



## **Submission on Tasmanian water and sewerage industry – performance and information reporting guideline**

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### **INTRODUCTION**

Anglicare welcomes the opportunity to provide comments on the Tasmanian water and sewerage industry draft Performance and Information Reporting Guideline (OTTER 2010b). In responding, Anglicare's focus is on customers on low incomes and those in financial hardship, so our comments are confined to those elements of the reporting guideline that are relevant to these customers.

### **FREQUENCY OF REPORTING**

The consultation paper accompanying the draft guideline indicates that the corporations will only be required to report the information required of them on an annual basis (OTTER 2010c, p. 8), and this is consistent with s. 69(1) of the *Water and Sewerage Industry Act 2008*, which states that the regulator is to develop 'annual performance reporting requirements'.

However, Anglicare notes that in the electricity industry, reporting is done on a quarterly basis. Quarterly reporting, at least on hardship-related performance measures, is also supported the Australian Energy Regulator (AER 2010, p. 28). While some other more technical aspects of performance may perhaps be better reported on an annual basis, it is Anglicare's view that measures relating to affordability, hardship and the treatment of customers who are disadvantaged should be reported on a more regular basis, such as quarterly, as this would allow for seasonal variations to emerge from the reporting cycle and for affordability issues to be noted – and responded to – in a more timely manner. We recommend that consideration be given to increasing the frequency of reporting requirements, at least for those performance measures that are linked to affordability and hardship issues and the needs of vulnerable customers.

## COMMENTS ON DRAFT PERFORMANCE MEASURES

Anglicare acknowledges that the purpose of the reporting system is to allow the Regulator to monitor the performance of the corporations against their legislated obligations. However, some performance measures can provide information about more than just performance. They can provide valuable data about the experiences of customers and wider trends in the affordability of essential services. Given the scale of the reform that is occurring in the water and sewerage industry, it is important to monitor the impacts of those reforms on disadvantaged and vulnerable customers and the efficacy or otherwise of customer protection measures that have been put in place.

People on low incomes are not an insignificant part of the customer base: 34.1% of Tasmanian households rely on income support payments as their main source of income (Australian Bureau of Statistics 2009, p. 33). Recent research on hardship in Tasmania has explored the role of utility bills in causing financial crisis and triggering the need for emergency assistance from welfare organisations (Flanagan 2010, pp. 58-64). Anglicare does not expect water and sewerage bills to pose any less of a problem for households already living below the poverty line, particularly when direct billing is extended to tenants. The consequences must be monitored to ensure that government and regulatory policy can respond appropriately. Anglicare's view is that requiring the reporting of information for these purposes is not inconsistent with the Regulator's obligations under the Water and Sewerage Industry Act, as outlined in ss. 5 and 69(3), as the availability of this information will assist in furthering the long-term interests of customers and ensuring that all Tasmanians have secure access to essential water and sewerage services.

Anglicare is therefore recommending that the Regulator adopt a broader approach than is currently the case in the draft guideline. This would incorporate performance measures relating to the corporations' mandatory hardship policies, but also indicators of wider issues related to hardship and affordability.

We recommend the inclusion of a number of additional performance measures, as outlined below.

**Disaggregation of customers by concession card status:** Like Aurora Energy, the three water and sewerage corporations are, through Onstream, required to facilitate the provision of a concession to water and sewerage customers based on their eligibility for a Commonwealth concession card. This will mean that the corporations will know which of their customers are concession card holders, and it should not pose too great a logistical problem to disaggregate performance data according to the customer's concession card status.

Anglicare is recommending that this be done because receipt of a concession is a useful indicator of a low income (Flanagan 2010, pp. 142-3). If the corporations are required to report information relevant to customers on low incomes – including information on restrictions and disconnections, payment plans, hardship and referrals to financial counselling services – in a way that enables the experience of low income earners to be separately assessed, this will allow the Regulator to monitor the corporations' performance specifically in relation to disadvantaged people, as well as in relation to all customers.

**Payment cycle indicators:** The draft guideline outlines only a limited number of reporting requirements relating to the payment cycle. The information required really relates only to the extremes of the spectrum of customers' capacity to pay – those who pay by the due date at one extreme and those whose service is restricted or who are taken to court for failure to pay at the other.

Anglicare recommends the inclusion of a requirement, similar to those that apply in the electricity industry, for the corporations to report on other aspects of customers' capacity to pay. This includes information on the number of reminder and warning notices sent and the application and waiver of late fees. This ensures a more complete picture of customers' financial position is captured. Under the guideline as drafted, many people who are experiencing genuine difficulty in paying but who find a way to retain their service at the last minute, for example, through borrowing money from friends or family, would be missed in the figures.

**Reconnections:** The electricity industry is required to report the number of customers, disaggregated by whether the customer is a residential or business customer and whether the customer is a concession card holder, whose service is reconnected in the same name within one week. The rationale, according to the electricity industry reporting guideline, is that this is '[a] measure of how many people find a way to keep the power on at the last minute' (OTTER 2009, p. 25). According to the Australian Energy Regulator, reconnection of a service within a short space of time 'can typically indicate that the customer was most likely disconnected as a result of financial hardship' (AER 2010, p. 25). Anglicare considers that these arguments are relevant to the water and sewerage industry as well: rapid reconnection of a service is a valuable indicator of the level of difficulty with service costs within the community and this information should be recorded and reported.

**Repeat disconnections:** The electricity industry is also required to report on the number of times a customer at the same premises has been disconnected within a rolling 24 month period. In Anglicare's view this provides a valuable indicator of the level of ongoing difficulty in paying for electricity (although the accuracy of this information in Tasmania is currently compromised by the limited data on repeat disconnection among people using pre-payment meters). Research suggests that for many people, financial difficulty is not an isolated or one-off experience. Among respondents to Anglicare's recent survey of clients of emergency relief services, only 4.8% said this was the first time their household had had financial problems. Nearly half (48.0%) said that they had problems now and then, a third (32.6%) said that they had problems regularly, and 14.6% said that they had financial problems always (Flanagan 2010, p. 37). Anglicare considers that, as in the electricity industry, information on repeat disconnections would provide a useful indicator of the frequency of ongoing and severe problems with the costs of water and sewerage.

**Payment options:** Electricity retailers are required to report on an annual basis the number of payment methods they offer and the percentage of customers using each method. This is useful information as it may provide an indication of the demand for particular payment options, such as incremental payment, (although the indication of demand would not be straightforward as not all payment types have an equal profile among customers) or alternatively, a measure of whether alternative payment methods are being effectively promoted to customers. Electricity retailers are also required to report on the number of direct debit payments that are in default and the number of direct debit payment plans terminated as a result of default or non-payment. These are both indicators of financial difficulty among customers as direct debits can be set up as a budget-management strategy and their failure can indicate budgeting difficulties. Anglicare recommends the inclusion of reporting requirements on payment options and use of direct debit in the water and sewerage industry.

**Debt:** Electricity retailers are also required to report on the number of customers who are repaying a debt and the number who owe a substantial amount – that is, those who owe more than \$500. These indicators give a sense of the degree to which Tasmanian customers are indebted to retailers and the scale of the debt burden. This information may also be usefully disaggregated according to customers'

concession card status as it will indicate whether customers on low incomes are more prone than other customers to be indebted, and to what extent.

**Restriction and disconnection for reasons other than non-payment:** Anglicare considers it important to include information not just on restrictions for non-payment, but information on involuntary restrictions and disconnections for other reasons, including for illegal activity. These customers may not all be part of Anglicare's client group at the time of the restriction or disconnection, but once the penalty is applied, it is highly likely that they will be approaching services like ours for assistance in managing their basic need for services. For this reason, these customers are people for whom we are legitimately concerned.

Anglicare notes that in the Statement of Reasons on the Customer Service Code, the Regulator showed little inclination to extend extra protection to customers in this situation (OTTER 2010a, pp. 26, 29). However, even for a serious offence, disconnection from water services is an extreme penalty and is not to Anglicare's knowledge one that has previously been widely used. Restriction is not as severe a penalty, but nevertheless will have considerable impact on customers whose services are restricted and on those living with them. It is vital that the frequency of use of these penalties is monitored, particularly as, under s. 8.1.1 of the Customer Service Code, the corporations are not required to have concrete proof of a customer's guilt prior to moving to restriction or disconnection, simply a 'reasonable suspicion'.

**Referral to financial counselling:** In discussions around hardship and access to essential services, much is made of the desirability of referral to financial counselling services. The provision of information about and referral to such services by the corporations is required by the Customer Service Code in certain circumstances, including when customers are identified as being in hardship (ss. 5.6.4 (g), 6.3.1(b)). As the main provider of financial counselling in Tasmania, Anglicare does have a special interest in this area. We believe in the value of our services, but we are also honest enough to admit that in some cases, such as when people are living below the poverty line, financial counsellors can do little to resolve the long-term problems of managing rising costs of living on a limited and inadequate income. We consider it important to monitor the extent to which financial counselling services are being used by the corporations, and recommend the inclusion of 'number of referrals to financial counselling services' as a requirement in the guideline.

Further, given the explicit inclusion of referral to financial counselling as a response to financial hardship and to payment difficulties more generally in the Customer Service Code (ss. 5.6.4 (g), 6.3.1 (b)), Anglicare considers that it would be useful to require this information to be disaggregated according to whether the customer being referred is identified as falling under the corporation's hardship policy or not. This will ascertain both the strength of the linkages between difficulty in making payment and the application of the hardship policy and whether referral is being used effectively in both sets of circumstances in which it is required.

**Customers in hardship:** Given the extensive provisions in the Customer Service Code regarding the corporations' hardship policies, and particularly the requirement that the corporations ensure that these policies are applied to customers identified as being in financial hardship (s. 6(c)), Anglicare considers it appropriate to include performance measures explicitly relating to the use of hardship policies. The consultation paper refers to the draft national hardship indicators being developed by the Australian Energy Regulator as a potential template for hardship-related performance measures in Tasmania's water and sewerage performance guideline (OTTER 2010c, pp. 6-7).

The Australian Energy Regulator has recommended a number of indicators be adopted at a national level in the electricity industry, including:

- the number of customers on the retailer's 'hardship program';
- the number of customers on the hardship program who are concession customers;
- the number of customers entering the hardship program each month;
- the number of customers denied entry to the hardship program;
- customers' average debt, upon entry and upon exit from the hardship program;
- the number of customers exiting the hardship program and the number excluded from the program after commencement due to failure to engage or non-compliance;
- the number of customers who have been disconnected who had been on the hardship program in the previous 24 months;
- the number of customers reconnected within seven days who had been on the hardship program in the previous 24 months (AER 2010, pp. 13-27).

Anglicare considers these indicators to be useful measures with applicability to the water and sewerage sector. However, they should be adopted in addition to the performance measures already included in the draft guideline and in addition to the measures recommended above. As the Australian Energy Regulator has noted, indicators of hardship are just one component of monitoring these issues, and should be part of a 'holistic and broader package of indicators' on other aspects of performance, including disconnections and reconnections, customer service and concessions (AER 2010, p. 2). The Tasmanian Council of Social Service (TasCOSS) also argues that the indicators proposed by the Australian Energy Regulator relate to the performance of a given hardship *program*, not the level of hardship in general, and that in order to accurately measure the level of hardship, these kinds of indicators need to be combined with performance measures relating to payment plans, elements of the payment cycle, disconnections, reconnections, repeat disconnections and debt (TasCOSS 2010, pp. 2, 4).

According to the Australian Energy Regulator, '[m]ost customers who have participated in and exited a retailer's hardship program should be able to manage their ongoing energy bills and not be at risk of disconnection' (AER 2010, p. 26). However, Anglicare notes TasCOSS's point that, in relation to Tasmania's Aurora Energy, what is in place is a hardship policy, not a hardship program (TasCOSS 2010, p. 2). Similarly, what the water and sewerage corporations are required to have in place under s. 6.4 of the Customer Service Code is simply a hardship policy. This policy must ensure that the corporations exempt customers from supply restriction, legal action and additional debt recovery costs, offer alternative payment options and provide information or referral to independent financial counselling but that is all. In effect, the hardship 'program' that will apply in Tasmania's water and sewerage sector is one of management of the particular debt that has led the customer to approach the corporation and declare themselves to be in hardship. Alternative payment options for future bills and referral to financial counselling may be of some longer-term assistance, but the corporations are not required by s. 6.4 of the Customer Service Code to offer any more proactive assistance to customers in hardship, such as water usage assessments or the provision of subsidised water efficient appliances and fittings<sup>1</sup> – although they can of course elect to do so, and Anglicare notes that, according to their current hardship policies, all three water and sewerage corporations include the provision of water conservation advice to customers as part of their customer assistance programs (Ben Lomond Water 2010, p. 3; Cradle Mountain Water 2009, p. 4; Southern Water 2009, p. 3).

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<sup>1</sup> The electricity equivalents – home energy audits and flexible options for the replacement of appliances – are offered under the hardship programs of energy retailers in Victoria (AER 2010, pp. 5-7).

Therefore the role of the Tasmanian water and sewerage hardship-related performance measures will be primarily to measure the incidence of hardship among customers rather than provide a means to assess the effectiveness of the hardship policy, as the impact of the policy on customers' long-term capacity to pay may be somewhat limited. However, monitoring the incidence of hardship is important and will contribute to an evidence base from which a more comprehensive response to hardship can be developed.

## **CONCLUSION AND RECOMMENDATIONS**

Once again, Anglicare welcomes the opportunity to comment on the draft reporting guideline. We would like to see the range of performance measures already contained in the draft substantially widened to enable the performance of the corporations in relation to the needs of customers on low incomes and the issues facing such customers to be better monitored and to support the development of more effective hardship management strategies in response to any issues identified.

### **Recommendations:**

That reporting against performance measures relevant to the needs of customers on low incomes be required on a quarterly basis to enable more timely identification of problems and for seasonal trends to be identified.

That information on performance measures relevant to the needs of customers on low incomes be disaggregated according to whether customers are in receipt of a concession or not to enable better monitoring of the specific experiences of customers on low incomes.

That the following performance measures be included as requirements in the guideline:

- the number of reminder notices sent to customers
- the number of restriction notices sent to customers
- the number of late payment fees that have been applied
- total amount charged in the way of late payment fees
- the number of late payment fees that have been waived
- the number of restrictions removed within seven days of being applied
- the number of restrictions applied to the same customer at the same premises within a rolling 24 month period
- the number of methods of payment offered and the percentage of customers using each method
- the number of direct debit payments in default
- the number of direct debit payment plans terminated as the result of default or non-payment
- the number of customers repaying a debt
- the number of customers owing more than \$500
- the number of customers involuntarily restricted for reasons other than non-payment
- the number of customers involuntarily disconnected
- the number of customers referred to financial counselling (disaggregated by whether or not they have been identified as being in hardship)
- the number of customers identified as being covered by the hardship policy
- the number of customers under the hardship policy who are concession customers
- the number of customers identified as covered by the hardship policy each month
- the number of customers denied coverage by the hardship policy

- customers' average debt, upon becoming covered and upon ceasing to be covered by the hardship policy
- the number of customers ceasing to be covered by the hardship policy and the number excluded from coverage after commencement due to failure to engage or non-compliance
- the number of customers who have been restricted who have been identified as being in hardship in the previous 24 months
- the number of customers reconnected within seven days who have been identified as being in hardship in the previous 24 months.

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