-related programs have been enhanced and which are new.

### 4.3 REFINEMENT OF MEASURES

The Commission accepts the suggestion in CUAC & CALC's submission on clarifying the wording and definitions of the indicators and ensuring that the measures are clearly linked to actual effects of the additional spending on hardship. We will work with industry and the Vulnerable Customer Taskforce to finalise the definitions.

## 5 THE REPORTING PROCESS

The Commission will publish an annual report on the outcomes of the additional funding for vulnerable and low-income customers. We will consult with the water businesses before this report is publicly released.

Water businesses are required to provide the Commission with data on the hardship indicators and qualitative information about their hardship programs. We acknowledge that some programs will not provide meaningful results in the first reporting period, and that the starting points of businesses on some programs are different. In these cases, businesses should provide explanations of programs and interpretations of the data available. We expect a greater reliance on qualitative information in the first report.

In addition to reporting on the final measures, the water businesses must submit the following information to the Commission:

- the activities the water business has undertaken with the additional funding
- progress of the projects they have implemented
- what they intend to do the following year.

The Commission will pay for and conduct surveys to generate information on businesses' performance against indicators not measured effectively by quantitative means, such as the measure: *Feedback from customers supported through programs*. The scope of the surveys will be determined by the Commission in consultation with water businesses and the Vulnerable Customer Taskforce.

The Commission encourages water businesses to include explanations of changes in hardship indicators that are not related to hardship programs. For example, charging customers per dwelling rather than per title which may impact on hardship indicators.

Information from the water businesses on the 2013-14 year is required by 1 September 2014. The Commission will publish its first report in December 2014.