



Listen Assist Resolve

20 September 2012

Mr Marcus Crudden
Acting Director Regulation - Water
Essential Services Commission
35 Spring Street
MELBOURNE VIC 3001

By email: water@esc.vic.gov.au

Re: Water Customer Service Code Review 2012, Regulation of Debt Management Powers Consultation Paper, September 2012

Dear Mr Crudden

Thank you for the opportunity to comment on the Essential Services Commission (ESC)'s *Water Customer Service Code Review 2012, Regulation of Debt Management Powers Consultation Paper, September 2012* (the Consultation Paper).

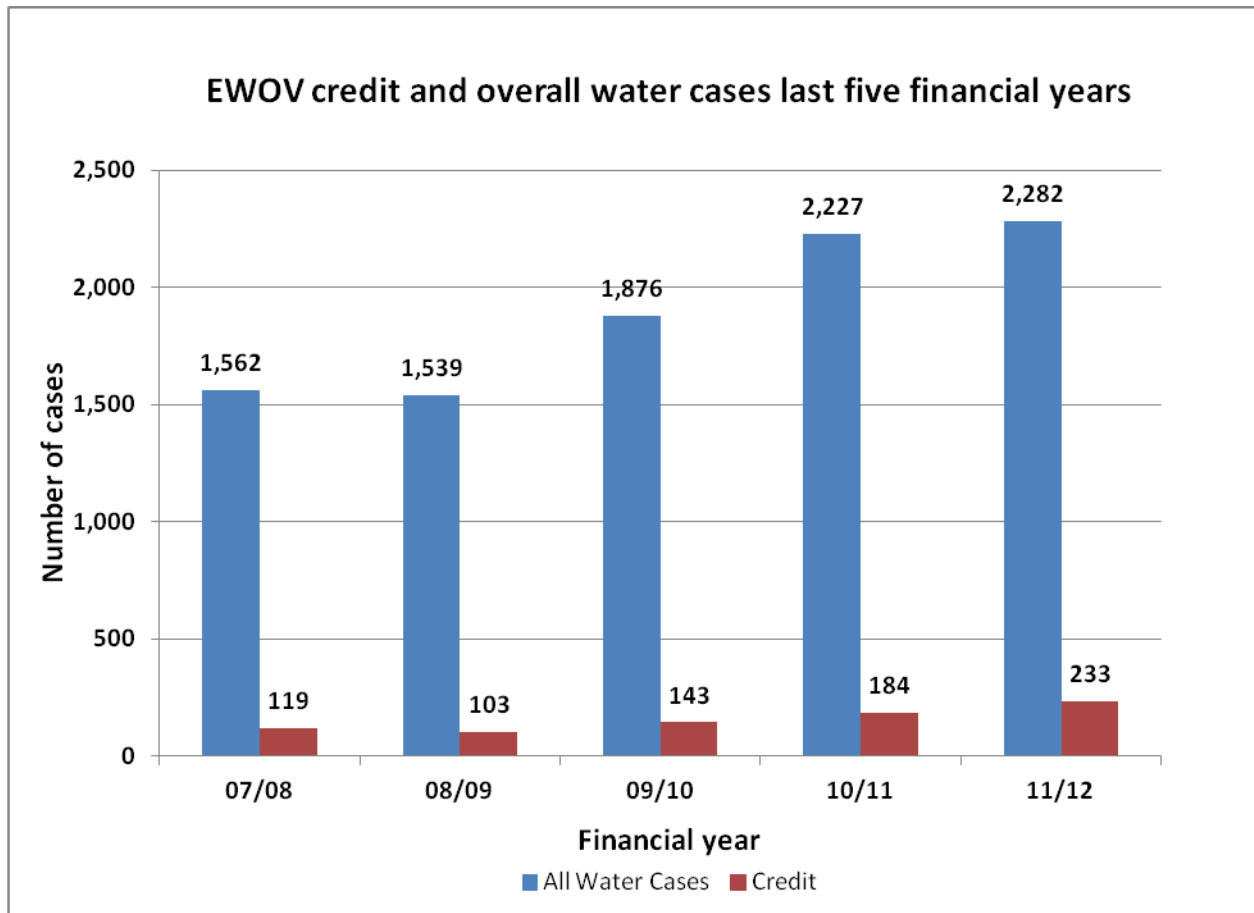
As an industry-based external dispute resolution scheme, the Energy and Water Ombudsman (Victoria) (EWOV) provides alternative dispute resolution services to Victorian energy and water consumers by receiving, investigating and facilitating the resolution of complaints. In making this submission, EWOV's comments are based on our experience in dealing with water complaints that come to us after they have not been resolved between a customer and a water corporation.

EWOV has experienced a 46% growth in the number of water cases between the 2007-08 and 2011-12 financial years. This includes an increase in the following issue categories:

- ↑ credit: 96%
- ↑ high bill: 251%.

Customer complaints about these issues are impacted by a number of cost of living pressures, including annual water price increases. The steady increase in these cases demonstrates that customer affordability pressures and financial hardship are increasing, which in turn drives complaints from Victorian water customers to our office.

The graph below illustrates EWOV's overall and credit-related water case growth for the period 1 July 2007 to 30 June 2012:



Given the Consultation Paper's proposal to extend the debt management powers of the metropolitan water corporations, EWOV provides comments on the following questions raised to assist with preventing an increase in complaints about these new powers.

3.3 Guiding principles

- **Question – Are the four principles sufficient or should other principles be considered? Why?**

4.4 Different rates for different customers

- **Question – Is the proposed approach to setting and reviewing the interest rate fair and reasonable?**

EWOV's comments to the questions under 3.3 and 4.4 are outlined below.

EWOV supports the fair and reasonable approach that the ESC's guiding principles provide, particularly for vulnerable customers and those exhibiting hardship indicators.

EWOV's experience is that customers often do not self-identify their financial hardship situation. Based on EWOV's experience in handling water cases, credit cases, water hardship guaranteed service level (GSL) cases and energy Wrongful Disconnection Payment (WDP) investigations, it is important that water corporation credit and hardship departments strengthen information exchange to ensure hardship customers are identified appropriately and do not 'slip through the cracks'.

In Victoria, water corporations and energy companies need to undertake certain additional steps before they disconnect or restrict a hardship customer's supply to comply with the WDP and water hardship GSL requirements. To assist in ascertaining if the customer is in hardship, EWOV uses all or some of following list of indicators to check for hardship that is not self-identified:

- sporadic or no payments
- previous actual restriction of supply
- concession card holder
- paying via Centrepay
- current or previous participation in hardship program
- high levels of debt with the relevant utility
- failed instalment/payment plans
- ongoing consumption exceeds payments
- an application for the Utility Relief Grant Scheme (URGS).

It may be a single indicator or a mix of indicators which help the energy company, water corporation or EWOV confirm if a customer was experiencing financial hardship.

It is crucial that hardship customers are identified in a timely manner and are not subject to any debt management actions that were not intended for them.

In addition, EWOV believes that it is important for water corporations to recognise that customers who are not on a hardship program may choose to manage their account via instalment payments. If these customers were charged interest it may increase affordability issues. It is EWOV's experience that many customers who contact our office are effectively managing their utilities via regular payment instalment plans without the need for participation on a hardship program. EWOV does not believe that these customers should be subject to interest charges when choosing to meet their financial obligations via instalments.

EWOV believes that an annual review of the maximum annual interest rate would be appropriate. This will help ensure that the interest rate is up-to-date with market rates and reflective of the actual cost of debt recovery. Even though the ESC will not specify the exact amount of interest that each corporation will charge, a cap will ensure that customers are charged amounts of interest that are cost reflective and will also assist in providing a more consistent application across the industry.

4.6 Disclosures and notices

- **Question – Are there other disclosures or notices that the Rural or Urban Codes should mandate prior to a water business charging a customer interest or recovering a debt via a charge over property?**

EWOV recommends that customers are pre-warned before any debt management powers are implemented. Customers could be notified in writing, via the bill and/or a bill insert, warning of the potential use of these powers and the impact on bills. This warning should also advise when the debt management powers will start and clearly highlight if debts accrued prior to this date are subject to interest charges or a charge being placed on a property.

In response to customer queries, frontline staff should provide customers with verbal notification by advising them of the potential consequences if payment is overdue. Additionally, EWOV strongly suggests that customers who are currently participating in a water corporation's hardship program have their accounts flagged, prior to the implementation of these powers, to prevent these being applied in error.

5.2 Priority of payments and interest rate matters

- **Question - Will different interest rates on different types of debt be difficult for customers to understand?**

EWOV believes that different interest rates will increase customer concern and complaints. Therefore, EWOV recommends a clear and uniform method when setting and applying interest rates.

We trust the above comments are helpful. Should you require further information or have any queries, please contact Chris Stuart-Walker, Research and Communications Officer, on (03) 8672 4252 or at Chris.Stuart-Walker@ewov.com.au.

Yours sincerely



Cynthia Gebert
Energy and Water Ombudsman (Victoria)