

***WACOSS Response to the Economic  
Regulation Authority Draft Report  
Inquiry into Tarrifs of the Water  
Corporation, Aqwest and Busselton  
Water***



**wacoss**

Western Australian  
Council of Social Service Inc

*Ways to make  
a difference*

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## INTRODUCTION

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The Western Australian Council of Social Service Incorporated (WACOSS) is the peak body of the community services sector across Western Australia. Since 1956, WACOSS has been developing and strengthening the non-government community services sector's capacity to assist all Western Australians. With around 315 members, WACOSS has strong relationships with the social services sector and seeks to represent their interests, and those of the disadvantaged individuals and families they assist at a service level. Given this relationship, WACOSS is in a unique position to comment on issues in our society that socially impact upon members of the community experiencing disadvantage.

WACOSS is respected within both government and non-government arenas as being an authoritative voice for consumers with regard to utility reform in Western Australia. WACOSS has developed a strong network with utility policy workers across Australia, which provides us with information and expert opinion on these issues.

In January 2005, WACOSS commenced the Consumer Utilities Project (CUP). Building upon the utility policy work WACOSS had undertaken in the four years prior to the commencement of the project, CUP works with consumers and representative organisations to achieve better outcomes in the provision of essential services.

WACOSS has direct access to the issues confronting disadvantaged consumers who are living on low incomes through our Consumers Reference Group. The group comprises of representatives from the Emergency Relief sector, Unions, Financial Counsellors and Community Legal Centres. These agencies provide WACOSS with policy information and direction in relation to our work and look to us to represent the interests of their clients with regard to utility issues. We have taken on this role due to the level and severity of the utility issues being raised by the community agencies and the absence of any other resourced body in Western Australia representing these issues.

WACOSS is pleased to provide a response to the Economic Regulation Authority's (ERA) Draft Report: *Inquiry into Tariffs of the Water Corporation, Aqwest and Busselton Water*. Water is an essential service in maintaining life, well being and general community health standards. Increased tariffs have a significant impact on all consumers. However, the extent of this impact upon low income households and people experiencing financial disadvantage is disproportionate in comparison to the wider community. Restricted access to water where the consumer has a genuine incapacity to pay or is experiencing financial hardship has the potential to cause people to go without other essential services, in an effort to become or stay connected<sup>1</sup>. Therefore it is essential that any inquiry into tariffs consider the impact of increased charges on all customers.

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<sup>1</sup> "Keeping the Flow" *The Water Corporation and Credit Management*, WACOSS, May 2007.

## **EXECUTIVE SUMMARY**

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The Economic Regulation Authority (ERA) has been requested by the State Government of Western Australia to undertake an inquiry into the tariffs of the Water Corporation, Aqwest and Busselton Water. Following its August 2008 Issues Paper, the ERA in March 2009 released its draft report, which includes a set of draft recommendations for tariffs of the Water Corporation, Aqwest and Busselton Water that would apply from 1 July 2010.

These recommendations will impact on residential as well as commercial customers, however WACOSS has responded to the ERA's Draft Report by identifying issues pertinent to our members and their clients, namely those Western Australians at risk of financial and social hardship. This submission will therefore focus only on components of the Draft Report that are related to residential water consumers.

Recommendations made by the ERA include a 42% increase in Perth residential water bills, an increase in Perth residential drainage fees of \$8.00 per year and an 11% reduction in Perth residential wastewater bills. The ERA also recommends a reduction in the number of tiers used to set water usage charges. Any variation to the current tariff structure will impact significantly on consumers; however the extent to which will vary amongst different groups of consumers, with some groups being disproportionately affected.

WACOSS asserts that more consideration must be given to specific groups of consumers and where they sit in the current tariff structure, before recommendations regarding changes to that tariff structure can be made. WACOSS opposes any changes to the current tariff structure, particularly the reduction in the number of tiers until the ERA undertakes a social impact assessment, considering impacts on different consumer profiles. Until this has taken place and the ERA can provide greater rationale for the reduction of the number of tiers, WACOSS does not support the tariff recommendations as outlined in the ERA's draft report.

Greater assessment of consumer profiles will also inform Government and other relevant bodies in the development of targeted rebates and concessions related to water. Although not included in the terms of reference of this inquiry, this submission will propose the idea of a centralised rebates and concessions unit to allow for more efficient and effective management of state Government concessions, particularly in the area of essential services. This addresses questions raised about whether or not the impact of tariff increases on low income consumers should be taken into consideration when setting tariffs or by using other methods. WACOSS argues that while it is essential that the ERA consider impacts on consumers in tariff design, it is also necessary that access to rebates and concessions continue.

The ERA's draft report also makes recommendations such as a move away from Gross Rental Value Pricing (GRV) for residential wastewater charges. In addition to recommendations regarding water pricing, the ERA also makes a number of comments regarding other issues such as service standards and demand management activities.

In its previous submission (September, 2008) to the ERA's Issues Paper, WACOSS stated that any change to pricing structure must be transparent and fair for all consumers, and must not expose consumers who are living on lower incomes, experiencing financial hardship or other types of vulnerability to additional disadvantage.

In this submission WACOSS will continue to assert this view with respect to the above area's of the ERA's draft report. Absence of comment on any section of the ERA's draft report should not be interpreted as support for, or opposition to any proposal by the authority.

For further information in regards to this submission, please contact Misty Hayden, Senior Policy Officer, on (08) 9420 7222 or [misty@wacoss.org.au](mailto:misty@wacoss.org.au).

**WACOSS REPSONSE TO ERA DRAFT REPORT:**

**INQUIRY INTO TARIFFS OF THE WATER CORPORATION, AQWEST AND BUSSELTON WATER**

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**Residential Water Usage Charges for Perth, Bunbury and Busselton**

Residential water usage charges are structured using a tiered approach, so that the price per kilolitre (kL) increases as more water is used. The ERA has recommended the continuation of a tiered approach, however has suggested a reduction in the number of tiers used to just three<sup>2</sup>.

WACOSS asserts that there needs to be further deliberation regarding the setting of water usage charges as well as the pricing structure being used. Further consideration must be given to the types of consumer groups who are likely to be in each tier and the impact of the costs associated with that tier on these consumers.

The following section of WACOSS's submission will outline the current water usage charges for all three water utilities, comparing it to the proposed water usage charges recommended by the ERA. The impact of these recommendations on consumer groups will be discussed in further details in the following section of the submission.

***Water Tariffs for Perth Residential Customers (Water Corporation)***

The following table reflects current water usage charges for Perth residential customers compared to the ERA's recommendations for future water usage charges<sup>3</sup>. According to Table 1.1 of the ERA's draft report, the ERA's recommendations will result in, on average, a 42% increase in water usage charges for Perth residential customers<sup>4</sup>.

<b>Usage (kL) per year</b>	<b>Price (after second meter reading)</b>	<b>ERA Recommendation: Usage (kL) per year</b>	<b>ERA Recommendation: Price</b>	<b>% Increase</b>
0 -150kL	64.3 c/kL	0 -150kL	\$1.13 per kL	76%
151 – 350kL	82.8 c/kL	151kL – 500kL	\$1.73 per kL	108%
351 – 550kL	99.7 c/kL			73%
551 – 950kL	142.3 c/kL	Over 500kL	\$2.57 per kL	81%
Over 950kL	171.4 c/kL			50%

<sup>2</sup> Economic Regulation Authority (ERA). *Draft Report: Inquiry into the Tariffs of Water Corporation, Aqwest and Busselton Water*. March 2009.

<sup>3</sup> Water Corporation. *2008 – 2009 Rates and Charges – Metropolitan Residential*. April 2009.

<sup>4</sup> Economic Regulation Authority (ERA). *Draft Report: Inquiry into the Tariffs of Water Corporation, Aqwest and Busselton Water*. March 2009. Page ii.

**Water Tariffs for Bunbury Residential Customer (Aqwest)**

The following table reflects current water usage charges for Bunbury residential customers<sup>5</sup>. According to Table 1.1 of the ERA's draft report, the ERA's recommendations will result in, on average a 10% increase in water usage charges for Bunbury residential customers<sup>6</sup>.

Usage (kL) per year	Price	ERA Recommendation: Usage (kl) per year	ERA Recommendation: Price	% Increase
0 – 150kL	\$0.42 per kL	0 – 150kL	\$0.63 per kL	50%
151 - 350kL	\$0.77 per kL	151kL – 500kL	\$1.23 per kL	60%
351 – 500kL	\$1.10 per kL			12%
501 – 700kL	\$1.45 per kL	Over 500kL	\$2.07 per kL	43%
701 – 1000kL	\$1.74 per kL			19%
Over 1000kL	\$2.55 per kL			-23%

**Water Tariffs for Busselton Residential Customers (Busselton Water)**

The following table reflects current water usage charges for Busselton residential customers<sup>7</sup>. In its draft report the ERA has proposed a 5% decrease in water usage charges for Busselton residential customers.

WACOSS was initially unsure as to why the ERA have recommended tariffs for Busselton Water that are less than currently in place, while increasing tariffs for Perth and Bunbury. Particularly in the last tier which would result in a dramatic reduction in costs for those customers who are using the most water. However, after attending the recent roundtable for this inquiry, at which this issue was raised, WACOSS understands that this may be due to an error in the ERA draft report.

Usage (kL) per year	Price	ERA Recommendation: Usage (kL) per year	ERA Recommendation: Price	% Increase
0 – 150kL	\$0.47 per kL	0 – 150kL	\$0.38 per kL	-23%
151 – 300kL	\$0.66 per kL	151 – 500kL	\$0.98 per kL	48%
301 – 500kL	\$0.73 per kL			34%
501 – 700kL	\$0.88 per kL	Over 500kL	\$1.83 per kL	108%
701 – 1100kL	\$1.46 per kL			25%
1101 – 1500kL	\$2.07 per kL			-12%
1501 – 1900kL	\$2.39 per kL			-23%
Over 1900kL	\$2.78 per kL			-34%

<sup>5</sup> Aqwest. *Residential Water Charges*. April 2009.

<sup>6</sup> Economic Regulation Authority (ERA). *Draft Report: Inquiry into the Tariffs of Water Corporation, Aqwest and Busselton Water*. March 2009.

<sup>7</sup> Busselton Water. *Water Charges*. April 2009

## Impact on Consumers

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The ERA has based its tariff recommendations on the Long Run Marginal Cost (LRMC) of supplying water, including consideration of environmental externalities. WACOSS recognises that there are environmental externalities associated with water abstraction from the Gnangara Mound, which currently accounts for approximately 60% of metropolitan water supply. WACOSS supports the need for tariffs to reflect environmental externalities, however asserts that tariff design must also consider different groups of customers, their consumption patterns and the pressure this has on the long run marginal cost of water.

The ERA could use tables similar to 25.1 through to 25.5 of the ERA draft report – Impact on Water Corporation Customers – to document the impacts on different consumer groups. However rather than documenting the price increases for every 50kL of water used, the table would show the consumption patterns of particular consumer profiles. This would include which tiers particular groups of consumers sit in, under the current tariff structure and where they are likely to sit under the recommended tariff structure. This will enable more informed decision making in tariff design.

The above tariff recommendations would mean a significant increase in household water bills for customers. Table 1.1 of the ERA draft report documents the impacts of the ERA's draft recommendations on average annual payments for customers. Perth residential customers would see an average increase of \$161 per year on their water bills by 2012/13<sup>8</sup>.

Consumers have already seen an increase in other household bills such as electricity, which has increased by 10% and will increase again by 15% before the end of 2009<sup>9</sup>. The 2009/10 state budget has produced the "tariff glide path" for electricity tariffs over the next four years, stating that they will increase by an alarming 57.9%. This will result in an increase of nearly \$800 per year per household by 2012/13<sup>10</sup>. In the current economic climate an increasing number of people are experiencing periods of financial hardship; another increase in household bills will be extremely difficult for many customers to manage.

WACOSS understands that the ERA is conducting this inquiry in order to produce tariffs that will more accurately meet the true cost of providing a water service. WACOSS is concerned however that some of the ERA's recommendations are inconsistent with this idea, for example in the lowest tier of 0 – 150kL per year. These customers, who consume the lowest amount of water, create the least pressure on water infrastructure and therefore should have the lowest increase in costs. Water Corporation customers consuming in this tier will face an increase of 76%, compared to those using over 950kL per year who will face an increase of 50%. Low tariffs being applied to the lowest tier will provide an incentive to these customers to continue consuming in this tier and should continue to be applied.

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<sup>8</sup> *Ibid.*

<sup>9</sup> Office of Energy. *Review of Electricity Tariffs*. February 2009.

<sup>10</sup> The Government of Western Australia. *2009-10 State Budget: Economic and Fiscal Outlook*. Budget Paper No. 3. May 2009.



**WACOSS Recommendation:**

WACOSS opposes the transition away from several tiers to just three tiers, without a clear rationale as to why this decision has been made. Fewer tiers create greater inequity and less flexibility in tariff design.

An increase to water usage charges, such as those suggested above, has the capacity to impact significantly on consumers, however disproportionately impacts on particular groups of consumers, for example tenants and large families.

**Tenants**

According to the 2003/04 Australian Bureau of Statistics (ABS) 24.62% of people reside in residential tenancies in Western Australia<sup>11</sup>.

Water Utilities hold landowners responsible for both service fees to the property (ie. rates and other service fees) and water consumption charges. While it is not usual practice for landlords to directly pass on the costs of water service fees, most residential tenancy agreements pass either a proportion or all of the costs of water consumption onto the tenant.

There are a variety of different arrangements existing within residential tenancy agreements, whereby the tenant is deemed responsible for all, or a part of the volumetric water consumption to the property. In nearly 75% of the cases<sup>12</sup>, tenants are responsible for 100% of the volumetric water charges.

In its report, the ERA has recommended a reduction in the annual fixed charge; however this is not a reduction in charges that tenants will benefit from. Landowners will obtain the reduction in fixed charges and will pass on significantly increased consumption charges to tenants.

The ERA draft report contains a series of tables documenting the impact of increased tariffs on Water Corporation customers. According to Table 25.5, which looks at the impacts on metropolitan tenants, it is tenants who will face the highest increase in costs. For example a tenanted household using 150kL per year will face an initial increase of 20% in 2009/10, followed by an additional 43.5% by 2012/13<sup>13</sup>.

Tenants are most likely to consume in the lowest tiers and as such place the least pressure on the cost of water infrastructure. Therefore they should not be facing the largest increase in costs of all consumers. WACOSS argues that the tier structures need to be adjusted to take into consideration the issues raised in this submission in relation to tenants.

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<sup>11</sup> Australian Bureau of Statistics. Household Expenditure Survey, Australia. 2003/04.

<sup>12</sup> Public Interest Advocacy Centre (PIAC), 'Cut Off: The Impact of Utility Disconnections', February 2005.

<sup>13</sup> Economic Regulation Authority (ERA). *Draft Report: Inquiry into the Tariffs of Water Corporation, Aqwest and Busselton Water*. March 2009.

### **Large Families**

WACOSS reiterates its concern in relation to the impact these price increases will have on large families. The ERA argues that a threshold of 500kL per year in the second tier would adequately take into account large families ie. households with 6 occupants. This argument is made on the basis of data from the Domestic Water Use Study, from which the ERA has provided an average figure of 50kL per person per year, with outdoor water usage being at an average of 150kL per year.

WACOSS has referred to the most recent Domestic Water Use Study which was conducted during 1998-2001 and published in 2003<sup>14</sup>. Using the figures in this study, an individual person would be expected to use approximately 56.57 kL per year; therefore a large household with 6 occupants (including 150kL per year for outdoor water usage) would be expected to use approximately 489.42kL per year. Therefore a family larger than 6 occupants, which is not uncommon, would easily use in excess of 500kL per year and would be subject to costs significantly higher than other customers.

Therefore it may be appropriate that the threshold of the second tier be increased to 550kL per year, to accommodate larger families. WACOSS also suggests that residential households of more than 6 occupants with annual usage higher than 550kL be entitled to apply for water consumption rebates. These rebates should be dependant on the number of people residing in the property, and could be accessed via a centralised rebates and concessions unit as discussed later in this submission.

### **Tariff Implementation**

The ERA has recommended that the increase in water tariffs be transitioned over a period of time commencing 1 July 2010 through to 2012/13. WACOSS supports a transition period for increased tariffs, as it provides customers with time to adjust their budgets gradually to reflect increased costs. It is also necessary to ensure that rebate and concession entitlements for low income customers are promoted and made easily accessible. Processes for enacting improved access to rebates and concessions will be outlined within this submission.

Throughout the draft report there is reference to the Water Corporation altering their billing frequency from six monthly to quarterly. WACOSS supports the move towards more frequent billing as it will better reflect customer's seasonal usage and will allow them to be more aware of what they are using and how much it will cost them. More frequent billing will also result in smaller bills for customers, making them much more manageable. This is also like to lead to a decrease in the number of customers experiencing financial difficulty in paying their accounts. WACOSS asserts that quarterly billing should also be considered by Aqwest and Busselton Water.

#### **WACOSS Recommendation:**

That the ERA undertake a social impact assessment with greater consideration of consumer profiles in each tier, in order to inform decision making in tariff design as well as in the development of targeted rebates and concessions.

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<sup>14</sup> Water Corporation. *Domestic Water Use Study. In Perth, Western Australia 1998-2001*. March 2003.

## Wastewater Charges

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In Western Australia; residential wastewater charges are based on the estimated Gross Rental Value (GRV) of the customer's property and is incorporated into a fixed annual service charge to the customer.

The ERA has recommended that residential wastewater charges no longer be based on property values but instead be based on estimated winter water usage. Winter usage charges are viewed by the ERA as being the most cost reflective approach to setting wastewater charges, as winter water usage is generally for indoor purposes; there is less need for sprinklers and other outdoor water use at this time of year.

While there is a low correlation between property value and the cost of providing wastewater services to customers, WACOSS does not support the ERA's recommendation to remove GRV based pricing.

The ERA's recommendation of converting to an annual service charge based on winter water usage will result in 58% of customers facing an increase in their annual wastewater bills. This is a significant number and it is likely that these customers will be those on low incomes who have been living in low valued properties. These customers will therefore struggle the most to pay increased wastewater charges.

The percentage of customers affected by increased charges under the current GRV based system is likely to be much less than the 58% who will be affected by the ERA's recommendation to move away from this system. The potential of this recommendation to negatively impact a majority of consumers justifies the need for investigation of alternate measures.

### **WACOSS Recommendation:**

That residential wastewater pricing based on Gross Rental Value (GRV) continue, until further investigation of alternate measures has taken place, considering financial impacts on low income consumers, in particular tenants which make up almost 25% of the population.

## The Need for Effective Financial Hardship Policies

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### ***Financial Hardship***

In 2006, approximately 2, 210, 000 or 11.1% of Australians, including children, lived below the poverty line<sup>15</sup>. Whilst people in a range of circumstances may experience disconnection or restriction from an essential service, it is most often people living on lower incomes – particularly Centrelink benefits – or facing other types of barriers to social inclusion that experience the detrimental effects of the absence of essential services. One survey conducted showed that 53% of respondents who experienced disconnection or restriction had been on Centrelink benefits at the time of disconnection or restriction. Several other factors were identified as potentially contributing

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<sup>15</sup> Australian Council of Social Service (ACOSS). Australia Fair: Update on those missing out. 2007.

vulnerability; 38% of respondents were single parents, 37% were unemployed and 22% were from a non-English speaking background<sup>16</sup>.

Hardship may have many complex and interrelating causes, or contributing factors, including loss of employment, physical and mental health issues, increasing household debt or a significant life event, such as the death of a family member. The effects of financial and social hardship are significant and wide-ranging and may include difficulty in accessing accommodation, declining health status, legal problems, poor access to employment and education as well as interpersonal conflict.

An increase in tariffs is likely to result in an increase in the number of customers who will experience periods of financial hardship. Due to factors outlined above it is vital that service providers have appropriate policies and procedures in place to meet the needs of consumers experiencing financial hardship.

### ***Financial Hardship Policies***

WACOSS asserts that the content of hardship policies, developed by utility retailers should require evaluation by the relevant regulating authority, in this case the ERA. WACOSS has previously stated this in submissions to the Government Essential Service Hardship interagency Working Group (GUESHIWG), including its issues paper on *Utilities Essential Service Hardship*, and continues to assert that hardship guidelines should be mandatory in its application to retailers' hardship policies and assessed by the relevant regulator at regular intervals.

In addition to the mandatory inclusion of specific content within hardship policies, the effectiveness of such content should be monitored on an ongoing basis. The results of this monitoring should be reported in a transparent manner in order to both promote the efficient and effective functioning of the retailers' hardship policy as well as providing an important information resource for both government policy makers and consumer advocates.

The monitoring of hardship policy content may focus on factors such as:

- The nature of training provided to staff regarding financial hardship and the relevant retailers Hardship Policy
- The process by which retailers' hardship policies are developed; and
- The type of consultative processes that are entered into during the development and review of hardship policies.

The Water Corporation has recently released its financial hardship policy. The implementation of this policy combined with the provision of appropriate training to staff will ensure the Water Corporation is in a much better position to more effectively assist people experiencing financial hardship. The development of a financial hardship policy has also allowed the Water Corporation to take part in the Hardship Utility Grant Scheme (HUGS). HUGS is a Government grant scheme aimed at assisting people experiencing financial hardship with payment towards their utility account so as to avoid disconnection or restriction from supply.

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<sup>16</sup> Public Interest Advocacy Centre (PIAC), 'Cut Off: The Impact of Utility Disconnections', February 2005.

WACOSS asserts that Aqwest and Busselton Water should also take the necessary steps towards the development of a financial hardship policy and participation in the Hardship Utility Grant Scheme to ensure best possible outcomes for customers who are experiencing financial hardship.

**WACOSS Recommendation:**

That all water retailers have effective financial hardship policies and suitably trained staff; to enable them to deal appropriately with customers who are experiencing financial hardship.

### **Service Standards**

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As previously mentioned, the proposed increases to water tariffs may lead to an increase in the number of customers experiencing difficulty paying their account. This may result in an increase in the number of people being subject to the debt management procedures of retailers, such as supply restriction or the application of interest on overdue bills.

### **Supply Restriction**

Currently the Water Corporation, Aqwest and Busselton Water utilise water flow restrictions as a debt management tool. WACOSS does not support this credit management approach due to the associated negative social effects. The enforcement of restricted flow as a debt management strategy has various impacts upon households, including (but not limited to) health and hygiene issues, social exclusion, and disruption to school participation for children. As such, it is the position of WACOSS that restricted flow equates to a regressive approach to the provision of social equity within Western Australia.

The use of water supply restriction (from a standard water flow of at least 20 litres per minute to a trickle of 2.3 litres per minute, as stated by the Water Corporation) as a debt management tool by Water utilities has a range of serious negative health and social impacts. Emergency Relief agencies report that families with restricted supply have insufficient water for bathing or laundering<sup>17</sup>. As a consequence, children may be reluctant to attend school for fear of being stigmatised, and in some cases children have been removed from school all together due to poor hygiene<sup>18</sup>.

As stated in the ERA's draft report, the Water Corporation currently has a moratorium in place on water supply restrictions, however this moratorium is due to be lifted in July 2009. The Water Corporation has advised WACOSS that this is due to the development of a financial hardship policy and involvement with the Hardship Utility Grants Scheme.

WACOSS is concerned about the number of people who were subject to supply restrictions during the 2007-08 financial year. As noted by the ERA, The National Water Commission (2008) National Performance Report for Urban Water Utilities lists the number of customers to which restrictions were applied. These were 1,405 for the Water

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<sup>17</sup> "Would you like a bit of heat with that trickle of Water", WACOSS, 2003.

<sup>18</sup> Ibid.

Corporation, 23 for Aqwest and 67 for Busselton Water<sup>19</sup>. Given the adverse affects associated with supply restriction WACOSS argues that restriction of supply should be banned, as it is in the United Kingdom (UK). In 1998 the UK Government imposed the ban declaring in its Water Industry Bill that:

*“The Government believes that access to water is essential to the maintenance of general good health and wellbeing. Some of the greatest improvements in general public health have stemmed from every household having access to a constant supply of potable water. Good hygiene and effective sanitation are key elements to the maintenance of good health and each depends on having constant access to water. Where the water supply is disconnected, the maintenance of good health and hygiene can only be put at risk. In light of this, and having considerable and available evidence, the government believes that disconnection does not have to be an integral part of the process of collecting arrears of charges for water supplied to domestic premises<sup>20</sup>.”*

**WACOSS Recommendation:**

WACOSS believes that the UK has set an important and necessary precedent and calls for the Australian Government to also impose laws banning Water utilities from restricting customer’s water supply.

**Interest Rates**

The Water Corporation, Aqwest and Busselton Water charge very high rates of interest on overdue debt. The Water Corporation currently charges an interest rate on overdue amounts of 13.99% per annum. Aqwest and Busselton Water apply 10% and 12% per annum respectively. The interest is applied as a nominal penalty for non-payment of accounts. This penalty occurs in addition to supply restriction and possible legal action. The application of high rates of interest on outstanding debt places additional financial burden on those who may already be experiencing difficulty in paying the overdue amount, as a result of financial and other types of hardship.

As noted in the ERA draft report, electricity retailers may also charge interest rates on outstanding accounts, in accordance with electricity retail by-laws. The ERA states that Synergy charges customers with outstanding accounts above \$1, 000, interest of 12.75% per annum. Synergy has recently advised WACOSS that the interest rate has been changed to 9%, which is the Reserve Bank of Australia’s (RBA) rate of 3%, plus 6%.

Synergy also advised that despite the electricity by-laws allowing the application of interest to overdue accounts above \$1,000, that Synergy as a policy does not charge interest on overdue amounts for small use customers.

**WACOSS Recommendation:**

That the policy of applying interest on overdue debt is unacceptable and should be discontinued by water providers in the interest of fairness and equity.

<sup>19</sup> National Performance Report 2007-08 Urban Water Utilities, 2008

<sup>20</sup> Water Industry Bill, House of Commons Library, 1998/99.

### ***Concession Eligibility***

As stated in the ERA's draft report, one of the conditions for eligibility for Water Corporation concessions is that customers must have paid their annual service charge and any arrears before the end of the financial year.

Concessions are designed to assist customers on low incomes to manage their utility accounts. If a customer has not paid their annual service charge or has arrears, it is likely that they are having financial difficulty. Withdrawing a customer's concession entitlement places further pressure on them financially and is contradictory to the actual purpose of the concession.

#### **WACOSS Recommendation:**

WACOSS asserts that concession entitlements must be passed on to customers in all instances. Non payment of annual service charges or arrears should be addressed using financial hardship policies.

### ***Code of Conduct and Water Industry Ombudsman Service***

The ERA has discussed the introduction of a Code of Conduct for the water services sector as well as the establishment of a Water Industry Ombudsman.

As discussed in WACOSS's last submission, WACOSS provides its strong support for the implementation of enforceable codes, as currently exists for the energy sector. Great need exists for a legislative customer service code with a strong focus on issues of consumer protection.

WACOSS also strongly supports the formation of a Water Services Ombudsman to assist in the enforcement of a code of conduct and to promote, by compulsion if necessary, the resolution of complaints against a provider subject to the scheme.

WACOSS asserts that a Code of Conduct for Water Services and a Water Services Ombudsman Scheme must allow access to tenants, to ensure that this already vulnerable group of water consumers are provided with the same consumer protection measures as other water services customers.

### **The Need for a Centralised Rebates and Concessions Unit**

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There has been an ongoing debate as to whether or not the impact of price increases on low income consumers should be reflected in tariffs or in alternative methods such as rebates and concessions. While not in the terms of reference of this inquiry, WACOSS feels it is necessary to discuss the need for a centralised "Rebates and Concessions Unit" to more effectively manage the application of rebates and concessions to utility customers.

WACOSS has over a number of years called for holistic policy coordination in the administration, planning and management of social and other concessions through its previous Pre-Budget Submissions to the State Government. Specific issues previously

identified by WACOSS in this area include the relative inadequacy of current State Government Concessions as well as issues of equity in their administration.

Currently, there is no cohesive policy framework within which state concessions and rebates are formulated or administered. Effectively, this has meant that there is no clear, consistent, stated purpose for the existence and objectives of these concessions and rebates. The lack of flexibility in targeting potential concession recipients has also meant that the availability of State Government concessions has not been effective in addressing or responding to the changing needs of people living in Western Australia.

WACOSS believes that the development and implementation of an over-arching social vision for Western Australia would provide the strategic direction necessary for an effective program of State Government Concessions. The plan should be governed by the principle of social inclusion and be informed by the WA community's collective knowledge, experience and skill.

Currently, concessions are managed and administered across several different government departments. The process of locating and applying for concessions can often be onerous and difficult for consumers. This process is further complicated by the existence of other challenges to social participation such as physical and mental health status, lack of transport, old age and language skills.

The WACOSS Consumer Utilities Project currently administers the Hardship Utility Grants Scheme (HUGS) Hotline. Through the collation of statistical data from HUGS applications, WACOSS has discovered that for the six month period 4<sup>th</sup> August 2008 – 4<sup>th</sup> February 2009, 50% of applicants were not accessing the electricity rebates to which they were entitled. Despite the Water Corporation commencing participation in HUGS on 14<sup>th</sup> April 2009, the HUGS hotline has not received a referral for HUGS from the Water Corporation and is unlikely to do so until after the moratorium on restriction of supply has been lifted in July. As such, it is not possible to provide statistical information regarding customer's access to water rebates. However WACOSS believes it is reasonable to assume that a similar percentage of customers may not be accessing water rebates. This is a significant proportion of applicants and is of concern to WACOSS. Rebates are an entitlement to customers on low incomes in receipt of a pension or concession card. This high number of customers not accessing their rebate demonstrates a lack of awareness and/or understanding around rebate entitlements.

### ***The Formation of a Centralised Rebates and Concession Unit***

A centralised rebates and concessions unit would allow consumers to access all their relevant entitlements through one simple application process, rather than having to apply to a number of different government departments. Under this arrangement a consumer could complete one application form containing all the details required by Government in order for them to be assessed as to their eligibility for all current rebates and concessions.

The application form would request information regarding the consumer's personal details such as their name, address, phone number, date of birth, relationship status, health status, number of dependant children, ethnicity, income source and details including which pension/concession card they may hold.



It is common for consumers to be assisted by consumer representatives; such as financial counsellors, to complete rebate application forms. The centralised application form should allow for this through the inclusion of an authority section, which a consumer can sign allowing a consumer representative to act on the consumer's behalf.

There are a number of current electricity concessions, such as the Life Support Equipment Energy Subsidy and the Thermoregulatory Dysfunction Energy Subsidy Scheme that require medical documentation to be presented before eligibility for the subsidy will be considered. This can become a barrier to consumers applying for these subsidies as it can often be difficult for consumers to access a medical professional in order to complete the documentation required. WACOSS recommends that a centralised application form should provide an option for the consumer to sign an authority giving consent for the Centralised Unit to follow up with the consumer's medical practitioner regarding their medical condition and eligibility for the above subsidies. The Unit would be more aware of the detail of the subsidies and would be in a better position to explain these subsidies to medical practitioners.

Upon receiving this application form, the centralised rebates and concessions unit would use the information contained in the form to consider the applicants eligibility for all current rebates and concessions. The unit would notify the consumer or consumer representative of the rebates or concessions that the consumer is entitled to and would commence each entitlement for the consumer directly with the relevant retailer or provider.

### ***Marketing, Information Provision and Access***

In order for concessions and rebates to remain accessible to those who need them most, their existence must be communicated effectively to the general public. A centralised rebates and concessions unit becomes a central source from which people may receive information regarding concessions and apply for them. Such a resource should be made accessible through a wide range of available technologies and take into account the needs of those facing barriers to social and economic participation.

### ***Language, Cultural and Format Barriers***

People for whom English is a second language may find some concessions difficult to access. This may be due to the inaccessibility of information regarding the concession or the inadequacy of appropriate language services pertaining to rebates. A centralised rebates and concessions unit will need to ensure that it has promotional material in various languages and that there is access to a Telephone Interpreter Service.

Additionally, marketing and information provision of concessions should seek to address the needs of people who experience hearing or sight impairment, for example, the development of large font and audio material.

### ***Simplified Eligibility Criteria***

As discussed in this section, many concessions have different eligibility criteria (e.g. different commonwealth cards). Further simplification of eligibility criteria may assist the community in accessing their entitlements as appropriate.

## **Benefits of a Centralised Rebates and Concessions Unit**

### ***Consumer***

As previously mentioned, the current process of applying for rebates and concessions can be quite difficult and onerous for consumers. Quite often consumers are unaware of their entitlements and are thus unable to access them. A centralised rebates and concessions unit would streamline the application process for consumers and will ensure that consumers are accessing all their relevant entitlements.

This application process will also reduce pressure and anxiety for consumers who may be faced with other challenges to social participation such as physical and mental health status, lack of transport and language skills.

### ***Consumer Representatives***

Consumer representatives, such as financial counsellors, often use their resources to promote rebates and concessions to their clients. Consumer representatives provide information to clients regarding the various rebates and concessions they may be eligible and will often complete the paperwork required on behalf of the client to ensure that the client accesses their entitlements.

Due to the different application processes for each rebate or concession, it can be quite time consuming and resource intensive for consumer representatives fulfill this process for their clients. Financial Counsellors do not charge a fee for their service and so do not seek any form of reimbursement for this time or use of resources.

WACOSS is aware that there are capacity issues for financial counselling services at present, due to an increasing workload through the new Government Financial Hardship Package; including the Hardship Utility Grant Scheme (HUGS) and the Hardship Efficiency Program (HEP). Financial Counselling Services are also experiencing increased demand from within the community due to the current economic climate and are likely to see an increase in demand as a result of the increase in electricity tariffs. Financial counsellors have been forced to turn away clients seeking to make an appointment, as they are already fully booked.

A centralised rebates and concessions unit would streamline the process of applying for rebates making it much easier for consumer representatives to assist consumers, and would allow them more time to focus on other aspects of their work with that client. It would also increase financial counsellor's capacity to see more clients than they are currently able.

### ***Government***

Individual government departments would be able to refer people to a centralised source of information in cases where they believe that there may be eligibility. In many cases, currently applying for one concession does not mean that a person will be referred for another.

Additionally, a centralised rebates and concession unit would allow for the collection of statistical data to be conducted by one Government department, rather than a number of

departments. As the collation of statistical data would be confined to the one department, there would only be the need to develop reports from the one location.

This will also make it easier for Government to become aware of the needs of consumers accessing rebates and concessions and whether the current rebates and concessions are appropriate in meeting the needs of these consumers.

One centralised unit would allow for a reduction in cost to Government in that it would reduce the number of different documents used to provide information and promote rebates, it would reduce the number of Telephone Interpreter Services, and less graphic designers and public relation staff would be required.

While this submission to the ERA is in the area of water, there are rebates and concession available in other area's such electricity, transport, and health. Application processes for these rebates will differ again from water rebates and will need to be made to different Government departments. There are also differences between State and Federal Government rebates, adding another level of complexity for the consumer. Being aware of and applying for all their relevant entitlements among each government department would be extremely difficult for most people, and is a significant reason why consumers are not accessing the rebates and concessions they may be entitled to.

As the experiences of people living in Western Australia change over time, so will the requirements of a State-based social concessions and rebates scheme. WACOSS supports the formation of a centralised unit within government, to coordinate the management and administration of social concessions and rebates.

The costs associated with essential services, accommodation, transport and food all impact significantly on the capacity of people to participate in our society to an acceptable degree. Because of this, social concessions and rebates should be designed in such a way that allows customers the flexibility to meet future challenges.

**WACOSS Recommendation:**

That the ERA recommends that Government structure rebates and concessions in a way that is complimentary to this inquiry.

## **Demand Management Activities**

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The ERA was required in the terms of reference of this inquiry to investigate the efficiency of current demand management activities, including sprinkler restrictions and rebate programs.

### ***Sprinkler Restrictions***

The 2001 implementation of two-day-a-week water restrictions for the Integrated Water Supply Scheme has seen around 45 gegalitres (45 thousand million litres) of water saved each year<sup>21</sup>. Given this success it was decided that watering rosters should become a

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<sup>21</sup> The Water Corporation Website, [http://www.watercorporation.com.au/R/restrictions\\_index.cfm](http://www.watercorporation.com.au/R/restrictions_index.cfm), accessed on 02 September 2008.

permanent feature of water management in Western Australia. Water restrictions conserves water and energy, and promotes the use of water wise and native gardens<sup>22</sup>

The ERA has recommended that sprinkler restrictions be reconsidered once the Southern Seawater Desalination Plant is operational. Given that water restrictions target non essential use of water such as garden reticulation, swimming pools and hosing down paved areas, paths, roads and buildings, WACOSS proposes the continuation of restrictions as they promote a culture of water conservation, and asserts that they are a more effective demand management tool than using increased tariffs as price signals.

There are large financial and environmental costs to the construction and operation of desalination plants. While WACOSS recognises that desalination plants are a measure of producing a public potable water supply, WACOSS does not support reliance on desalination as a source of all future potable water. Taking into consideration the large amount of energy required to operate the plants, the creation of undesirable green house gas emissions and other detrimental impacts on the environment, WACOSS believes that desalination plants should be used as a source of last resort.

WACOSS believes that continuation of demand restrictions will reduce reliance on the desalination plants; which in turn will reduce green house gas emissions and associated carbon costs to consumers, as well as delaying the need for new water infrastructure. Demand restrictions will also reduce additional environmental costs which should also be factored into any future water source.

**WACOSS Recommendation:**

That the use of sprinkler restrictions as a demand management activity be continued in order to continue the promotion of water conservation.

### **Rebate Programs**

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The ERA has considered the appropriateness of rebates as an instrument to encourage the cost effective adoption of recycling and other sources.

In early April 2009, Water Minister Dr Graham Jacobs announced that the Waterwise Rebates Program would not be extended beyond June 30 2009. The Waterwise Rebate Program assists customers by providing rebates after they have purchased appliances such as irrigation, rain sensors, swimming pool covers, washing machines, and rain water tanks. The cost of purchasing some of these products are quite high, and therefore there is a low take up of these rebates by people on low incomes.

While WACOSS strongly supports the implementation of water efficiency measures into Western Australian homes, WACOSS does not view the Waterwise Rebate Program as being an effective measure of saving costs for low income households.

The Water Corporation's involvement in the Hardship Efficiency Program, aimed at assisting people experiencing financial hardship, is a much better way to improve outcomes in households that need it. The program delivers free property audits and

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<sup>22</sup> Ibid.

retrofits, enabling customers to create a more water efficient home and significantly reduces costs for the household.

WACOSS believes that the resources put into the Waterwise Rebates Program would be better utilised by greater investment in the Hardship Efficiency Program and other similar schemes aimed at assisting people on low incomes to access this essential service.

## **CONCLUSION**

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While WACOSS understands that there is a need for tariffs to be increased to reflect the true cost of providing water services, it is inevitable that increased costs will impact significantly on customers, particularly those experiencing financial hardship. WACOSS has recommended that the ERA conduct a social impact assessment taking into consideration different consumer profiles and in which tiers different groups are consuming. In this submission, WACOSS has discussed the impact that increased tariffs will have on customers and has proposed processes for addressing some of these issues, such as the development of a centralised rebates and concessions unit.

This submission has also emphasized the need for retailers to have effective financial hardship policies and suitably trained staff, to enable them to deal appropriately with customers who are experiencing financial hardship. WACOSS has looked at the appropriateness of current service standards and has made recommendations regarding some of these, such as the abolition of interest on overdue accounts as well as the removal of supply restriction as a debt management tool.

In order for changes to existing price structures to be implemented in a fair and transparent way for all consumers, greater consideration must be given to all groups of consumers. Any cost passed on to consumers must be transitioned over an appropriate period of time. Retailers need to be aware that the increased cost passed down to customers is going to affect their capacity to pay and ensure that they have mechanisms in place to assist these customers. In addition to this, retailers should remove practices that further disadvantage already vulnerable customers.

WACOSS thanks the ERA for the opportunity to respond to its Draft Report regarding tariffs of the Water Corporation, Aqwest and Busselton Water and looks forward to the final report.

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