



Energy & Water
Ombudsman NSW

PO Box K 1343
Haymarket NSW 1240

Admin (02) 8218 5250
Fax (02) 8218 5233
Freecall 1800 246 545
Email omb@ewon.com.au
Web www.ewon.com.au

ABN 21079 718 915

23 December 2004

Mr Michael Keating
Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Keating,

Thank you for the opportunity to comment on the *Review of Metropolitan Water Agency Prices - Issues Paper*.

The Energy & Water Ombudsman NSW investigates and resolves complaints from customers of electricity and gas providers in NSW, and water customers of Sydney Water, Hunter Water and Australian Inland.

Please find attached a copy of our submission, where we have addressed aspects of the Issues Paper where they relate to our experience.

Please contact me or Chris Dodds, Policy Officer, on 8218 5262 if you would like to discuss this matter further.

Yours sincerely

A handwritten signature in blue ink that reads "Clare Petre".

Clare Petre
Energy & Water Ombudsman NSW



Independent Pricing and Regulatory Tribunal

Review of Metropolitan Water Agency Prices

Issues Paper

July 2004

Response by the

Energy & Water Ombudsman NSW

Introduction

The Energy & Water Ombudsman NSW (EWON) is pleased to respond to the issues paper *Review of Metropolitan Water Agency Prices*.

While we are not in a position to comment on all areas raised in the issues paper, we have provided comments in relation to price structure and transition as well as miscellaneous charges. We have provided these comments from the perspective of EWON's experience as an independent dispute resolution mechanism for customers of Sydney Water Corporation and Hunter Water Corporation.

For ease of reference we have adopted the same numbering as the issues paper.

6.1 Price structure and transition

We understand from the issues paper that reducing water consumption is one of the key drivers for the current considerations, and we broadly support initiatives that encourage water conservation.

EWON has previously noted that the use of pricing signals as a demand management tool can be problematic.¹ Pricing signals are passed on to customers in the form of their quarterly billing, which can often be quite some time after the period of high usage, particularly when usage is directly related to seasonal variations. We are concerned that pricing signals, communicated quarterly, often lack the immediacy necessary to influence customers' consumption habits. For many customers, the financial impact of their high consumption occurs well after the event. Most retailers bill quarterly, so that customers receive their bill weeks after their high usage. EWON suggests that demand management that relies solely on billing to signal prices to customers may lack the immediacy necessary to impact on consumption habits.

The impact of increased usage charges in the context of a demand management tool, especially if introduced in a quick transition to maximise impact, can have a significant impact on low-income consumers. While both major water providers do not have formal 'hardship' policies as such, we have found that they are very reasonable in their approach to customers who have short or long-term financial difficulty in paying their accounts.

We note that unlike most energy retailers, the companies do not offer Centrepay as a payment option to their customers (ie small regular payments of a customer's choice from their Centrelink pension or benefit payments). We suggest that this is something water providers could consider as a way of further assisting customers on limited incomes to manage their accounts.

We also note that Sydney Water and Hunter Water have a 'concealed leak policy', whereby they will consider reducing the amount of an account if the customer was not aware of a leak until they receive a higher than normal bill.

¹ EWON has previously addressed this issue in our submission to IPART's *2004 Electricity Distribution Review*, October 2003, p 7

If pricing structures are to change, then a key transitional issue which will need attention is the position of tenants. IPART and Sydney Water have been considering the issues related to the direct billing of tenants. Even without direct billing the “price shock” approach raised in the issues paper would have considerable impact on tenants (often among the most disadvantaged consumers).

Of particular concern is the limited access of tenants to the Payment Assistance Scheme (PAS) to help pay their water bills. For Sydney Water this is \$25 per bill and for Hunter Water it is a similar limit but only available if there is a direct payment arrangement in existence.

EWON notes that the practice of private landlords passing on water usage charges to tenants is already common in NSW. EWON receives calls from some private tenants regarding this issue, particularly in relation to impending restriction of services. The difficulties we have noted include:

- When must the bill be passed on to the tenant? There appears to be no regulatory framework for when landlords or real estate agents are able to pass on the bill and seek payment from tenants. When are charges from a tenant due?
- Who would be liable for the interest charged on late payments? Can this be recovered from tenants?
- Sometimes tenants have paid the usage charges directly to the real estate agent, but the account still remains unpaid. EWON has received calls from tenants who have received a copy of the restriction notice at their property, but have already paid their share of the bill to the landlord or agent.
- The limited availability of the Payment Assistance Scheme for tenants.
- Limited redress for tenants in this situation, for example, it appears that taking a matter before the Consumer Trader and Tenancy Tribunal (CTTT) is the only redress available to tenants for problems with this billing relationship.

The main issue that EWON has identified is the lack of clear guidance as to how landlords or real estate agents will pass on charges to tenants. Significant price rises associated with a demand management approach would further highlight problems in this area.

Price increases associated with usage sending price signals to tenants rather than landlords may be targeting the wrong party, as tenants are more unlikely or unable to invest in water saving devices and infrastructure changes in the home, such as water tanks. EWON supports the initiatives by Sydney Water under its Retrofit program to provide customers with water saving devices. However, we note that we receive complaints from both private and public tenants about delays by their landlords in repairing faulty / leaking pipes or other infrastructure in the home.

6.4 Miscellaneous charges

EWON would endorse the current approach of direct price setting by the Tribunal for each charge. EWON would support the process of working for commonality between agencies and where relevant across utilities, for these charges.

EWON would be pleased to contribute to a process, which developed a set of pricing principles around miscellaneous charges.