



Our reference:
Your reference

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GIPPSLAND
WATER

Local Government and Water
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Dear Sir/Madam

DEVELOPING A HARDSHIP RELATED GUARANTEED SERVICE LEVEL MEASURE: GIPPSLAND WATER RESPONSE

Gippsland Water has reviewed the Issues Paper released by the Essential Services Commission (ESC) in relation to developing a hardship related guaranteed service level (GSL). General comment and responses to the individual questions raised by the ESC in the Issues Paper are provided below.

General comment on establishing GSL's

Gippsland Water sought customer views on the introduction of GSL's during the 2008 Water Price Review process. The results of this consultation were outlined in Gippsland Water's final Water Plan in October 2007. The results of the survey provided an indication that customers themselves are not strong advocates for the introduction of GSL measures. Some 55% of the 2,100 respondents to the Gippsland Water customer survey were not in favour of implementing a GSL Scheme.

Gippsland Water itself is not a strong supporter of the push to establish a new hardship related GSL given that restriction levels across the industry are very low when compared with the energy sector. The ESC itself notes the relatively low number of referrals to EWOV in relation to water restrictions (page 7). What the Issues Paper fails to consider is that unlike disconnections made by gas or electricity suppliers, in the event that a water restriction is applied, the customer still maintains a supply of water, for essential needs, at all times.

Gippsland Water would also contend that the push to establish a new hardship related GSL is not likely to result in any dramatic reduction in the level of water restrictions applied. Gippsland Water does not apply water restrictions lightly, and our experience is that the vast majority of restrictions currently occur only after attempts at face to face communication fail. The largest contributing factor continues to be the difficulty Gippsland Water encounters in its attempts to locate customers, to engage with them over non-payment.

To illustrate, Gippsland Water records show that as a last resort, 419 restrictions were put in place during the 2009/10 financial year. Gippsland Water representatives visited a further 627 properties during 2009/10, located the customer and negotiated a solution, without needing to resort to restriction of the water supply. It is also worth noting that Gippsland Water does not seek to recover all the costs of the restriction and reconnection process from customers who take up the opportunity to engage with the water corporation.

Addressing questions raised in the Issues Paper

The Commission is interested in stakeholder views regarding the proposed \$200 threshold for the amount owed, below which a water business could not commence legal action or take steps to restrict service.

The proposed increase in threshold from \$120 to \$200 has been promoted as a response to the increase in tariff levels over the period since 2005. Gippsland Water acknowledges that tariffs have increased substantially since 2005, but is concerned that other issues around determining the threshold value that require consideration have not been raised in the Issues Paper.

From a Gippsland Water perspective, any changes to the threshold must not limit a water corporation's ability to take action where the customer fails to pay consecutive bills in full over a period of not less than 12 months. This requirement is currently outlined within both the ESC's Customer Code (section 7.2(a)), and Gippsland Water's Customer Charter (section 7.2). While the Issues Paper is silent on this matter, Gippsland Water contends that this condition remains essential for managing customer accounts, and must be retained in any revision of threshold arrangements.

A further issue identified by Gippsland Water is whether multiple thresholds should exist. The continuation of the current regime, where one threshold would continue to apply to all customers, when a clear distinction exists between customers and the amounts they are required to pay per bill has not been considered in the Issues Paper. To illustrate, owner-occupiers are required to pay full availability and usage charges (GW average \$380 per 4 month bill). Owner (non occupiers) pay availability charges only (GW average \$270 per bill). Tenants are required to pay usage charges only (GW average \$50 per bill). The variation in amounts payable is clearly significant. Gippsland Water questions whether a one size fits all approach is fair? Or, should a two tiered threshold exist, with one threshold for tenants and another for other customers?

With far lower average bills, a \$200 threshold for tenants would seem excessive. Gippsland Water records indicate that during 2009/10, some \$83,000, or 55% of net credit write-offs were attributable to tenant accounts. A lower threshold for tenants may encourage better customer behaviour toward, and more contact with the water corporation, in a more timely manner.

A further concern arising from the push to increase thresholds is that any increase may in fact delay the process of identifying customers who genuinely find themselves in hardship, but are reluctant to engage with water corporation. Gippsland Water would contend that any delay may only lead to further difficulties for the customers, who would

benefit directly from being included in water corporation hardship processes as early as possible. While benefits differ from customer to customer, Gippsland Water personnel find that the smaller the outstanding commitment, the easier customers find the process to deal with, both from a personal and a budgetary perspective.

Gippsland Water "reconnection" records support the contention that applying restrictions leads more customers into a negotiated arrangement. As noted above, 419 water restrictions were put in place during 2009/10. Of these, more than 240 "reconnections" were undertaken within three days of the initial water restriction being made.

The Commission is seeking stakeholder views on the proposed check list for minimum "reasonable endeavours" to contact a customer. This may be in terms of additional or substitute steps that may be worthwhile (and why)?

Gippsland Water has no concerns with the proposed minimum "reasonable endeavours" checklist. The proposed requirements for "personal contact" to be made with the customer by phone (step 4) and face to face (step 5), with records maintained for future review, are not dissimilar to current practices adopted by Gippsland Water.

Stakeholders may wish to comment on the proposed GSL, or propose an alternative GSL measure (and provide a rationale as to the strengths of the suggested alternative approach).

Gippsland Water agrees with the comment in the Issues Paper that the drivers and circumstances of hardship can vary on a case by case basis, and can vary over time, effectively implying that there is no one reliable indicator. Given the difficulty in determining an indicator, Gippsland Water has no concerns with the wording of the proposed hardship GSL, with one exception.

In the Issues Paper, the ESC describes an intention to focus on residential customers. The wording of the GSL measure is less prescriptive, and does not clearly identify this focus on residential customers. Gippsland Water proposes that the wording be amended to include reference to "residential customers".

The Commission is interested in views from stakeholders regarding the proposed coverage of the GSL, and intent to review the proposed approach after one year of operation in order to inform broader roll-out.

As noted above, Gippsland Water is not a strong supporter of the push to establish a new hardship related GSL. Gippsland Water also considers that any new hardship GSL is not likely to result in any dramatic reduction in the level of water restrictions applied.

To be at the forefront of the ESC's proposed new hardship GSL measure is then of some interest to Gippsland Water, who would accept the challenge to implement the new hardship GSL, in order to determine whether these strongly held views are borne out over the next 12 months.

Stakeholders may wish to comment on the proposed payment amount and process that would apply in the event of a breach of the proposed GSL.

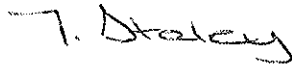
Gippsland Water agrees with the position outlined in the Issues Paper that any hardship GSL payment made could be used to credit customer accounts at the discretion of the water corporation, and thus reduce or eliminate the outstanding amount due.

The Issues Paper proposes that a fixed payment of \$300 should apply in situations where a water corporation breaches the proposed GSL. Gippsland Water would argue that a payment of \$300, which may be up to 50% more than the amount owed by the customer is unnecessarily punitive in nature.

Gippsland Water would propose that any GSL payment be limited to the lower of \$300, or the total amount owed by the customer. Providing windfall gains to customers who themselves have not paid bills, is unreasonable and sends the wrong message to those customers who do pay their water bills on time, or make the effort to seek assistance in times of difficulty.

Comments or questions on any of the issues outlined in Gippsland Water's response should be directed to Mr Kevin Enguell, Manager Strategic Planning, telephone 5177 4684.

Yours sincerely,



Tony Staley
GENERAL MANAGER, FINANCE REGULATION AND ASSETS