



HARDSHIP RELATED GUARANTEED
SERVICE LEVEL REVIEW

DRAFT DECISION

MARCH 2012



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Essential Services Commission 2012, *Hardship Related Guaranteed Service Level Review, Draft Decision*, March.

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OVERVIEW

The Essential Services Commission (the Commission) developed the hardship related guaranteed service level (GSL) in consultation with stakeholders in 2010. Feedback and input from stakeholders was received through working groups and submissions to us.

In September 2010, we mandated the implementation of a hardship related GSL for nine of the 16 water retail businesses in Victoria from 1 January 2011. At the time of our decision, we noted that subject to an assessment after one year of operation, our intent was to extend the GSL to all urban retail water businesses.

More details on the key issues addressed in 2010 and our decision on the nature and scope of the hardship related GSL are available at our website via the following link:

<http://www.esc.vic.gov.au/NR/exeres/70FEED56-8ACE-477B-A0D4-7B2987D8AC0C.htm>

Roll-out of the hardship GSL will require a consequential amendment to Schedule 1 of the Customer Service Code.

We note that the *Water Amendment (Governance and Other Reforms) Bill 2012* is currently before Parliament (scheduled for passage April 2012). Upon passage, we will commence consultation and review of the Customer Service Codes for any further amendments.

This draft decision paper proceeds in three main sections:

- Chapter 1 provides an overview of the hardship related GSL implemented from 1 January 2011.
- Chapter 2 discusses our assessment of hardship GSL data and other research into the experiences of customers in financial hardship.
- Chapter 3 states our draft decision and lists a number of questions that we are interested in receiving views on from stakeholders.



Submissions should be emailed by 18 April 2012 to water@esc.vic.gov.au or by mail to:

Water
Essential Services Commission
Level 2, 35 Spring Street
Melbourne VIC 3000

Submissions will be made available to the public on our website, except for any commercially confidential or sensitive information that parties identify clearly in their submissions. In the event that parties wish certain information to be kept confidential then two copies of the submission should be provided to the Commission (one removing any confidential material).



1 THE HARDSHIP RELATED GSL

In 2010, the Commission required nine of the 16 urban retail water businesses to implement the following hardship related guaranteed service level (GSL) from 1 January 2011:

Restricting the water supply of, or taking legal action against, a residential customer prior to taking reasonable endeavours (as defined by the Essential Services Commission) to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying.

A \$300 fixed payment amount applies in the event of a breach of the hardship related GSL by a water business. A payment against the GSL can be made directly to the customer or through a rebate on the customer's bill (the method of payment is at the discretion of the water business). An assessment of whether or not a business is liable for a GSL can be made by the business or, in the event a business and a customer cannot arrive at a mutually agreed outcome, the Energy and Water Ombudsman Victoria.

If a water business restricts a customer's water supply or initiates legal action in response to non-payment, to avoid a GSL payment, it must maintain appropriate records that demonstrate compliance with minimum reasonable endeavours to contact a customer.

These minimum reasonable endeavours, as defined by us, are listed at table 1. The steps include a requirement for businesses to attempt personal contact with the customer via phone and a personal visit prior to restricting water supply or commencing legal action due to non-payment. The steps also require businesses to make available to customers information about the range of hardship assistance that is available.

This minimum standard of contact reflects our intent to help ensure that water businesses establish a robust process to identify customers in financial difficulty prior to applying restrictions on water use or initiating legal action (noting that water law and our *Customer Service Code: Metropolitan Retail and Regional Water Businesses*,



allow water businesses to use restriction and implement legal action in response to non-payment subject to certain conditions being met).

The following water businesses implemented the hardship related GSL from 1 January 2011:

- City West Water
- South East Water
- Yarra Valley Water
- Coliban Water
- East Gippsland Water
- Gippsland Water
- Goulburn Valley Water
- North East Water
- Westernport Water.

All metropolitan retail businesses were obliged to implement the hardship related GSL on the basis that they already had a range of GSLs in place (covering other aspects of service delivery) and were familiar with their implementation and operation.

The regional water businesses were selected on the basis that they recorded relatively high rates of customer water restrictions and/or legal action (in 2009-10) in response to non-payment by customers. There was significant debate in 2010 on the coverage of the hardship related GSL—a number of stakeholders believed the GSL should apply to all retail water businesses from 1 January 2011.



Table 1 Check-list for minimum “reasonable endeavours”

<i>Step</i>	<i>Information that water business must be able to provide:</i>
1. Bill issued	Internal records that show date sent to customer
2. Reminder notice issued	Internal records that show date sent to customer
3. Warning notice issued	Internal records that show date sent to customer
NOTE: In undertaking the above, the water business also needs to comply with provisions in the Customer Service Code relating to Billing (Section 4), Payments (Section 5), Collection (Section 6) and Actions for non-payment (Section 7).	
4. Two attempts at personal contact by phone with a customer on two separate weekdays (i.e. minimum of two attempted contacts). A water business may at its discretion, attempt contact by personal visit in place of phone contact (with a minimum of two attempted contacts still required).	Internal records that show: <ul style="list-style-type: none"> • time and date of attempted contacts • type of contact attempted (i.e. phone or personal visit) • which customer service staff attempted contacts • whether attempt at contacts successful and if so <ul style="list-style-type: none"> ○ a short summary of discussions with customer including verification that information on payment assistance was provided by the business and the nature of commitments given by either party.
Note: if no phone numbers are on file, or the customer’s number is disconnected, a business must search white-pages for contact number. In the event customer contact is not possible at this stage, one letter must be sent by the business via registered mail as a substitute – the Australia Post unique identification number must be recorded.	
5. One attempt at personal contact by personal visit with a customer.	Internal records that show: <ul style="list-style-type: none"> • time and date of attempted contacts • which customer service staff attempted contacts • whether attempt at contacts successful and if so <ul style="list-style-type: none"> ○ a short summary of discussions with customer including verification that information on payment assistance was provided by the business and the nature of commitments given by either party.
NOTE: Steps 4 and 5 above may be taken prior to issue of a warning notice. In undertaking steps 4 and 5, the water business, either verbally or through written notice, must convey to the customer information that complies with provisions in the Customer Service Code relating to Billing (Section 4), Payments (Section 5), Collection (Section 6) and Actions for non-payment (Section 7). Step 5 may be undertaken by a business on the same day any action to restriction is proposed. The requirements for personal contact via phone and personal visit may be undertaken by an authorised agent of the water business. The water businesses will still be required to demonstrate compliance with the steps in the event of an assessment of a breach of the GSL.	



2 ASSESSMENT

In our final decision paper released in September 2010 (*Developing a hardship related guaranteed service level measure*) we stated that:

Subject to an assessment after one year of operation, the Commission's intent is to extend the GSL to all urban water businesses.

Subject to a review of submissions to this draft decision, we intend to extend the hardship related GSL to all urban water businesses effective from 1 July 2012.

Our position reflects:

- analysis of data from our 2010-11 water performance report for urban water and sewerage businesses, which shows that all but one business with the hardship related GSL in place, reduced the number of restrictions they placed on customer's water supply in 2010-11 (section 2.1).
- the results of the Hall and Partners | Open Mind research conducted for us in late 2010 and 2011, which suggests that water businesses could be doing more to assist customers experiencing financial difficulty (section 2.2).

2.1 Data analysis—rates of restriction and legal action

Our objective with the hardship related GSL is to help ensure businesses have a robust process in place to identify, engage and assist customers in hardship prior to restricting supply or taking legal action.

We have analysed data collected by us for the 2010-11 water performance report for urban water and sewerage businesses to determine how retail water businesses with the hardship related GSL in place have performed in relation to restrictions for non-payment of bills (domestic restrictions per 100 customers) and legal action for non-payment of bills (domestic legal actions per 100 customers).

Nine retail water businesses implemented the hardship related GSL 1 January 2011—prior to this date no water businesses had the Commission-defined hardship related GSL in place. Therefore, changes in data from 2009-10 to 2010-11 may be a result of



the implementation of the GSL (noting that the GSL would only have been in place for half of the year covered by the performance report data for 2010-11). The businesses that did not implement the GSL can be used as a comparison point.

Restrictions for non-payment of bills—domestic (per 100 customers)

Water businesses with the hardship related GSL in place decreased their rate of restrictions in 2010-11 by an average of 0.25 restrictions per 100 customers (table 2). In comparison, businesses without the GSL recorded an average decline of 0.01 restrictions per 100 customers.

All businesses with the hardship related GSL, except for North East Water which recorded a very slight rise, decreased their restrictions per 100 customers in 2010-11. Goulburn Valley Water and Westernport Water recorded the most significant decline in the rate of restriction, declining by 0.98 and 0.75 restrictions per 100 customers respectively (noting that the rate of restrictions for these businesses remained high in 2010-11 compared with the industry average).

Legal action for non-payment of bills—domestic (per 100 customers)

On average, water businesses with the hardship related GSL recorded a decrease in legal action for non-payment of bills from 0.06 per 100 domestic customers in 2009-10 to 0.03 per 100 customers in 2010-11, a decrease of 0.03 per 100 customers (table 3). In comparison, businesses without the hardship related GSL recorded an increase in the rate of legal action from 0.03 per 100 customers to 0.04 per 100 customers.

Among the businesses with the hardship related GSL in place, Goulburn Valley Water recorded the largest decline in the rate of legal action (a fall of 0.24 per 100 customers). City West Water and Coliban Water, who also had the hardship related GSL in place, recorded a minor increase in legal action of 0.02 and 0.01 per 100 customers, respectively.

These results indicate that water businesses with the hardship related GSL have pursued greater engagement with customers and therefore had less need to restrict supply or pursue legal action.



Table 2 Restriction of water supply for non-payment of bills
(per 100 customers)

	2009-10	2010-11	Change
Hardship GSL (2010-11)			
City West Water	0	0	0
South East Water	0.14	0.09	-0.05
Yarra Valley Water	0.03	0.01	-0.02
Coliban Water	0.47	0.20	-0.27
East Gippsland Water	0.07	0.06	-0.01
Gippsland Water	0.74	0.54	-0.20
Goulburn Valley Water	1.40	0.42	-0.98
North East Water	0.45	0.50	0.05
Westernport Water	1.38	0.63	-0.75
No Hardship GSL			
Barwon Water	0.09	0.07	-0.02 [^]
Central Highlands Water	0.09	0.16	0.07
GWMWater	0 [*]	0.03	0.03
Lower Murray Water	0.41	0.17	-0.24
South Gippsland Water	0.34	0.24	-0.10
Wannon Water	0.21	0.30	0.09
Western Water	0.23	0.32	0.09
Average			
Hardship GSL Average	0.52	0.27	-0.25
No Hardship GSL Average	0.20	0.18	-0.01
State-wide Average	0.38	0.23	-0.14

Source: Essential Services Commission 2011, *Water performance report—Performance of urban water businesses 2010-11*, December.

*GWMWater did not report any restrictions in 2009-10, due to a change to its customer billing system.

[^] Barwon Water decreased restrictions because they implemented a new hardship program in 2010-11 designed to better identify and provide additional assistance to customers experiencing hardship.

Note: numbers have been rounded to two decimal places, therefore discrepancies may occur between the sums of the component items and totals.



Table 3 Legal action for non-payment of bills
(per 100 customers)

	2009-10	2010-11	Change
Hardship GSL (2010-11)			
City West Water	0.13	0.14	0.02
South East Water	0	0	0
Yarra Valley Water	0	0	0
Coliban Water	0.01	0.01	0.01
East Gippsland Water	0.07	0.05	-0.02
Gippsland Water	0.02	0.02	0
Goulburn Valley Water	0.25	0.01	-0.24
North East Water	0.06	0.01	-0.05
Westernport Water*	0	0	0
No Hardship GSL			
Barwon Water	0	0.01	0
Central Highlands Water	0.02	0.02	0.01
GWMWater*	0	0	0
Lower Murray Water	0.12	0.06	-0.06
South Gippsland Water	0	0.01	0.01
Wannon Water	0.01	0.18	0.17 [^]
Western Water	0.06	0.03	-0.03
Average			
Hardship GSL Average	0.06	0.03	-0.03
No Hardship GSL Average	0.03	0.04	0.01
State-wide Average	0.05	0.04	-0.01

Source: Essential Services Commission 2011, *Water performance report—Performance of urban water businesses 2010-11*, December.

[^] According to Wannon Water, this increase was the result of a more concentrated effort to collect outstanding accounts where customers had refused to engage with Wannon Water. Further, there were a number of accounts where Wannon Water was working with customers but failed to reach a suitable outcome.

*In 2009-10, GWMWater did not report any legal actions against customers due to a change to its customer billing system. Westernport Water did not take legal action in 2010-11 due to a requirement to change service providers undertaking legal actions.

Note: numbers have been rounded to two decimal places, therefore discrepancies may occur between the sums of the component items and totals.



2.2 Research into the experience of customers in financial difficulty

Late in 2010, we initiated a study to provide greater insight into the experience of customers in financial difficulty when dealing with water and energy businesses. We engaged Hall and Partners | Open Mind to conduct interviews with customers identified as being in financial hardship and prepare a report outlining their findings.

The Hall and Partners | Open Mind report, *Customers of water and energy providers in financial hardship: a customer perspective* is available on our website:

<http://www.esc.vic.gov.au/NR/rdonlyres/E96F1C11-3237-4420-9C24-D1B758F98383/0/RPTHallandPartnersfinancialhardship.pdf>

The report draws on the input of 53 customers across the State (34 customers provided feedback on interactions with their water business, the remaining 19 customers commented only on their experience with energy businesses).

While the Hall and Partners | Open Mind report cited a number of examples where customers were happy with the response of their water business in relation to issues of non-payment of bills or financial difficulty, the report also noted that:

- customers were finding it harder to manage water bills
- a number of customers believed businesses could provide better information on the different forms of hardship assistance available
- there could be better management of the restriction of supply process in response to non-payment of customer bills.

The research suggests that the additional safety net provided to all residential customers through the roll-out of the hardship related GSL to all retail water businesses is appropriate given recent and scheduled increases in water prices, and given the research suggests not all customers are being provided with appropriate levels of hardship assistance and advice, as required by the Customer Service Code.

3 DRAFT DECISION AND NEXT STEPS

Our draft decision is to:

Roll-out the hardship related guaranteed service level, in its current form, to the remaining seven Victorian urban retail water businesses from 1 July 2012.

We invite stakeholders to comment on this draft decision.

Matters you may wish to respond on include:

1. Whether the check list for minimum reasonable endeavours (see table 1) should be modified, and if so, how?

(For instance, the check list could be modified to clarify any points of potential confusion in the assessment of whether a breach of the GSL has occurred. Also, there may be benefits from allowing for more flexibility in the steps which accommodate better communication with customers.)

2. Is a broader roll-out for the hardship related GSL of 1 July 2012 feasible for the retail water businesses (who do not currently have the hardship related GSL in place)? If not, what date is feasible and why is it preferred?
3. Any views about the operation of the GSL, suggestions for improvement, and other information that will inform our final decision.

Submissions are due by 18 April 2012. We will consider this feedback and make our final decision in May 2012. Businesses that do not currently have the hardship GSL are expected to have arrangements in place from 1 July 2012. We will publish an updated version of the Code on our website once we make our final decision.