



2 October 2015

Dr Peter Boxall
Hunter Water Corporation Price Review 2016
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Dear Dr Boxall

Thank you for the opportunity to comment on *IPART's Review of prices for Hunter Water Corporation from 1 July 2016 – Issues Paper*.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers.

EWON notes that Hunter Water has proposed to keep its water usage price stable with price increases in water service charges and sewerage service charges (for flats/units). We note that the impact of these changes will result in an inflation-only increase for customers living in houses, and customers living in flats/units can expect relatively higher bills due to increases in the water service and sewerage service charges.

For ease of reference we have adopted the same numbering as the Issues Paper.

2. Should a Weighted Average Price Cap (WAPC) apply to a subset of Hunter Water's customers, such as large non-residential customers, for the 2016 Determination?

While large non-residential customers are outside of EWON's jurisdiction, we support the introduction of flexible pricing for these customers as it would better match pricing to the usage profile of large businesses, provide customer choice, and offer incentives to encourage efficient usage. However, the advantages of flexible pricing would only be realised if customers are clearly and fully informed of pricing arrangements, and these arrangements are simple enough to understand in order to generate behavioural change in response to price signals.



Further and as discussed in IPART's Issues Paper¹, EWON does not support the extension of flexible pricing to **residential** customers until at least advanced metering technology is in place to facilitate a shift to flexible pricing.

You may be interested to know, however, that the Essential Services Commission recently proposed an energy usage only tariff for financially vulnerable customers within a structured payment assistance program as an alternative to hardship programs.² The purpose of this tariff is to encourage customers to reduce their usage and therefore reduce their arrears over time. This concept could be further explored to determine if benefits of this type of tariff for vulnerable customers exist in the water industry.

27. What is the most appropriate name for the current fixed 'service charge'?

EWON notes IPART are consulting on the issue of customer confusion around the meaning of 'service charge' on bills. EWON shares this concern as it is not uncommon for customers to query the meaning and purpose of the charge when they contact EWON to dispute their bills.

While IPART's preferred alternative ('availability charge') more accurately reflects the purpose of the charge (that is, a charge intended to recover the fixed costs associated with making a service available to customers), we note that the Australian Energy Regulator's recent consultation on the *Retail Pricing Information Guidelines* (the Guidelines) considered the same issue.

In the final Guidelines released in August 2015, the AER mandated the use of clear, simple and widely understood language on Energy Price Fact Sheets and marketing material. This included prohibiting the use of the term 'standing charge' or 'fixed charge', and requiring energy retailers to use the term 'daily supply charge'. Although the AER has not required energy retailers to use the same language on bills, the Guidelines encourage retailers to maintain consistency between bills and marketing materials.

EWON therefore considers that Sydney Water would be taking a leading position, if it applied the term 'daily supply charge' on its bills, in introducing consistency across the energy and water sectors and in moving to clear, simple and widely understood language for its customers.

¹ IPART Review of prices for Sydney Water Corporation – Issues Paper, p 99-100.

² See Essential Services Commission, 'Supporting Customers, Avoiding Labels: Energy Hardship Inquiry Draft Report', September 2015.



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If you would like to discuss this matter further, please contact me or Jane Leung, Policy Officer, on 8218 5250.

Yours sincerely

A handwritten signature in black ink that reads 'Janine Young'.

Janine Young
Ombudsman
Energy & Water Ombudsman NSW