



Energy & Water
Ombudsman NSW
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4 December 2024

Ms Carmel Donnelly
Chair
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Dear Ms Donnelly

Issues Paper - Review of prices for Sydney Water 2025-30

Thank you for the opportunity to comment on this issues paper, which is part of IPART's Review of Prices for Sydney Water from 1 July 2025.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers including Sydney Water. For water customers, we respond to complaints relating to retail and distributor activities. Our comments are informed by our investigations into these complaints, and through our community outreach and stakeholder engagement activities.

We have only responded to the question in the issues paper that align with issues customers raise with EWON, or with our organisation's operations as they relate to this rule change.

If you would like to discuss this matter further, please contact Bryce Purches, Senior Advisor – Policy, Impact & Knowledge, on (02) 9078 6901.

Yours sincerely

Janine Young
Ombudsman
Energy & Water Ombudsman NSW

EWON Submission for IPART's Issues paper – Review of prices for Sydney Water 2025-30

EWON welcomes the opportunity to comment on this issues paper. We also acknowledge the letter from the NSW Premier outlining additional matters for IPART to consider for the Sydney Water price determination. The letter asks IPART to include consideration of:

- the cost-of-living impacts of the price determinations
- the effectiveness of existing rebates to manage the social impacts of the price determinations, including if the program will adequately support customers who may be disproportionately impacted by any price increase¹.

Our submission relates to these two issues. For this reason, our feedback is focused on question 3 of the consultation paper. In summary, EWON recommends that:

- **Sydney Water plan now to mitigate the impact of price increases and drought pricing on households at risk of vulnerability** – We recommend that IPART and Sydney Water think outside the box to mitigate the affordability impact these price increases, and drought pricing, will have on different types of households.
- **IPART consider the recent changes made to rebates for energy customers** – we recommend that IPART's review of the effectiveness of existing water rebates considers the actions taken by the NSW Government for energy consumers.
- **IPART make rebates more fit for purpose for new pricing structures** – We recommend IPART consider options, such as:
 - extending rebates (currently pensioner concessions) to usage charges during periods of drought pricing, and
 - widening the eligibility for these rebates to usage charges, and to other households (such as renters, large households and others experiencing vulnerability), during periods of drought pricing.
- **Sydney Water provide more information about the ongoing review of the Payment Assistance Scheme** – EWON recommends that Sydney Water, and the NSW Government, specify the process for how PAS credit limits for each quarter (and annually) will be reviewed. This will help stakeholders understand how PAS will remain fit for purpose.
- **Sydney Water reconsider increasing late payment and declined payment fees** – Hunter Water has recommended a price decrease for fees and EWON would welcome Sydney Water applying similar measures. It is likely these fees will disproportionately impact on customers experiencing vulnerability.
- **Sydney Water plan an education campaign prior to any drought pricing trigger** – EWON strongly encourages IPART and Sydney Water to consider the need for early community engagement and customer education on drought pricing and the impact that it will have on customer bills.

¹ [Letter-from-the-Premier-to-IPART-on-matters-to-consider-for-the-Sydney-Water-and-Hunter-Water-price-determinations-August-2024.PDF](#)

Question 3 – Setting prices that customers can afford is a key concern for this review. What factors should we take into account when considering customer affordability?

The need to mitigate the impact of price increases and drought pricing on households at risk of vulnerability

The cost-of-living crisis that has engulfed Australia over the last two years will continue to impact on NSW households and businesses well into the 2025-30 period.

The proposed increase to water prices will add further pressure on households experiencing financial vulnerability.

In 2023-24, EWON received 643 complaints about Sydney Water, a 21.8% increase on the 2022-23 financial year², with the biggest issue raised by customers being high bills. We anticipate this price increase will result in a further increase in complaints over the 2025-30 period.

The Sydney Water and Hunter Water pricing proposals differ on how the price increases are apportioned between usage charges and fixed prices. We acknowledge the difficulty of balancing these charges, as each specific customer and consumer group will be affected by this decision in different ways.

We recognise that Sydney Water has undertaken a significant amount of work on the proposal to:

- review the current concessions, rebates and water efficiency programs
- consider how Sydney Water is generating awareness in the community, including
- understand which customers and consumers need support and ensuring they know support is available
- ensure that the affordability services offered to customers and consumers are scalable and criteria are relevant, and
- understand the bill impact for different customer groups.

We also acknowledge that rebates (pensioner concessions) and the Payment Assistance Scheme (PAS) are funded by the NSW Government as a Community Service Obligation. Therefore, our recommendations are also directed to the NSW Government.

We recommend that IPART and Sydney Water think outside the box to mitigate the affordability impact these price increases, and drought pricing, will have on different types of households. This could include:

- extending rebates (currently pensioner concessions) to usage charges during periods of drought pricing.
- widening the eligibility for rebates (pensioner concessions) to other households at risk of vulnerability during periods of drought pricing.
- increasing payment assistance to assist vulnerable customers during periods of drought pricing.
- considering how energy rebates and Energy Accounts Payment Assistance (EAPA) are managed in NSW.
- Sydney Water providing more information about the ongoing review of Payment Assistance Scheme
- Sydney Water reconsider increasing late payment and declined payment fees.

² [EWON Annual Report 2023-24](#)

Rebate initiatives in the energy sector

Sydney Water has proposed to increase rebates in line with the proposed bill increase so that eligible customers bills have parity with non-pensioner bills.

On 1 July 2024, Energy rebates in NSW were extended to include additional cardholders, such as the Low Income Health Care Card and all DVA Gold Card holders, in addition to already providing rebates for Health Care Card holders. This category includes many vulnerable segments of the population including those who are unemployed, single parents, and people with casual and tenuous employment. It is also important to note these are the customers more likely to live in rented accommodation and who will be most adversely impacted by significant price increases.

All energy rebates were also increased by over 20% to assist in the management of meeting increased energy costs.

We recommend that the review of the effectiveness of existing rebates considers the actions taken by the NSW Government for energy consumers. This could include widening the eligibility of the current pensioner concessions to other households that are at risk of vulnerability.

Rebates must be fit-for-purpose to adequately support customers who will be disproportionately impacted by drought pricing

Affordability rebates (currently limited to pensioner concessions) help vulnerable consumers stay connected to essential services and should be aligned to work with the pricing structures in place. We have called for a review of water rebates since drought pricing was first proposed in the 2020 pricing review.

In [IPART's final report on its review of prices for Sydney Water 2020](#), it stated:

'In our Draft Report, we asked the Government to consider restructuring the pensioner rebate to manage the bill impacts of drought prices for pensioners. The Treasury, Department of Planning, Industry and Environment, and Sydney Water have stated they will ensure that pensioners are not made worse off by our dynamic water usage prices.' (p166)

With the significant prices increases proposed by Sydney Water, along with the proposed continuation of drought pricing for the 2025-30, the need for a review of rebates is even stronger and more urgent.

The price increases proposed by Sydney Water, together with potential drought pricing, have the potential to impact certain households more than others. For example:

- **Renters:** renters are not eligible for rebates for concession holders. While they are not impacted by the increase to fixed charges, there is the potential that this can be recovered by landlords in other ways, such as through rental increases. Renters (defined as consumers by Sydney Water) made up around 10 percent of households that received payment assistance from Sydney Water in the 2023-24 financial year³. This statistic suggests this payment assistance service is underutilised by these households and may suggest there is a lack of knowledge about the eligibility for this service.

³ Sydney Water Pricing Proposal 2025-30 p537



- **Large households:** large households, such as multigenerational family households, have less discretion over water consumption. This means large households will often lack capacity to respond to increased prices or the implementation of drought pricing.
- **People experiencing vulnerability:** The approach to rebates for concession holders varies between water providers. The overall changes to water pricing raises the question of whether the rebate framework is fit-for-purpose and providing adequate support to people experiencing vulnerability.

IPART's review should include how the rebate program can be extended to groups, such as those outlined above. We recommend IPART consider options, such as:

- extending rebates (currently pensioner concessions) to usage charges during periods of drought pricing, and
- widening the eligibility for these rebates on usage charges to other households (such as renters, large households and others experiencing vulnerability) during periods of drought pricing.

Payment Assistance Scheme

The Payment Assistance Scheme (PAS) currently provides owner-occupiers with up to \$300 per quarter and tenants with up to \$150 per quarter. Sydney Water proposes scaling up the PAS forecast to meet customer demand and estimates that, after the initial increase in customers' bills, each LGA will have between 200 and 9,000 additional households whose discretionary income will fall below the Sydney average.

Energy Accounts Payment Assistance (EAPA), which is a NSW crisis payment for energy customers, is assessed each year and amounts have been increased to take into consideration cost of living pressures.

EWON recommends that Sydney Water, and the NSW Government, specify the process for how PAS credit limits for each quarter (and annually) will be reviewed. This will help stakeholders understand how PAS will remain fit for purpose.

This will be particularly important should drought pricing come into effect in the regulatory period as more customers, including tenants may struggle with additional increases to bills.

Late payment and declined payment fees

Sydney Water proposes increasing dishonour payment fees and late payment fees. It does not charge interest or late payment fees to customers who have entered a payment arrangement due to payment difficulty and are honouring that arrangement. Sydney Water also anticipates that more people will need payment assistance in the 2025-30 period, though not all of these customers will enter into a payment arrangement and may incur additional fees.

Increasing water pricing by over 7% will widen the affordability gap and put more pressure on vulnerable groups.

Hunter Water has recommended a price decrease for fees and EWON would welcome Sydney Water applying similar measures.

Drought water usage pricing and the need for significant community education

Sydney Water has proposed to maintain its drought water usage pricing. The drought pricing sets a different price for water consumption during times of drought – which is triggered when dam

storage levels fall below 60%. The drought prices remain in place until storage levels rise again to 70%.

The 2020-24 regulatory period was the first time that this was approved for essential service provision in NSW, however the pricing mechanism was not triggered during this period.

We acknowledge that it is important to conserve water and reduce excess consumption, however using the price as a tool to achieve this will adversely impact vulnerable customers while providing no incentive for those with disposable income to change high consumption behaviour.

For some vulnerable customers, large families or people in rental accommodation, the increased pricing, for potentially long periods will impact significantly, prolonging or worsening financial difficulties and forcing customers to make a choice to go without or unnecessarily restrict an essential service.

It is notable that Sydney Water's pricing proposal seeks a 4.7% increase for the 2024-25 period or a drought price that increases the base rate by \$0.66/kL, whereas Hunter Water recommends a decrease from \$0.50/kL to \$0.44/kL applied to the base water rate.

EWON strongly encourages IPART and Sydney Water to consider the need and requirement for early and consistent community and customer education on drought pricing and the impact that it will have on customer bills. This will reduce bill shock for customers, assist in the reduction of complaints and work towards building consumer trust in the water sector.

As noted above, EWON also recommends that IPART consider the need for additional rebates or payment assistance to assist vulnerable customers during periods of drought pricing.

Enquiries

Enquiries about this submission should be directed to Bryce Purches, Senior Advisor – Policy, Impact & Knowledge, on (02) 9078 6901.