



Tasmanian Council of Social Service

submission on

Future Regulation of the Tasmanian Water and Sewerage Sector

Part A – Proposed Position Paper

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Authorised by

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Introduction

The Tasmanian Council of Social Service (TasCOSS) is the peak body for the community service sector in Tasmania. Its membership comprises individuals and organisations active in the provision of community services to low income, vulnerable and disadvantaged Tasmanians. TasCOSS represents the interests of its members and their clients to government, regulators, the media, and the public. TasCOSS seeks a fair, just and inclusive Tasmania.

We welcome the opportunity to participate in the reform process of the water and sewerage sector in Tasmania, and in this consultation on the future regulation of the sector. Our concern lies primarily in ensuring that the interests of low income and disadvantaged Tasmanians are considered in the reform process and that water and sewerage, as essential services, remain affordable and accessible to low income households.

The reforms and the move to a user pays system for full cost recovery will have a significant impact on many low income households. For those in non-urban areas it may mean welcome access to reticulated water supply and sewerage services. However, for many, and particularly for those renting, it will mean an additional account to pay and may mean increased financial stress and hardship. Given the serious shortage of affordable housing in Tasmania, we believe it is unlikely that rents will fall when water charges are removed from the council rates.

In other Australian jurisdictions, disconnection from household water supply is not an uncommon occurrence for those experiencing financial hardship. We would not like to see this happen in Tasmania and believe that a regulatory system can be designed that will ensure that households are not disconnected from this essential service due solely to an inability to pay.

TasCOSS would therefore like to see a strong and effective regulatory system developed that protects the interests of consumers, and especially the most vulnerable consumers.

Proposed regulatory framework

TasCOSS supports the introduction of a comprehensive regulatory system for the water and sewerage sector in Tasmania. We believe that the sector can be seen as a ‘natural monopoly’ given the extensive and expensive infrastructure necessary to deliver effective, efficient and safe services. As such, robust independent regulation is essential to prevent monopoly behaviour and to protect consumers.

TasCOSS has had considerable experience working with the electricity regulatory system in Tasmania and we have found that the system is participatory, transparent and fair, and functions to maintain the accountability, through regular performance monitoring and reporting, of the electricity distribution and retail sector. The system proposed for water supply is similar and TasCOSS supports its emphasis on consumer protection, the establishment of customer service standards, performance reporting and price regulation.

In general, we believe the proposed regulatory framework outlined in *Part A – Proposed Position Paper* is appropriate and potentially workable. However, we are concerned that consumer protection measures are not made explicit in the framework and we provide some comments and suggestions below on issues relating to consumer protection and participation.

Regulated retail code

An important element of consumer protection in the area of essential services is a regulated code. In electricity regulation in Tasmania, the *Tasmanian Electricity Code* plays a critical consumer protection role by detailing requirements for retail electricity supply such as credit management practices, the contents of customer accounts, methods of payment, the handling of payment difficulties, customer charters, information provision and complaint handling. The *Electricity Supply Industry (Tariff Customers) Regulations 1998* details further customer protections for electricity supply including regulations concerning security deposits, disconnection from supply, reconnection and the rights and obligations of customers. These are key consumer protection mechanisms and, we believe, must be adapted and replicated in any regulatory framework for water supply.

It may not be necessary to develop both a code and regulations for water supply as these protections might best be incorporated in a single document, although that is a matter for more detailed and expert analysis. The important factor is that since water supply is also an essential service, a code (or similar) must be developed for Tasmania, and that code must be regulated and incorporate legal requirements for consumer protections similar to those in place for electricity. These include detailed requirements for billing, payment methods, credit management, the handling of payment difficulties, the development and maintenance of a customer charter, information provision and protection, complaints handling, security deposits, disconnections, and reconnections.

Hardship policies

We would like to see an additional element in the regulatory framework that requires suppliers, as a licence condition or code requirement, to develop and deliver hardship policies that are approved by the economic regulator. Effective hardship policies would include features such as payment plans, collaborative account management and support, cost-free water conservation advice, referral to financial counselling and other assistance, staff training in hardship issues, and a system of payment waivers or other incentives. The supply of essential services such as water and electricity must be supported by effective mandatory hardship policies in order to ensure that those in financial stress are able to maintain their access to those services in spite of their inability to pay.

Consumer participation

Also absent from the proposed regulatory framework, as outlined in *Part A – Proposed Position Paper* is an avenue or avenues for consumer / customer participation in the regulatory system. Some mention is made of increasing public involvement and consultation (eg p. 11 and p. 22); however, plans for this are neither detailed nor made explicit in the paper. We believe it is essential that consumers' voices and experiences are heard in forums where decisions are made, and can be readily taken into account, and that consumer representatives are regularly kept informed of performance and other issues. For these reasons, we believe that consumer participation leads to better services and better regulation. TasCOSS would therefore like to see included in the detail of the regulatory framework a requirement that suppliers and the economic regulator establish consumer (or customer) consultative committees that meet regularly to inform and be informed about performance, regulatory and other issues.

Concessions

Although not strictly part of a regulatory regime, we would like to take this opportunity to state the critical importance of an effective concession system for future water supply in Tasmania. Currently in many municipalities concessions for water supply are provided as

part of rates remissions for eligible pensioners. This will obviously change under a metered system, and a new system will need to be introduced in order to assist those on low incomes to afford water supply.

TasCOSS recommends that a concession system be established for water supply that, like the concession provided for electricity as a Community Service Obligation / Activity, extends eligibility for the concession to Health Care Concession Card holders, as well as Pensioner Concession Card holders. In this way, those on low incomes from all sources (including from low paid, casual and/or seasonal work) are provided with assistance to maintain their access to household water supply.

Performance reporting

TasCOSS strongly supports the introduction of regular performance reporting by water suppliers. In our experience in electricity regulation, we have found that regular performance reporting provides an opportunity to monitor ongoing affordability issues and hardship levels through reporting of payment plan creation, defaults and completions; debt levels; disconnections; repeat disconnections; reminder and disconnection notices sent and so on. This is very useful to inform the development of better policy, processes and programs to assist those experiencing difficulty maintaining access to essential services for reasons of financial stress and hardship.

Customer service standards

We support the establishment of a 'statewide customer service standards framework'; however, we are concerned that the threat of licence revocation (implied by periodic licence reviews) is a somewhat blunt instrument for ensuring compliance and, as such, is unlikely to be effective. Consideration should be given to introducing a Guaranteed Service Level (GSL) scheme akin to that in place for electricity supply. This scheme involves a mandatory payment to customers whose supply does not meet a guaranteed service level. A payment set at a reasonable level would act both as an incentive to suppliers to maintain service levels and as some compensation to customers for poor service. In addition, regular reporting of GSL payments would provide another indicator of service standards performance.

Ombudsman

TasCOSS also supports the establishment of an independent ombudsman for the water and sewerage sector, but note that if it is intended to add this duty to those of the existing Tasmanian State Ombudsman and his office, significant additional resources must be provided given the multiple responsibilities already undertaken by the Ombudsman.

Other issues

There are other issues and considerations for low income and disadvantaged Tasmanians arising from water and sewerage reform that may or may not be directly related to sector regulation. These include tariff structures – that is the mix of fixed and volumetric rates and the nature of the tariff (that is, inclining, declining or flat); the passing through of costs of household meter installation and of meter reading; the constraints on many low income households, and especially on renters and large households, to lower their water consumption; the likely effects on water prices of climate change and especially of drought; and so on. We hope that the reform process will provide further opportunities to raise and examine these and other issues.

Conclusion

As stated above, TasCOSS supports the introduction of a comprehensive regulatory system for the water and sewerage sector in Tasmania and, with the additions outlined above, believes the proposed framework outlined in *Part A – Proposed Position Paper* is appropriate and workable.

We hope that these comments are helpful – please feel free to contact us if further information or clarification is required. We look forward to continuing to be involved in this reform process.