



Energy & Water
Ombudsman NSW

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Mr James Cox
Acting Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Cox,

Thank you for the opportunity to comment on the issues paper *Water Demand and Supply Balance* as part of the end-of-term review of the Operating Licence for Sydney Water.

The Energy & Water Ombudsman NSW investigates and resolves complaints from customers of Sydney Water Corporation, Hunter Water Corporation and Australian Inland Energy and Water. We have provided comments on the inquiry in relation to billing information and direct billing of tenants.

Please contact me if you would like to discuss this matter further.

Yours sincerely

A handwritten signature in cursive script that reads 'Clare Petre'.

Clare Petre
Energy & Water Ombudsman NSW

Introduction

The Energy & Water Ombudsman NSW (EWON) is pleased to respond to the issues paper *Water Demand and Supply Balance*.

While we are not in a position to comment on all areas raised in the issues paper, we have provided comments in relation to billing information and direct billing of tenants. We have provided these comments from the perspective of EWON's experience as an independent dispute resolution mechanism for customers of Sydney Water Corporation, Hunter Water Corporation and Australian Inland Energy and Water.

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

6.6 Educating Customers and Consumers

6.6.1 Billing Information

EWON broadly supports the provision of usage information on bills so that customers can monitor their consumption patterns. We agree that the bill is the primary forum of communication between customers and providers and it is appropriate for consumption information to be included on the bill. We note that in the energy industry retailers are required by legislation to include on small customers' bills the average daily usage for the billing period, as well as the average daily usage for the corresponding billing period for the previous year, if available.¹ Most retailers provide this information on the bill in the form of a graph.

The provision of comparative consumption information can be a useful tool to assist customers in reviewing their consumption. However, EWON notes that customers also need to be provided with meaningful information about ways to reduce consumption in the home. We note that Sydney Water has been very active in providing information to consumers about ways in which they can reduce their consumption, and we support these initiatives. We also note that Sydney Water conducts a retrofit program that provides customers with certain equipment to help them reduce their consumption. EWON believes that programs of this nature are very important, and we particularly note the positive impact this program can have on low-income households who may not otherwise have the means to invest in energy efficient technologies.

EWON supports any initiatives aimed at increasing the accessibility of information about energy awareness for non-English reading customers. We encourage Sydney Water to explore options to achieve greater communication with non-English speaking customers.

¹ GAS SUPPLY (NATURAL GAS RETAIL COMPETITION) REGULATION 2001, clause 31 (1) (d) and (e), ELECTRICITY SUPPLY (GENERAL) REGULATION 2001, clause 31 (1) (e) and (f)

6.6.2 Direct billing of tenants

We understand from the issues paper that reducing water consumption is one of the key drivers for the current considerations, and we broadly support Sydney Water initiatives that encourage water conservation. However, EWON notes that tenant billing for water usage is an extremely complex issue and we suggest that there is insufficient information available in the issues paper to assess the use of tenant billing as an effective means of demand management.

EWON has previously noted that the use of pricing signals as a demand management tool can be problematic.² 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 lacks the immediacy necessary to impact on consumption habits.

The issues paper briefly refers to some of the complexities associated with tenant billing as a means of providing effective pricing signals. For example, 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. As noted in the earlier section, EWON supports the initiatives by Sydney Water under the Retrofit program to provide low-income customers with water saving devices. However, we note that we receive complaints from customers who are either private or public tenants about the delays taken by their landlords in repairing faulty / leaking pipes or other infrastructure in the home.

In addition, EWON suggests that there is insufficient information available to show that pricing signals will guarantee less water consumption. This may be because usage is nondiscretionary, or because customers are prepared to pay for additional consumption rather than change their usage habits. We suggest that more research on the level of nondiscretionary water usage may be required to further understand how best to implement demand management.

From previous discussions and reviews of this issue, EWON understands that if tenants were to be billed directly there would be considerable increased spending on pensioner rebates and concessions. For example, if public housing tenants were billed directly for water consumption, we believe that a significant number would be eligible for a pensioner rebate. Our experience suggests that many low income tenants would also seek assistance through Sydney Water's Payment Assistance Scheme (PAS) to help pay their water bills.

We also note that Sydney Water would be required to make a significant investment in updating their billing systems to accommodate tenant information. EWON suggests

² EWON has previously addressed this issue in our submission to IPART's *2004 Electricity Distribution Review*, October 2003, p 7

that detailed costings of the impact of these arrangements should be made available to stakeholders if the issue of direct billing of tenants is to be considered further.

EWON suggests that there is insufficient information at present to ensure that the direct billing of tenants will send pricing signals to the most appropriate party.

We further note that EWON understands that the practice of private landlords passing on water usage charges to tenants is already common in NSW. EWON receives some calls from private tenants regarding this practice, particularly in relation to impending restriction of services. The difficulties we have noted with the current scheme are:

- When must the bill be passed on to the tenant? There appear to be no rules currently regulating when 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.
- The limited availability of the Payment Assistance Scheme for tenants.
- It appears that taking a matter before the CTTT is the only redress available to tenants for problems with this billing relationship.

The main issue that EWON has observed in relation to this practice is the lack of clear guidance as to how real estate agents will pass on charges to tenants. While we appreciate that Sydney Water does not necessarily have the authority to address the above issues, we have included this information for the sake of completeness and to further illustrate the complexities of this issue.

EWON would be happy to provide further information on the issue of direct billing of tenants if required by the Tribunal.