

Our Ref: DOC/10/19850

30 July 2010

Andrew Chow  
Director Regulation  
Local Government and Water  
Essential Services Commission  
Level 2, 35 Spring Street  
Melbourne VIC 3000

Dear Andrew

**RE: Hardship Related Guaranteed Service Level**

Please find East Gippsland Water's response in relation to the Issues Paper on Developing a Hardship Related Guaranteed Service Level Measure.

The current process applied by East Gippsland Water (EGW) in relation to legal actions and restrictions for non payment of accounts provides fair and reasonable service and outcomes that take into account the needs of all our customers and stakeholders. Adequate controls and measures are in place to identify and support customers in hardship before proceeding to debt recovery actions that may involve legal action or water restriction. The performance of our processes are reflected in results to the Energy and Water Ombudsman of Victoria (EWOV) for legal and restriction actions where no complaints in this category were received with our own records reporting no complaints over the last 3 years.

EGW believes that the introduction of the hardship Guaranteed Service Level (GSL) will provide minimal benefit to our customers and will lead to unnecessary costs for changes to our customer information system and increased administrative burden. Use of legal action and restriction by the business is used as a last resort when customers fail to respond to repeated requests for overdue payments. The process of debt recovery has the potential to become legalistic and costly. Our systems follow a stepped process which aims to keep debt recovery action as simple as possible to reach a fair and reasonable outcome for our customers.

The introduction of extra parties such as EWOV and Essential Services Commission (ESC) has the potential to increase complexity in the debt recovery process and to create further barriers for customers to engage with the Corporation.

The Corporation is aware that increases in water charges have the potential to impact on customers' ability to pay and also agree with consumer groups that additional safety nets should be available for customers in hardship. We believe that the introduction of a hardship GSL does not provide any driver or incentive to encourage customers to engage with businesses, particularly when they might be reluctant to disclose their hardship circumstances. While it may be seen that the hardship GSL helps to drive businesses to identify hardship customers this GSL measure fails to address the real issue. Water businesses readily identify customers in hardship who are prepared to engage with them about their payment issues. Water business statistics prove that few complaints exist for restriction and disconnections. A more pro active incentive would be to educate customers experiencing hardship to eliminate any negative behaviour so that they find it more attractive to approach and communicate with water businesses.

The Corporation has reviewed the *Issues Paper on the Hardship Related Guaranteed Service Level* and provides the following responses:

- The \$200 threshold before a water business could commence any legal action or take steps to restrict is agreed by East Gippsland Water. The cost of proceeding to legal action and restriction against customers must be considered in light of the debt at risk. EGW does not commence any legal action for amounts less than \$700.
- The proposed checklist as a minimum for "reasonable endeavours" to recover debt is agreed to by EGW. The Corporation current applies a similar stepped process.
- The driver for the proposed GSL measure seems to be to a commitment made by the ESC to the consumer groups during the Metropolitan Melbourne Water Price Review 2009. EGW believes that the proposed GSL does not improve the ability for businesses to engage with customers who may lack the confidence to approach businesses when in hardship. EGW already operates an extensive customer contact process that helps to identify customers in hardship. These customers are offered flexible payment arrangements and payment plan incentives tailored to their individual circumstances. Complaints to EWOV for restrictions/disconnections from water business customers account for only 2% of these complaint types. Over the period 2005/06 to 2008/09, EWOV received an overall 53 'credit' related restriction complaints from water business. This average to 13.25 complaints per year. This low number of complaints is not sufficient evidence to support the need for implementation of an intervening hardship GSL to a system that is performing above industry standard. EGW believes that customer education to help break down communications barriers with businesses; improved understanding on the availability of flexible payment arrangements and support for customers in hardship would be more beneficial and advantageous to these customers.
- EGW believes that the approach proposed for the roll out of the GSL to water businesses should be determined on current information. Corporations have been selected on 2008/09 data for the roll out, current 2009/10 data should now be used to determine participants in this first phase of the roll out. Current information shows that the number of EGW customers which progressed to legal action for 2009/10 was 13, (28 in 2008/09) a 53% decrease.

- The process used to determine the roll out list of Corporations also suggests that no correlation exists between restrictions and legal actions. Water businesses may carry out restrictions or legal action separately or jointly. An increase in the number of restrictions will generally lead to fewer legal actions and visa versa. A correlation between these categories should be considered which would influence the order for GSL roll out. City West for instance, did not have any restrictions last year but has the greatest number of legal actions recorded. A better determinant and balanced approach would be to apply a correlation between legal actions and restrictions by adding these two to decide the roll out of phase 1 participants. The current data and use of this correlation would exclude EGW from the first quartile list proposed by the ESC.

The roll out of the new process requires EWOV staff to be fully educated on the complexities of this hardship GSL proposal. Appropriate time needs to be provided so that EWOV staff are trained to deal with hardship cases. Water businesses should be formally used to assist in EWOV training but should not be used as participants for case by case learning which would be time consuming and would erode business relationships.

In summary, EGW is committed to providing excellent customer service to assist customers that may be experiencing hardship. We believe that the proposed GSL for hardship adds little value to improve issues that lead to restrictions and legal actions as a result of debt recovery actions. Customers in hardship are generally those that ignore communication and engagement with businesses. Legal actions and restrictions are used as a last resort consequence of customers' failure to communicate with water businesses. A program with consumer groups and water businesses to help improve methods of identifying hardship customers would be a far more productive outcome than introducing a third party (EWOV) to this already well performing process. It is for these reasons that Management and Board of East Gippsland Water does not support introduction of this hardship GSL.

Yours faithfully



Les Mathieson  
**MANAGING DIRECTOR**