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Essential Services Commission
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Metropolitan Water Price Review 2008-09 Draft Decision

VCOSS welcomes the opportunity to comment on the *Metropolitan Melbourne Water Price Draft Decision 08-09*.

As the peak body of the social and community services sector in Victoria, the Victorian Council of Social Service (VCOSS) advocates for the development of a sustainable, fair and equitable society, with a focus on the needs of Victorians on low incomes and/or who experience other forms of disadvantage.

VCOSS commends the Essential Service Commission's (ESC) efforts to constrain water price rises within the regulatory period, and the recognition that the impact of these, still substantial, price rises will be significant for vulnerable and disadvantaged consumers.

We also note that the Victorian Government has committed to lifting the cap on water concessions by 14.2% for the 2009-2010 financial year. While this will not address price increases for the entire regulatory period, it is an important investment to limit the initial impact of the price increase on low income households.

Core Service Levels

VCOSS supports the ESC's decision to require South East Water's service levels to be set at the average recent three year performance. We do not believe that it is appropriate for the quality of service to customers to decrease over time.

Guaranteed Service Level (GSL) Events

VCOSS supports the ESC's proposal to develop a GSL for the water businesses in relation to hardship. As the ESC has noted in the draft decision, water businesses are obliged under the Customer Service Code to exempt any customers on hardship programs from debt recovery and legal action. VCOSS believes that the proposed GSL should provide additional incentive to ensure that all households eligible for hardship programs are effectively identified and that businesses make all reasonable efforts to do so.

With this in mind, VCOSS believes that a GSL payment that requires processes similar to that of the Wrongful Disconnection Procedure for electricity and gas, would assist in avoiding improper restriction or legal action where non payment of a bill is due to incapacity to pay.

Clause 13.2 of the *Energy Retail Code* requires that where domestic customers do not have sufficient income:

A retailer must not disconnect a domestic customer if the failure to pay the retailer's bill occurs through lack of sufficient income of the customer until the retailer has also complied with clause 11.2 [assessment and assistance to domestic customers], using its best endeavours to contact the customer in person or by telephone, and the customer has not accepted an instalment plan within five business days of the retailers offer.

This is to ensure that every effort has been made to assess a consumer's capacity to pay and make affordable payment arrangements. VCOSS believes that a GSL with the objective of preventing improper restriction or legal action would be more effective if it contained an incentive to ensure that customers were indeed offered hardship assistance.

VCOSS suggests that an appropriate GSL would be along the following lines:

Restricting water supply, or taking legal action against, a customer without using its best endeavours to contact the customer in person or by telephone to offer hardship assistance. Or restricting water supply or taking legal action against a customer in hardship who is complying with an agreed payment plan.

As noted by the ESC, both the obligation to offer payment arrangements, and to have in place opportunities to identify customers in hardship is a requirement of the Customer Service Code, and thus should be included within the first billing period of the regulatory period. A GSL payment of \$250 has proved effective in limiting wrongful disconnections in the case of electricity and gas and VCOSS considers an equivalent GSL payment should be used in the case of water.

In addition to the GSL payment proposed above, VCOSS supports the change proposed by Yarra Valley Water, and supported by the ESC, to double GSL payments to keep pace with the increase in water prices.

Tariff structures

VCOSS acknowledges the difficulty in undertaking significant tariff restructuring within the short timeframe of the current price review, and recognises the efforts made by the ESC in requiring the water businesses to propose alternative pricing proposals that adjust price rises across water and sewage services.

However, it is disappointing that the ESC has not considered a tariff restructure that would take into account both the social and environmental costs of water pricing.

VCOSS believes that a tariff structure based on the 'flanders model'¹, with a low volume of essential water provided free of charge to all households, and an inclining block tariff above this rate would both meet social needs for water and would price water for more discretionary uses at a higher level to reflect the environmental costs of excessive water use.

Consumer impacts

VCOSS commends the ESC in acting to restrain water price rises however, the average annual price rises of 10 to 13% as outlined in the *Draft Decision* are still significant. While the cap on concessions for low income households has been raised for the 2009-2010 financial year, price rises that are significantly above CPI will place a strain on household receiving statutory incomes.

If you have any queries, or would like to discuss this submission further, please contact Sarah Toohey, Energy Policy Officer on 9654 5050 or sarah.toohey@vcoss.org.au

Yours sincerely



Cath Smith
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¹ Organisation for Economic Co-Operation and Development, 2003, *Social Issues in the Provision of Water Services*, OECD Publication Service, Paris