

Dr Peter Boxall  
Chair  
Independent Pricing and Regulatory Tribunal  
Level 8, 1 Market Street  
SYDNEY NSW 2000



9 April 2013

Dear Dr Boxall

**Response to the Independent Pricing and Regulatory Tribunal's (IPART) draft report on prices for water, sewerage and stormwater drainage services for Hunter Water Corporation**

The Public Interest Advocacy Centre (PIAC) thanks IPART for the opportunity to provide comment on its draft report, *Hunter Water Corporation—Prices for water, sewerage and stormwater drainage services from 1 July 2013 to 30 June 2017* (the Draft Report). PIAC's comments in this submission relate to the proposed prices in the Draft Report, as well as IPART's consideration of the results of IPART's customer consultation, operating expenditure for some customer assistance programs and Hunter Water's decision to give eligible customers the options to use the Centrepay service.

**IPART's proposed prices**

PIAC welcomes IPART's proposed prices, which will result in decreases or modest increases for most Hunter Water customers. Firstly, the proposed prices will see real decreases in water, sewerage and stormwater drainage bills for residential customers in houses. IPART has proposed increasing the sewerage service charge (in line with increases in the Consumer Price Index (CPI)), while keeping the variable water usage charge unchanged in nominal terms over the four-year determination period.<sup>1</sup> This means that fixed charges are increasing slightly as a percentage of bills and that the decline of bills in real terms will be smaller for those customers with lower consumption levels (based on IPART's projection of a total increase in the CPI of 11% over the next four years of the determination).<sup>2</sup>

Secondly, residents of units or flats face real increases in their bills, due to the increase in the sewer service charge they face from 65% of that paid by houses to 75%. As with residents of houses, the percentage increase in bills is greatest for consumers on low consumption levels. Unit-dwellers using 50 kL/pa face an increase of 21.3% over four years (\$110 in nominal terms over four years), while those using 300 kL/pa face an increase of 11.3% over four years, which is only fractionally higher than the projected increase in CPI.

Finally, PIAC notes that pensioners will face increases in nominal bills of between 1.9% and 2.4% over four years (depending on consumption level). Pensioner bills are therefore projected to decrease by between 8.6% and 9.1% in real terms.<sup>3</sup>

The proposed price changes appear reasonable to PIAC. There will always be consumers who struggle to meet the cost of essential services. However, PIAC notes that the proposed rises will only increase that challenge for a minority of consumers (who live in flats or units) and will lessen the challenge for those consumers who live in houses. PIAC particularly

<sup>1</sup> IPART, 2013, *Hunter Water Corporation—Prices for water, sewerage and stormwater drainage services from 1 July 2013*, 153.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid 156.

welcomes the proposed prices for pensioners, many of whom face significant cost of living pressures.

### **Hunter Water's proposed prices and consumer engagement**

Hunter Water undertook a significant customer consultation process prior to submitting its initial pricing proposal for this review.<sup>4</sup> In the Draft Report, IPART states that it has 'accepted Hunter Water's proposals and [IPART] commend[s] Hunter Water on its customer consultations for the 2013 price review'.<sup>5</sup> However, according to Hunter Water, a 'strong theme' to emerge from the customer consultation was that customers would like the variable usage charge to increase as a percentage of bills in order to give customers more influence over the total amount they pay.<sup>6</sup> IPART has taken the opposite approach, by keeping the usage charge for water consumption unchanged in nominal terms over the four-year determination (and therefore reducing it in real terms). As previously stated, this serves to increase the percentage of most bills made up of fixed charges.

PIAC raised some concerns in its initial submission to this review about Hunter Water's price proposals, arguing that renters would be disadvantaged.<sup>7</sup> Nonetheless, as a general principle PIAC strongly supports effective customer engagement by utility providers as part of the development of pricing proposals. PIAC, therefore, recommends that IPART develop a price structure for Hunter Water that more closely reflects the wishes expressed by Hunter Water customers during the consultation process. In addition, PIAC recommends that IPART clarify the weight that it will give to the results of rigorous customer engagement processes in the future, particularly when these consultations reveal customer preferences for tariff structures that are inconsistent with IPART's pricing principles.

Not only is it important for utilities to better understand the way the results of such consultation will be considered, consumers would benefit from knowing the extent to which their input stands to influence IPART's price determination decisions.

#### ***Recommendation 1***

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*PIAC recommends that IPART develop price structures for Hunter Water that more closely align with the preferences expressed by customers in Hunter Water's consumer engagement process.*

#### ***Recommendation 2***

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*PIAC recommends that IPART clarify the weight that it gives to the results of customer engagement activities undertaken by utilities in preparing their pricing proposals.*

### **Operating expenditure for customer assistance programs**

In its initial submission to this process, PIAC raised concerns about the possibility that Hunter Water may not continue some of its customer assistance programs throughout the determination period. For example, a tap re-washing service might be discontinued (noting that the toilet exchange program has been discontinued).<sup>8</sup>

PIAC once again requests that IPART clarify whether Hunter Water has been given an allowance to continue this program as part of its operating expenditure allowance. Given the price determination process sets out Hunter Water's operating expenditure for the coming four years, PIAC submits that consumers would benefit from greater clarity regarding the continuation of such programs over that period.

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<sup>4</sup> Ibid 137.

<sup>5</sup> Ibid 5.

<sup>6</sup> Hunter Water Corporation, 2012, *Submission to IPART on prices to apply from 1 July 2013*, iii.

<sup>7</sup> PIAC, 2012, *Making every drop count*, 3.

<sup>8</sup> Ibid 8.

### **Recommendation 3**

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*PIAC recommends that IPART provide greater detail on the customer assistance programs that Hunter Water has included in its operating expenditure during the upcoming determination period.*

#### **Centrepay**

PIAC commends Hunter Water on its decision to give eligible customers the option to pay their bills through the Centrepay service from 1 July 2013.<sup>9</sup> Centrepay offers an extremely useful income-management tool to customers receiving payments through Centrelink. The service also provides benefits to utilities that receive payments with greater regularity from low-income and vulnerable consumers.

PIAC believes that all utility providers should be required to offer eligible customers the option of using Centrepay. While Hunter Water has introduced the option following sustained lobbying from a number of consumer and community organisations, including PIAC, not all utility providers have yet done so.

### **Recommendation 4**

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*PIAC recommends that IPART urge the NSW Government to introduce a requirement for all utility providers to offer eligible customers the option of paying their bills through Centrepay.*

#### **Continuous improvement in customer assistance**

Hunter Water's decision to introduce Centrepay comes at the end of the current determination period, during which Hunter Water has invested considerable resources in the development of credit and hardship programs.<sup>10</sup> While PIAC recognises and applauds Hunter Water's efforts in this area, PIAC also submits that it is extremely important for Hunter Water not to consider the issue of customer hardship and assistance measures to have now been fully addressed. The challenge of ensuring all customers maintain unrestricted access to the essential service of water is an ongoing one. Consumers have a right to expect continuous improvement in the efforts of all utilities to meet this challenge.

Once again, thank you for the opportunity to provide comment on the Draft Report.

If you would like to discuss any matters related to this issue further, please contact myself or Oliver Derum, Policy Officer in the Energy + Water Consumers' Advocacy Program, on 8898 6518 or [oderum@piac.asn.au](mailto:oderum@piac.asn.au).

Yours sincerely



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<sup>9</sup> IPART, above n 1, 158.

<sup>10</sup> Hunter Water Corporation, above n 6, 52.