



# **Tasmanian Council of Social Service**

**submission on**

## **Future Regulation of the Tasmanian Water and Sewerage Sector *Part B – Proposed Position Paper***

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## **Introduction**

The Tasmanian Council of Social Service welcomes the opportunity to make further comment on proposals for the future regulation of the Tasmanian water and sewerage sector as detailed in *Part B: Proposed Position Paper*.

As much of the *Part B Paper* provides increased detail of the proposed regulatory regime outlined in the *Part A Paper*, our earlier submission in response to *Part A* remains relevant. However, we have some further comments and concerns about specific aspects of the proposed regulatory system described in the *Part B Paper*.

In general TasCOSS supports the regulatory regime proposed in the papers. The proposed system appears to be sufficiently robust, independent and coordinated to ensure efficiency, effectiveness and a level of consumer protection. Our concerns lie primarily in the lack of detail provided in the paper regarding some aspects of the system.

## **Licensing and performance monitoring of service providers**

While TasCOSS supports the licensing of service providers, we believe it is imperative that licensing is supported by a strong and effective penalty system to ensure compliance with licence conditions.

We also support the requirement for annual performance reporting as a licence condition, and particularly support the use of performance reporting to monitor affordability and customer service issues. The Tasmanian Energy Regulator, in conjunction with consumer, industry and government representatives, recently reviewed performance indicators in electricity supply with a view to enhancing their capacity to identify hardship among customers. Learning from this exercise may be useful in the water sector.

We would like to have seen more detail in the paper regarding performance measures relating especially to the affordability of services and suggest that the following measures / indicators be included in the performance reporting framework:

- The number of hardship policy referrals / entrants,
- Payment patterns (customer behaviour – including timeliness of payment, reminder and disconnection notices sent),
- The number of payment plans entered into, completed, abandoned / defaulted, and
- The number of disconnections – including multiple or repeat disconnections in the reporting period and re-connections at the same address in the same name.

This information will be critical in understanding the level of hardship associated with water supply and to developing and implementing assistance measures for those affected.

## **Customer service standards**

The customer service standards framework outlined in the paper requires more detail. We understand that it comprises two instruments: a Customer Service Code and a Customer Charter, and that the Code is to be developed by the economic regulator while the Charter is developed by service providers (in consultation with customers). However, the nature and status of the Code in particular is unclear. The paper states that it is ‘an overarching document which can include minimum requirements’ and gives some examples, including a hardship policy (p19); however, it also states that the Code will establish ‘a minimum level of

service standards and/or identify the range of issues that should be covered in the service standard arrangements with customers' (p18).

It is unclear from the paper whether the Code is an instrument that details mandatory requirements for service providers, or is merely a guide to be used by service providers to develop a Customer Charter.

In the electricity supply sector, the *Tasmanian Electricity Code* (TEC) has a very clear role in setting out arrangements for the regulation of that sector in Tasmania and is provided for and enforceable under the *Electricity Supply Act 1995*. In relation to customer service standards, the TEC provides detailed requirements relating to issues such as internal credit management policy, the content of customer accounts, provision of particular methods of payment and the offering of payment plans to customers experiencing difficulty paying accounts, the nature and content of a customer charter, information provision, and complaint handling. These requirements are augmented by requirements laid out in the *Electricity Supply Industry (Tariff Customers) Regulations 1998*.

On these issues, the paper is confusing and it remains unclear where the requirement for various customer protection measures will be found in the proposed regulatory instruments (for instance, in the operating license as license conditions; in the Customer Service Code or in the service providers' Price and Service Plan?), and therefore how compliance will be enforced.

In our view, this is a vital issue since, as we mentioned in our previous submission for instance, we would like to see a requirement for service providers to develop and deliver hardship policies that are approved by the economic regulator and that contain minimum elements 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. While the issue of 'the hardship policy' is mentioned in the paper in relation to the Code, it is by no means clear whether this will be mandatory or simply a guideline.

Given the essential nature of household water supply and sewerage services, TasCOSS believes regulated hardship policies and other consumer protection measures should be clear and mandatory in order to ensure that those living on low incomes have access to assistance and are not disconnected from water supply only for their inability to pay.

Information in the paper regarding the role and nature of the Customer Charter also lacks detail. In particular, we are interested in how the Customer Charter will be enforced; that is, will there be a system of Customer Charter payments to customers if the service levels guaranteed in a Customer Charter are not met (as in the electricity supply industry)? We repeat the suggestion made in our earlier submission that consideration be given to introducing a Guaranteed Service Level scheme similar to that in place in the electricity supply sector.

As key instruments for consumer protection, the proposed Customer Service Code and Customer Charter, in our view, require more detail and clarity than has been provided in the *Part B – Proposed Position Paper*.

## **Pricing**

TasCOSS supports price regulation in the water and sewerage sector, however, we are concerned, as mentioned in our previous submission, that the introduction of consumption based pricing for full cost recovery will have a significant impact on many low income households. For many it will mean an additional bill to pay and increased financial stress, and possibly, hardship. It is for this reason we believe it is imperative that robust consumer protection measures are in place and that these are supported by effective regulatory and compliance regimes.

The paper states that pricing should be cost reflective and also makes it clear that there will be very high costs required (between \$720 million and \$860 million) ‘to bring the State’s water and sewerage infrastructure to contemporary standards’ (p 32). This is a concern, however, we are pleased to see that the paper also acknowledges the need to balance the principle of cost reflectivity with equity considerations and to protect consumers from price shocks. In our view, Tasmanian consumers cannot alone be expected to pay for the required new infrastructure after years of insufficient investment (and possibly poor management, in some cases) by local government authorities and other suppliers. There is a clear need to balance responsibility for financial contributions from all stakeholders, including the State and Federal governments, over time.

In relation to the specific objectives of price regulation and pricing principles outlined in the paper, TasCOSS would like to see an explicit acknowledgement, in both the objectives and the principles, of water supply as an essential service. This is a basic over-arching feature of this sector that must be acknowledged clearly throughout the reform process, and particularly in relation to pricing. The essential nature of water supply for health and well-being is the single most important argument for maintaining its affordability.

TasCOSS believes that concessions have an important role to play in ensuring affordability and uninterrupted access to water supply, and we are pleased that the paper acknowledges the role of Community Service Activities in that regard. In addition, we believe that innovative tariff structures might also contribute to assisting with affordability. In particular, TasCOSS supports an inclining block tariff structure that includes a relatively low fixed component and a very low priced (or even free) small first tariff block that is considered a ‘human right’ allocation, with a second tariff block priced to ensure affordability at slightly higher than minimum consumption levels. While tariff design was not dealt with in the paper, it may be an avenue through which affordability can be achieved and maintained.

## **Customer complaints and disputes**

As mentioned in our previous submission, we support the establishment of an independent ombudsman for the water and sewerage sector. We note that it is proposed in this paper that such a service be established within the existing Tasmanian Energy Ombudsman’s office. We repeat our entreaty that the new ombudsman service be adequately resourced to ensure its accessibility and effectiveness.

## **Consumer participation**

There appear to be a number of avenues for consumer participation in the proposed regulatory system outlined in the paper; however, once again there is little detail regarding how this might function in practice. We reiterate that 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. We 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.

## **Conclusion**

As mentioned above, our earlier submission remains relevant and we trust that this response will be read in conjunction with that submission. We hope that the comments we have made here are helpful – again, please feel free to contact us if further information or clarification is required. We look forward to continuing to be involved in this important reform process.