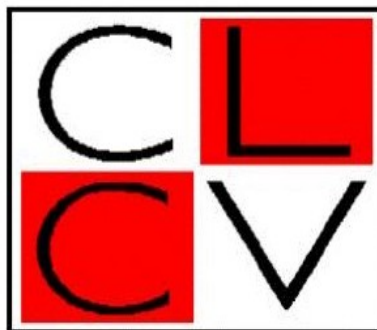


The implementation of residential hardship policies by Victorian water businesses

A research report



CONSUMER LAW CENTRE VICTORIA

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1. EXECUTIVE SUMMARY

Water is essential for human life. As such, access to water is often expressed to be a fundamental human right. However, affordability problems can prevent peoples' access to water and can inhibit a reasonable standard of living.

Affordability and access problems for water consumers are caused by an intersection of various factors, including inadequate income, inefficient appliances and poor quality housing, household types and circumstances and external factors such as tariff structures and geographical factors.¹ Addressing access and affordability problems, therefore, requires a flexible range of solutions, applicable to particular circumstances.

Recognising that continued access to water is essential, the Essential Services Commission, the Victorian water industry's independent regulator, requires water businesses to have in place hardship policies. The objective of this report was to monitor the hardship policies that water businesses have produced in compliance with this obligation, with a view to improving them so that they substantively assist consumers maintain access to affordable water services. The results of the research, including consultations with water businesses and financial counsellors, suggests that good hardship policies can assist consumers by promoting flexible payment arrangements and other solutions that enable consumers in hardship to continue to access water services.

The research also suggests, however, that in respect of many of the water businesses, particularly the regional urban water businesses, more work is required for hardship policies to adequately assist consumers in hardship. Some consumers are not able to access assistance programs available and continue to be restricted inappropriately.

The report concludes with a number of recommendations that should ensure that the regulatory obligation to have hardship policies has meaning for low-income and vulnerable consumers. It is suggested that hardship policies need to be better integrated into water businesses' overall work practices and ethic. Staff administering customer service and credit management need to be actively aware of, and promote the existence of, robust hardship policies as a solution to problems for customers in hardship. Further, robust monitoring of water businesses' compliance with the hardship policy requirement is necessary. This should ensure that water businesses are actively promoting and using hardship policies to assist customers.

¹ See generally, Consumer Law Centre Victoria and Environment Victoria, *Water: Access, Affordability and Sustainability*, April 2005, ch 2.

We would like to acknowledge and thank the Consumer Utilities Advocacy Centre and the Department of Sustainability and Environment for funding the Water Policy Officer, who undertook this research project.

Recommendations

- **That all Victorian water businesses make use of the proposed hardship guidelines created through the Utility Debt Spiral Project.**
- **That the obligation to have a hardship policy be broadened to include a requirement that hardship policies be proactively *promoted and used* by water businesses.**
- **That the ESC monitor the use of hardship policies, by requiring water businesses to report on numbers of customers accessing relief (and what type of relief) through hardship policies in its annual performance reporting.**
- **That all hardship policies be required to have a statement of principles about how the water business deals with customers in hardships.**
- **That all staff in water businesses, from senior management down, be provided with extensive and ongoing training to support the hardship policy.**
- **That hardship policies clearly recognise the complexity of vulnerability, and make hardship policies available to all vulnerable consumers.**
- **That hardship policies be required to include demand management/water efficiency as a primary focus.**
- **That all Victorian water businesses proactively participate in the Smart Homes program.**

2. INTRODUCTION

(a) Role of the Report

This research project and report (the **Report**) aims to assist with the development and implementation of effective hardship policies for Victorian water businesses. By providing an overview of the regulatory environment in which water businesses operate, and specifically with respect to their regulatory obligation to develop hardship policies, the Report aims ensure that these regulatory obligations produce the best outcomes for consumers.

The Consumer Law Centre Victoria (**CLCV**) is an independent consumer advocacy organisation. The Water Policy Officer position was established at CLCV to ensure there is a considered consumer response to water reform processes, included the new regulatory framework and processes. The Water Policy Officer was funded jointly by the Consumer Utilities Advocacy Centre and the Department of Sustainability and Environment. Neither the Water Policy Officer nor the CLCV is a regulator. However, the Water Policy Officer is interested in monitoring water businesses' compliance with regulatory requirements as well as assisting in the development and implementation of best practice policies that assist the interest of low-income and vulnerable consumers.

(b) Methodology

The following outlines, in brief, the steps undertaken throughout this project:

- creation of project proposal with input from members of the Water Policy Officer's steering committee;
- a review of best practice hardship policies;
- acquirement of all Victorian water businesses' current hardship policy;
- a comparative analysis of water businesses' hardship policies and customer charters;
- consultation with water businesses about their implementation of hardship policies;
- consultation with financial counsellors and other support workers who advocate on behalf of low-income and vulnerable water consumers; and
- completion of a report that details the work undertaken and provides recommendations about the implementation of effective hardship policies that best assist low-income and vulnerable consumers.

(c) The development of the regulatory requirement for hardship policies in Victorian water businesses

From 1 January 2004, the Essential Services Commission (**ESC**) became responsible for the regulation of the Victorian water sector.² This responsibility includes regulating prices, service standards and conditions of service for each of the three metropolitan water retailers, eleven regional-urban water authorities, three rural water authorities and two authorities that provide both regional-urban and rural water services (the **water businesses**) (see Appendix A for a list of Victorian water businesses). All Victorian water businesses are owned by the Victorian government and do not compete for each other's customers directly. Instead, they engage in competition through comparison of aspects of their performance, such as profits, prices, quality and service. The ESC publishes annual reports comparing the performance of the Victorian water businesses on the basis of specific customer service levels.

In the context of ongoing reforms and a move to consumption-based pricing in the Victorian water sector, independent regulation was recognised as important to ensure that the social and economic well-being of Victorians in terms of essential services would be maintained. Accordingly, the ESC's primary objective is to protect the long term interests of Victorian consumers with regard to price, quality and reliability of essential services.³

More recently, the ESC has approved inclining block tariffs for some water businesses. Inclining block tariffs involve customers being charged higher amounts for water after their consumption reaches certain levels. Recognising that access to affordable water services is a fundamental human right,⁴ a user-pays system and inclining block tariffs may operate inappropriately for some consumers, particularly low-income and vulnerable consumers, who might become inappropriately restricted from their water supply due to an incapacity to pay their water bills. As such, the ESC and the community sector have considered ways in which customers in hardship might be assisted to maintain access to affordable water services.

During 2004, the ESC released a number of consultation papers to engage stakeholders with an interest and involvement in water sector issues, so as to ensure that the ESC's approach to regulation is both practical and effective. Consultation Paper Number 1 canvassed the ESC's role in relation to regulating the standards and conditions of services and supply of retail water, sewerage and other services. The ESC noted that the *Water Industry Act 1994* (Vic) (the **Water Industry Act**) provides scope for the ESC to establish a code which, among things:

² Previously the ESC's role was limited to the three metropolitan retailers (City West Water, South East Water and Yarra Valley Water) in terms of licensing, performance monitoring and regulation of customer service arrangements and compliance auditing. Broader economic regulation of the water businesses, including the regulation of prices, was the responsibility of the Minister for Water and the Department of Sustainability and Environment.

³ *Essential Services Act 2001* (Vic), section 8.

- specifies minimum customer-related standards, procedures, policies and practices with which a regulated water entity would be obliged to comply;⁵ and
- requires water businesses to issue a customer charter that specifies customer-related standards, procedures, policies and practices (including those relating to the payment of compensation to customers) for specified services.⁶

Accordingly, the ESC proposed to establish a Customer Service Code (the **Code**) setting out the customer-related standards, procedures, policies and practices that water businesses are obliged to deliver to customers. The aim of establishing a Code was to:

- provide customers with greater clarity about the arrangements for the supply of water and sewerage services;
- provide businesses with certainty about the services that they need to deliver and provide a reference point to businesses to assume future capital and operating expenditure for price reviews;
- protect the interests of customers by providing avenues for redress for poor service; and
- protect low-income and vulnerable customers, for example, those facing payment difficulties or requiring continued supply to meet health needs.⁷

In March 2004, the ESC released a Workshop Discussion Paper on customer service arrangements. In that paper, noting a number of submissions which were strongly in support, the ESC considered that the Code should require businesses to develop hardship policies in accordance with some broad criteria. The ESC proposed a requirement that these policies be set out in businesses' customer charters.

In May 2004, the ESC released a Draft Customer Service Code, and in October 2004 after consultations, the Code was finalised. The Code came into operation on 1 July 2005. Previously, the ESC had created a benchmark customer contract (and a summary benchmark customer charter) to regulate the minimum standards of customer service for metropolitan water businesses. As the implied customer contract was a contract, it imposed obligations on both businesses and customers. As of 1 July 2005, the Code superseded the implied customer contracts which operated in respect of the metropolitan retailers. The new Code, conversely, only places obligations on businesses and can only place obligations on customers where those obligations exist elsewhere in legislation or regulations.

⁴ A Stewart, 'Water as a Human Right' in CLCV, *Water: Access, Affordability and Sustainability* (April 2005).

⁵ Section 4F(2)(a) of the *Water Industry Act 1994* (Vic).

⁶ Section 4F(2)(b) of the *Water Industry Act 1994* (Vic).

⁷ ESC, *Consultation paper No. 1: Economic regulation of the Victorian water sector*, February 2004 at 46.

In relation to the implementation of hardship policies by Victorian water businesses, the Code states the following:

5.4 Hardship policy

A *water business* must have a hardship policy that details procedures for assisting residential *customers* in hardship. Without limiting this general obligation, the hardship policy must:

- (a) provide internal assessment processes:
 - (1) to determine a *customer's* eligibility using objective criteria⁸ as indicators of hardship;
 - (2) designed to make an early identification of a *customer's* hardship; and
 - (3) to determine the internal responsibilities for the management, development, communication and monitoring of the policy;
- (b) provide for staff training about the *water business's* policies and procedures and to ensure *customers* in hardship are treated with sensitivity and without making value judgments;
- (c) exempt *customers* in hardship from supply restriction, legal action, and additional debt recovery costs while payments are made to the water business according to an agreed flexible payment plan or other payment schedule;
- (d) in the case of *regional water businesses*, state any circumstances in which it will waive or suspend interest payments on outstanding amounts;
- (e) subject to *water law*, offer a range of payment options in accordance with the *customer's* capacity to pay;
- (f) provide for written confirmation of any alternative payment method to be sent to *customers* within 10 business days of an agreement being reached;
- (g) offer information and referral to government assistance programs (including the Utility Grant Relief Scheme) and no-cost independent financial counsellors;
- (h) offer information about the *water business's* dispute resolution policy, and the *customer's* right to lodge a complaint with EWOV and any other relevant external dispute resolution forum if their hardship claim is not resolved to their satisfaction by the *water business*;
- (i) detail the circumstances in which the policy will cease to apply to *customers*; and
- (j) provide for a review mechanism of the policy and its associated procedures.

In its final decision paper on the Code, the ESC noted that the 'Victorian Water Industry Residential Hardship Guide' published by VicWater in September 2003 currently satisfies the requirements outlined in clause 5.4 of the Code.

⁸ Criteria may include, but are not limited to: a customer's eligibility for concessions, a customer's status as a tenant, previous customer applications for the Utility Relief Grant scheme; a customer's previous payment history, and appropriate self-assessment by the customer.

(d) Customer Charters

Part C of the Code requires businesses to implement Customer Charters to inform customers about the services performed by the water business and water businesses' and customers' respective rights and responsibilities.⁹ The Customer Charters are to be business specific, detailing service standards and guaranteed service level schemes approved in the price review process. The Customer Charters must also be approved by the Commission as complying with Code requirements.¹⁰

Clause 15 of the Code requires Customer Charters to include all material rights and responsibilities of the water business and its customers in relation to services performed by the water business. In particular, as the Code requires the implementation of hardship policies, the charters must include an indication of how customers can access the policy.¹¹ Water businesses must publish their Customer Charter on their website and it must be made available on request.¹² Part 4 of this report details the extent to which water businesses' Customer Charters provide information about businesses' hardship policies.

(e) The implementation of the regulatory requirement

Pursuant to section 4F(6) of the Water Industry Act, each water business is required to comply with any provision of a Code which applies to that business. Despite this obligation, there are currently no mechanisms by which the Code can be enforced by aggrieved customers. This is at odds with the previous implied customer contract which operated in respect of metropolitan retailers (outlined above). Being a contract, not only did it place obligations on customers, but it also provided scope for a customer to argue breach of contract where a business was in default. The ESC has stated that it, rather than customers, will be responsible for monitoring and enforcing compliance with the Code requirements.¹³

Despite this statement, the ESC's enforcement is limited to its auditing and performance reporting role. Under the Water Industry Regulatory Order 2003 (**WIRO**), one of ESC's functions is to audit the water businesses' compliance with certain obligations and regulatory requirements, and monitor the reliability and quality of information reported to the ESC. Using data collected from the regulatory audits, the ESC then reports publicly on the performance of the regulated water industry. In its outline of its performance reporting framework, the ESC has stated that

⁹ Customer Service Code, clause 14.1.

¹⁰ Customer Service Code, clause 14.4.

¹¹ Customer Service Code, clause 15(c).

¹² Customer Service Code, clause 16.1.

¹³ ESC, *Consultation Paper No 3: Draft Customer Service Code*, May 2004 at 4.

performance indicators will include indicators relating to customer responsiveness and service as well as affordability.¹⁴

In respect of its 2005 audits, the ESC has stated that, with respect to the Code, audits will cover obligations relating to:

- complaints handling (clause 3.1);
- actions for non-payment (clause 7.1 to 7.3); and
- enquiries (clause 12.1).¹⁵

As such, in 2005, the ESC will not in 2005 specifically audit clause 5.4 of the Code which requires water businesses to implement hardship policies.

The ESC's performance reporting framework requires water businesses to report on one performance indicator relating to water businesses' hardship policies. This indicator measures the number of hardship assistance grant applications made and the number of assistance grants awarded under the water businesses' hardship policy per 1,000 customers. While this indicator will provide information about the appropriateness of referrals to hardship grants (such as the Utility Relief Grant offered by the Department of Human Services (**DHS**)), it will not provide information about the effectiveness of hardship policies to assist water consumers experiencing disadvantage and hardship.

¹⁴ ESC, *Performance Reporting Framework Metropolitan and Regional Water Businesses*, July 2004 at 5.

¹⁵ ESC, *Essential Water News* July 2005.

3. GUIDELINES FOR RESIDENTIAL HARDSHIP POLICIES

(a) *Utility Debt Spiral Project*

Recognising that a lot of work has been done on the development of guidelines for residential hardship policies, this report does not re-invent the wheel with respect to identifying aspects of best practice responses of water businesses to customers who are experiencing financial hardship, either temporary or chronic. Rather, it draws primarily upon the Committee for Melbourne's **Utility Debt Spiral Project**.¹⁶

The Utility Debt Spiral Project harnessed the expertise and involvement of business, government, regulators and civil society to test the premise that water, electricity and gas bills can be a significant factor in personal debt spirals and the poverty trap. Participants in the project proceeded on the basis that:

- no person should be disconnected from an essential service solely due to an inability to pay; and
- essential services should be available to all on fair and reasonable terms, and without compromising health and other welfare needs.

The project examined and identified Victorian experiences in relation to:

- the characteristics of people at risk;
- the characteristics of effective social and economic regulatory frameworks and policies to assist people at risk; and
- a range of 'best practice' solutions to address payment problems for disadvantaged utility consumers.

The results were consolidated into a comprehensive report released in 2005. In particular, the report noted that metropolitan Melbourne water businesses and the regional-urban water business, Western Water, have taken a leading role in developing hardship policies and that this had contributed to the development of customer hardship programs by energy retailers, including AGL, Origin Energy and TRU Energy.¹⁷

(b) *An energy comparison*

It should be noted that, for comparison, Victorian energy retailers do not have a regulatory obligation to implement hardship policies. Instead, electricity and gas retailers are required to comply with a number of laws and ESC codes and guidelines containing provisions that relate to affordability issues. The ESC's *Energy Retail Code* includes obligations to provide assistance to

¹⁶ Committee for Melbourne, *Utility Debt Spiral Project*, November 2004 – Part D, "Customers experiencing financial hardship, either temporary or chronic: How should energy and water providers, governments and regulators best respond?", Prepared by the Energy and Water Ombudsman (Victoria).

customers suffering from payment difficulties.¹⁸ Further, the Victorian Government have implemented legislation prohibiting energy retailers from charging small retail customers a fee or charge for late payment of a bill.¹⁹ In the second reading speech introducing this law into Parliament, the Minister for Energy Industries and Resources stated that the Victorian Government '[does] not believe that people who are unable to pay their bills on time should be penalised further by late payment fees'.²⁰

The *Energy (Legislation) Amendment Act 2004 (Vic)* also inserted a new section 40B into the *Electricity Industry Act 2001 (Vic)* and section 48A into the *Gas Industry Act 2004 (Vic)*, both of which provide for a new licence condition imposing an obligation on retailers to make 'wrongful disconnection payments' to customers in certain circumstances. This new obligation, which came into force on 8 December 2004, makes a payment obligatory if the retailer 'wrongly' disconnects the supply of electricity or gas to the premises of a 'relevant customer'. A wrongful disconnection occurs if the retailer fails to comply with the terms and conditions of the contract, which specifies the circumstances in which the supply of electricity or gas to those premises may be disconnected (that is, where the retailer fails to comply with the *Energy Retail Code*). The amount of the payment is currently \$250 for each whole day that supply is disconnected (with a pro rata amount payable for any part of a day where supply is disconnected). This amount must be paid as soon as practicable after reconnection of supply, either directly to the customer or by way of a rebate on the customer's bill. The new provisions also make clear that the payment does not affect any other rights that customers may have, for example to seek compensation for loss suffered as a result of being wrongfully disconnected. This suggests that the payments are intended not only to compensate consumers who have been wrongfully disconnected but also to encourage retailer compliance with their obligations.

(c) Hardship response model

The Utility Debt Spiral Project surveys a number of policies and procedures developed by energy and water providers in Victoria, interstate and internationally in identifying best practice.²¹ Drawing primarily on the Victorian experience, the Committee of Melbourne identify that a best practice 'hardship response model' for an energy and water provider includes the following features:

- **Transparency and accessibility** – having a hardship policy, which is clearly communicated to customers with copies available on request, on a website and in brochure format, distributed to community agencies and referenced in customer charters and on a brochure enclosed with key bills.

¹⁷ Committee for Melbourne, as above at 193.

¹⁸ ESC, *Energy Retail Code*, clause 11.

¹⁹ *Energy Legislation (Amendment) Act 2004 (Vic)*.

²⁰ Victoria, *Parliamentary Debates*, Legislative Council, 30 November 2004, 1,555-6 (John Lenders, Minister for Finance).

²¹ Committee of Melbourne, above n 13 at 193-218.

- **Extensive and ongoing staff training** – to all parts of the business, on:
 - the causes of financial hardship;
 - the identification of customers experiencing financial hardship;
 - the proactive identification of customers that may be facing financial hardship (for example, as a result of the unexpected closure of a business);
 - when to refer customers to the ‘hardship response program’;
 - socio-economic research into indicators of disadvantage by postcode;
 - literacy and access issues by some customers experienced by some customers.

This training is in addition to knowledge of the minimum regulatory and legal requirements for responding to customers experiencing financial hardship.

- **Respect** – an articulation of the rights of customers experiencing financial hardship and an acknowledgment that a wide range of adults and children experience financial hardship.
- **Specialist team** – a well-resourced team that is especially skilled in responding to customers experiencing financial hardship. Ready referrals to the team from the Call Centre and other parts of the business. Customers able to directly contact the team, preferably via a freecall phone number but at least by a local call phone number. Home visits by a member of the specialist team where it has been difficult to contact a customer by phone or in writing.
- **Core focus on energy / water efficiency** – an acknowledgment that energy and water efficiency improvements are an essential part of assisting energy and water customers in hardship, the provision of expert advice, materials and home audits on how to reduce usage and improve energy and water efficiency.
- **Links to energy / water efficiency programs** – run by the provider, local Councils, government and/or community agencies.
- **Links to financial counselling agencies** – funding of financial counselling services, liaison with these services via workshops, presentations and information sharing. An acknowledgment that a wide range of social issues may result in a person experiencing financial hardship and that financial counselling services are well-placed to provide assistance. Respect for a financial counsellor’s advice about their client’s capacity to pay.
- **Links to concessions, government assistance programs and non-government support services** – with information accessible by postcode or area.
- **Links to dispute resolution services**
- **Affordability** – the implementation of appropriate, affordable and agreed payment arrangements.
- **Flexibility in options** – a range of options tailored to suit each customer – including Centrepay, incentive plans (whereas disconnection action may be viewed as a ‘disincentive plan’, an incentive plan links the continuous payment of *agreed* arrangements to credits and the write-off of outstanding long term debt), partial or complete waiver of debt, review of fees.

- **Suspension of disconnection, debt collection and legal action** – whilst the customer is on the ‘hardship response program’.
- **Clarity** – a clear and fair articulation of the circumstances in which the provider may move a customer off its ‘hardship response program’ and onto its normal collection procedures, with discretion for particular customer circumstances. This information must be provided to the customer.
- **Customer focus groups** – focus groups involving customers who have experienced financial hardship provide an opportunity for direct feedback on hardship programs and to identify opportunities for improvement.
- **Business modelling** – integration of the hardship response program into the provider’s business planning processes – an articulation of the ‘business case’ (economic benefits) of having an effective hardship response program.
- **Continuous review** – learning from others, comparing the ‘hardship response program’ against local, interstate and overseas developments and having regard to comparative performance reporting undertaken by regulatory authorities.

This is obviously a more detailed list than the obligations included in clause 5.4 of the Code. As such, the Report primarily draws upon the above ‘best practice model’ in analysing hardship policies implemented by Victorian water businesses. In addition, this report asks whether businesses have statements of principles in dealing with their customers, and particularly how they deal with low-income and vulnerable customers.

The Utility Debt Spiral Project has continued throughout 2005 and 2006. This second stage involved consultations between water and energy retailers, community sector representatives, EWOV and the ESC in order to create “guiding principles” for supporting utility customers experiencing financial hardship. Reflecting the insight and experience of a wide range of organisations, policymakers, and practitioners, the proposed guidelines aims to reflect good business practice. The proposed guidelines will be finalised in the near future.

In section four of the Report, a summary of water businesses’ hardship policies is provided in conjunction with responses to the questionnaire. These will be analysed against a range of the best practice components outlined above, including information and accessibility, staff and training, content, water efficiency, links to other programs/agencies, and evaluation and review.

4. SUMMARY OF WATER BUSINESSES' HARDSHIP POLICIES

(a) Provision of hardship policies

The following section provides brief summaries of water businesses' hardship policies. As part of this project, all Victorian urban water businesses (both metropolitan and regional urban) were asked to participate.²² The following water businesses provided copies of their hardship policies:

- Central Highlands Water;
- City West Water;
- Coliban Water;
- East Gippsland Water;
- Gippsland Water;
- North East Water;
- South East Water;
- South Gippsland Water;
- Western Water;
- Westernport Water; and
- Yarra Valley Water.

Grampians Wimmera Mallee Water, Goulburn Valley Water, Lower Murray Water and Wannon Water did not respond to the invitations to participate. Barwon Water refused to participate.

(b) Questionnaires

As described above, as part of the project, a questionnaire was developed that aimed to elicit further information about the implementation of hardship policies by the Victorian water businesses. In particular, the questionnaire aimed to determine whether issues surrounding affordability and hardship were considered as part of a business's overall business strategy. A copy of the questionnaire is included at Appendix 3.

A questionnaire was sent to each water business in Victoria. The following water businesses responded to the questionnaire:

- City West Water;
- Gippsland Water;
- South East Water;
- South Gippsland Water;
- Western Water;
- Westernport Water; and
- Yarra Valley Water.

The following discussion is based upon both the content of water businesses' hardship policies as well as responses to the questionnaire.

²² See Appendix A for a list of Victorian water businesses.

(c) Yarra Valley Water

i. Accessibility and information

Yarra Valley Water's hardship policy is widely accessible. It is available for download on the Yarra Valley website and by request over the telephone. It is also discussed in presentations with financial counselling agencies, welfare agencies and key stakeholders, including the annual Financial Counselling Workshop. The policy is also referred to in a brochure entitled "Supporting Our Customers", which has been distributed to all financial counselling agencies within Yarra Valley Water's service area and is available for download on their website.

Customer Contact Centre staff have received training on the Yarra Valley Water hardship policy, both internally and by an external financial counselling organisation. Key triggers (although not exhaustive) are included in this training to enable staff to identify customers for referral to the specialist Customer Support Team, which deals with people in hardship. These include identification of permanent hardship customers (ie, those on low or fixed incomes) and temporary hardship customers (ie, those who have experienced a sudden change in living circumstances such as ill health, unemployment, a death in the family or some other temporary financial difficulty). Yarra Valley Water has established a dedicated toll free number for customers managed by their specialist Customer Support Team. If customers call this number, they are not re-directed to the Customer Contact Centre. Yarra Valley Water has also given presentations to the Energy and Water Ombudsman Victoria (**EWOV**), the ESC and other utilities, councils and welfare organisations to provide details of their Customer Support Team should customers directly approach those organisations.

Yarra Valley Water's external debt collection agency and its customer debt management areas have also received training on hardship support programs and policies. There are also detailed processes in place for customers currently being case managed by the Customer Support Team, but who are not responding to attempts at assistance. If a customer is not responding to attempts to contact (including site visits), they are notified either by phone or letter that they will be referred to the customer debt management area for further credit and recovery action.

Yarra Valley Water communicates to customers, both by phone and written correspondence, the implications of moving off the hardship program and back on to regular payments. When a customer's repayment amount is sufficient to cover both their arrears and future bills, they are removed from the Arrange and Save incentive scheme, which is detailed below. However, the Customer Support Team may continue to assist some customers whose difficulty may be other than financial.

ii. Staff and training

Members of Yarra Valley Water's Customer Support Team undergo five days of compulsory training with Kildonan Child and Family Services each year. The topics covered include:

- causes of hardship and hardship awareness;
- domestic violence;
- drug and alcohol addictions;
- government assistance schemes;
- case studies and timeliness;
- Centrelink payments and budgeting;
- cultural and linguistically diverse customers;
- disabilities; and
- depression and mental illness.

Specialised training is also provided by experts on specific areas (eg, gambling – Gambler's Help, drug addiction – Odyssey House).

Training is provided to regular call centre staff by the Customer Support Team during induction. Existing staff received updates via email and presentations during team meetings on specific topics as required.

Members of the Customer Support Team are required to have the following skills: communication skills, listening skills, negotiation skills, letter-writing skills, self-management, relationship management skills, customer focus, innovation, business focus and personal computer skills. Staff must also be empathetic and be empowered to manage customers on an individual basis.

iii. Content

Yarra Valley Water's hardship policy outlines minimum standards in relation to dealing with residential customers who are experiencing hardship. Procedures and work instructions support the policy to ensure staff follow the policy guidelines.

The policy aims to treat all customers in financial hardship with dignity and respect without making value judgments. The policy aims to identify customers experiencing difficulty early and provide them with access regardless of affordability. Hardship customers are provided one contact person to address their issues and are shielded from further recovery action (ie, service restriction and legal). Information is also provided to hardship customers on all support and programs that are available.

Yarra Valley Water's hardship policy acknowledges both temporary and permanent hardship. It also acknowledges that the length and types of assistance offered can vary to cater to the specific instance of hardship.

Yarra Valley Water has a payment incentive scheme which includes debt forgiveness known as “Arrange and Save”. This involves granting customers a bonus credit to the value of one payment for every five payments made in full and on time by the customer. It also includes the write-off of long term debt (all debt greater than 180 days) if customers continue to meet their agreed payments over approximately a six-month period. If customers continue to make their payments on time and in accordance with their agreed arrangement for a total of nine months all debt greater than 89 days is written off. This incentive scheme is automated within Yarra Valley Water’s billing system.

iv. *Water efficiency*

Yarra Valley Water, in conjunction with the Department of Human Services (**DHS**), run the Smart Homes Water Audit scheme. The scheme involves a licensed plumber attending an eligible customer’s home, conducting a water efficiency audit and retrofitting inefficient appliances as required. The scheme is provided at no cost to the customer. A review of the scheme in March 2005 showed that, on average, customers save up to 30 per cent off their water bill as a result of the audit and retrofit. The scheme is designed to educate customers on water conservation and by reducing their water usage, it increases affordability of the customer’s account. Up until September 2005, over 1,500 customers have been booked into the scheme

As part of the implementation of inclining block tariffs in the metropolitan water sector, a program to assist large households of five or more people who find it difficult to pay their water bill was developed. The program, the Large Household Assistance Program, which was designed in consultation with the community services sector, includes a home visit by a water conservation advisor with the aim of reducing discretionary water use. Where appropriate, water saving plumbing devices will be installed to help reduce the impact of the price changes. The other metropolitan water businesses, City West Water and South East Water, also provide the Large Household Assistance Program.

Yarra Valley Water has also developed a relationship with Origin Energy to refer eligible Origin customers for an energy efficiency audit if they are also receiving a Smart Homes audit. In addition, Yarra Valley Water has developed a relationship with Archicentre’s Home Renovation Service (also co-funded by DHS), which provides a free home safety inspection by an architect, identifying areas for improvement and providing the customer with a report and costs for repair. It is available for pensioners over 60 years of age who own their own home.

v. *Links to other agencies / programs*

Yarra Valley Water has a range of direct and indirect links to local financial counselling agencies, including a commercial agreement with Kildonan Child and Family Services, annual financial counselling workshops and quarterly newsletters aimed at the welfare sector. Its hardship policy states 'we will meet regularly with our customers and the financial counselling sector to improve the service offerings to the hardship customer segment'. Yarra Valley Water also references EWOV in its hardship policy.

vi. *Evaluation and review*

Yarra Valley Water have a range of evaluation measures by which it reviews the adequacy of its hardship policy and procedures, including determining the proportion of customers who "graduate" from the program to regular payment systems. It also seeks customer feedback through dedicated customer focus groups, feedback from the welfare sector and has received awards in relation to community business partnerships.

Yarra Valley Water has also engaged an independent management consultant to review the business and customer benefits of its arrangement with Kildonan Child and Family services, including commercial benefits in the second year of operation.

The Yarra Valley Water hardship policy is reviewed annually in accordance with feedback received and in collaboration with its Customer Consultative Committee. A range of statistical data is also kept in relation to customers on its hardship policy and this data is accessible by area and postcode.

(d) City West Water

i. *Accessibility and information*

City West Water's hardship policy is available on request and is also distributed to community agencies. When a customer cannot afford a payment plan offered by regular call centre staff, then they are referred directly to the team dealing with hardship. Follow-up procedures, including letters and site visits, are arranged for customers who are difficult to contact.

Customers are not provided with information about the circumstances in which they may be moved off a hardship response program back to regular payments, but are personally contacted in this situation. If a customer is moved off a hardship response program back to normal credit recover where they have failed to comply with obligations, they will also be personally contacted.

ii. Staff and training

All call centre staff and credit management staff are trained in issues relating to hardship and making appropriate customer referrals. Staff who implement City West Water's hardship policy are part of their credit management team and have received specific training in financial counselling.

iii. Content

City West Water's hardship policy includes a statement of principles of how it deals with low-income, vulnerable and disadvantage customers. It also provides that disconnection, debt collection and legal action are suspended while a customer is on a hardship response program. City West Water also have procedures relating to debt waiver, which are calculated on a customer's capacity to pay ongoing projected debts.

iv. Water efficiency

City West Water operate a number of programs relating to water efficiency that assist customers with reducing water usage and high bills. These include a water audit kit, a special needs program and the Large Households Assistance Program (as with Yarra Valley Water and South East Water). It also states that it participates in the Smart Homes Program 'when circumstances permit', but no detail are provided of those circumstances.

v. Links to other agencies / programs

City West Water states that it works very closely with financial counsellors in its local area, and has links with government assistance programs. City West Water doesn't directly refer to EWOV in its hardship policy publications, but information on EWOV is provided on follow-up notices to customers.

vi. Evaluation and review

City West Water evaluates the success of its hardship policy by the percentage of customers who stay on long term affordable plans (as opposed to determining how many customers go on to regular repayments). City West Water seek customer feedback and has also considered the business case of having an effective hardship program. The hardship policy is regularly reviewed by the credit manager and statistical data is kept on all customers in hardship programs (this data can be obtained by postcode).

(e) Westernport Water

i. Accessibility / information

Westernport Water's residential hardship policy is communicated to customers and others via its website, referenced in its Customer Charter and is available on request. It is also promoted on accounts and reminder and warning notices sent as part of collection processes.

Customers can access the Customer Service Team which deals with hardship via an enquiry phone number. When payment arrangements are discussed, the customer is directed to the Customer Service Officer assigned to deal with customers having difficulty paying their account. Customers who have not paid their accounts and have not contacted Westernport Water are followed up by telephone and advised about Westernport Water's policies about hardship.

ii. Staff and training

All customer service staff have received training by the Department of Human Services (**DHS**) concessions unit and a number of staff have received training in debt management.

iii. Content

Westernport Water's hardship policy is based upon a number of values – all customers are to be treated with respect; all customers are to be treated in a non-judgmental way; all customers are to be assisted to meet their financial commitments to the water business in a supportive environment; and by its actions the water business will not add to the customer's burden.

Westernport Water suspends disconnection, debt collection, legal action and interest accumulation while the customer is on an agreed payment arrangement. Westernport Water aims to ensure that financial difficulties are recognised early in the credit cycle so that the retailer will not add to the customer's burden. Westernport Water also has a mechanism whereby customers in hardship may apply to the business's Board, or its delegate, for a partial or total waiver of an outstanding amount in a 'fresh start' approach. Westernport Water does not currently participate in the Smart Homes Program.

iv. Water efficiency

Twice a year, customers receive a newsletter promoting water conservation and access to information on products and services to assist the saving of water. Customers on payment arrangements under the hardship policy are not specifically identified as needing extra information or advice.

v. *Links to other agencies / programs*

Westernport Water has an active relationship with a local financial counsellor and also works with the DHS Concessions Unit and the Bass Coast Shire Council. Westernport Water promotes EWOV on all accounts, reminder and warning notices and information sheets.

vi. *Evaluation and review*

Westernport Water's hardship policy is subject to an annual internal review. A local financial counsellor also reviewed the policy during its development.

(f) Gippsland Water

i. *Accessibility/information*

Gippsland Water distributes its hardship policy to all customers who receive a final notice for payment. Brochures and information about the hardship policy are also available upon request, and are incorporated into Gippsland Water's Customer Charter. Gippsland Water states that its hardship brochure will be placed on their website.

Gippsland Water Service Centre staff will discuss various forms of financial assistance that are available to customers who are experiencing financial difficulty. Service Centre staff will escalate the customer to the credit management team should the customer be experiencing extreme financial hardship. The Service Centre staff will discuss various forms of government assistance that may be available with the customer. Gippsland Water details the assistance available to customers on reminder and final notices. Prior to instigating recovery action, Gippsland Water will attempt to contact customers to offer them a revised payment arrangement. Gippsland Water treats customers on its hardship program on a case by case basis – they may at times consider partial debt waiver and/or renegotiate acceptable payment plans which are reviewed annually.

ii. *Staff and training*

All new staff receive intensive training in relation to Gippsland Water's various repayment options and its hardship policy. Issues relating to the hardship policy are discussed in regular team meetings. Staff are required to show empathy and compassion in order to reach a suitable outcome for both the customer and Gippsland Water.

iii. *Content*

Gippsland Water does not have a statement of principles of how it deals with low-income, vulnerable and disadvantaged customers – rather, they treat all situations on a case-by-case basis. Gippsland Water suspends disconnection, debt collection, legal action and interest accumulation while a customer is on a hardship response program.

iv. Water efficiency

Gippsland Water delivers a number of programs focused at assisting customers in reducing their water consumption. This includes one-on-one advice to customers on water conservation and water efficiency initiatives. Gippsland Water also states that it participates in the Smart Homes Program.

v. Links to other agencies/programs

Gippsland Water has links with a number of local financial counselling agencies and government agencies. Gippsland Water's hardship policy also advises customers about their right to lodge a complaint with EWOV if their affordability issue is not resolved with Gippsland Water.

vi. Evaluation and review

Gippsland Water reviews the success of their hardship policy based on customer satisfaction statistics captured as part of the water business's customer satisfaction survey. The hardship policy is also reviewed internally on an annual basis. Gippsland Water also keep statistical data on the number of customers on alternate payment arrangements for reporting to the ESC.

(g) Western Water

i. Accessibility/information

Western Water communicates their hardship policy via its customer charter and through a summary pamphlet that is mailed to all customers. It is also promoted on its website and on fact sheets, and the full policy is available on request. Westernport Water also administers a financial counsellors' forum in which its hardship policy is discussed.

All of Western Water's customer service staff are trained to recognise signs that a customer may need assistance. If required, customers are transferred to specialists when arranging payment plans. Western Water will attempt to engage in a personal visit if customers have been unresponsive to attempts at contact. It will also attempt to contact a customer through a financial counsellor if appropriate.

All customers on a hardship response program are given details about the procedure regarding being moved off the hardship program back to regular payments (after having 'caught up') as well as to normal credit recovery (if they have failed to comply with a payment arrangement) when a payment arrangement is being made.

ii. Staff and training

Western Water staff undertake regular training workshops, including hardship awareness. Specialists also receive information and training from the financial counsellors' forum.

iii. Content

Western Water's collections policy includes hardship considerations, but does not provide a statement of principles of how it deals with low-income, vulnerable and disadvantaged customers. It includes a generic definition of hardship from the Consumer Credit Code: 'a customer is unable because of illness, unemployment or other reasonable cause, to meet their financial obligations when they fall due'. Western Water responds to varying circumstances of customers experiencing hardship by tailored assistance packages and individual customer visits. Western Water will also deal with financial counsellors as advocates for customers suffering financial hardship.

Western Water suspends disconnection, debt collection, legal action and interest accumulation while a payment plan is in place or where it has been advised of special circumstances. Western Water also considers debt waiver based on individual needs.

iv. Water efficiency

Western Water delivers a hardship kit which includes a range of water efficient products and a free fitting service if required. Western Water also offers free water audits and participates in the Smart Homes Program. Western Water's programs relating to water efficiency are measured by feedback from customers and financial counsellors, as well as by reducing usage and bills.

v. Links to other agencies/programs

Western Water has links with a number of local agencies, including financial counsellors and welfare organisations. These organisations are key contributors to Western Water's programs. Western Water has links with a number of government programs, including DHS concessions and provides information about EWOV in its collection policy and complaints procedure.

vi. Evaluation and review

Western Water evaluate the success of its hardship policy through feedback from customers and financial counsellors. Western Water has also developed a 'business case' for having an effective hardship policy – this was developed in conjunction with its financial counsellor forum. Western Water will review its hardship policy when feedback necessitates it or there are new innovations, and after specific time-periods. Statistical data is kept of numbers of customers on payment plans, numbers of Utility Relief Grant applications and customer debt-levels. These are reported to senior management monthly.

(h) South East Water

i. Accessibility/information

South East Water's hardship policy is communicated to customers via its website, on accounts, on follow-up notices, on payment brochures, by customer service staff, in its customer charter and through external financial counsellors. If a customer in hardship approaches South East Water, they are directed to specialist hardship officers.

A flag is placed on the customer's account to indicate that they are experiencing hardship so that they are transferred directly to hardship officers. Customers who have 'caught up' on their payments will remain on the hardship program so that South East Water can monitor and pre-empt any hardship issues that may place the account back into debt. If a customer does not comply with a payment arrangement, the customer is contacted and advised that normal debt recovery will re-commence.

ii. Staff and training

South East Water has a number of staff members dedicated to deal directly with customers in hardship. These hardship officers are experienced credit management staff. Apart from internal training undertaken by these staff, an independent financial counselling agency, Good Shepherd Family and Youth Services, provides specific training to staff in the area of hardship. Training on hardship issues is also provided to all new staff as part of South East Water's induction program. Hardship officers are required to have excellent communication and listening skills, have good negotiation skills and be sympathetic to customer needs.

iii. Content

South East Water's hardship policy does not have a statement of principles about how it deals with low-income, vulnerable and disadvantaged customers, but provides a set of guidelines as to how to deal with these customers appropriately. South East Water deals with customers flexibly and aims to allow customers to make arrangements which best fit their circumstances and capacity to repay debt. Customers are protected from all forms of recovery action while they are identified as hardship customers.

Where it has been identified by South East Water that a customer has no chance of clearing unpaid debt then a recommendation is made to waiver amounts outstanding. Waivers are also used as an incentive to meet future accounts via payment arrangements. If a customer has committed to a plan then outstanding balances can be waived.

iv. Water efficiency

South East Water has a number of brochures that aim to educate customers about the importance of using water wisely. Home audits can be conducted by an Audit Officer. South East Water also offers a Hardship Plumbing Scheme, where it pays for water appliances to be upgraded with water efficient products (this is run in conjunction with the Smart Homes Program). In addition, South East Water participates in a number of water wise programs run throughout the community. The effectiveness of water efficiency programs is measured by customers' consumption figures.

v. Links to other agencies/programs

South East Water has a partnership with Good Shepherd Family and Youth Services that provides free financial counselling services to customers. South East Water offers customers assistance through government programs such as concessions, utility relief grants, the capital grant scheme, sewerage connection hardship relief and the home renovation service. Information about dispute resolution through EWOV is printed on all follow up notices and accounts.

vi. Evaluation and review

South East Water reports monthly on the numbers of hardship customers (both referrals and internal identification). Monthly reporting is also kept on levels of debt waivers and numbers of hardship grants are reported to the ESC. South East Water obtains regular feedback on its hardship policy from financial counsellors with Good Shepherd Youth and Family Services. Although not having completed a thorough 'business case' of its hardship program, South East Water are committed to maintaining its hardship program through bringing about improved customer satisfaction, reduced debtor levels, reduce debt collection expenses while reducing other indirect costs to the community in managing poverty. South East Water's hardship policy is part of its overall policy review system which regularly reviews all policies and work instructions.

(i) South Gippsland Water

i. Accessibility/information

South Gippsland Water's hardship policy is noted on the back of all accounts and is referenced in its customer charter. When customers contact South Gippsland Water with debt problems, they are transferred to staff who handle debt collections. If customers do not contact South Gippsland Water, South Gippsland Water writes to, and attempts to telephone customers to discuss payment.

ii. Staff and training

South Gippsland Water staff who deal with hardship issues attend monthly meetings to discuss issues around hardship. Evening call centre staff advise customers to call during normal business hours if they are having difficulties with paying their bill.

iii. Content

South Gippsland Water consider applications for hardship relief on a case-by-case basis. When setting up payment arrangements, customers are asked whether they want the arrangement to be permanent or not. If they do not want permanent arrangements, the customer will be reverted to regular payments once they have “caught up” their payments. Customers are advised that if they do not maintain their payment arrangement, then normal credit recovery processes will occur. Other forms of hardship relief include suspension of disconnection, debt collection, legal action and interest accumulation. South Gippsland Water also considers account suspension, debt reduction and/or waiver in specific circumstances.

iv. Water efficiency

South Gippsland Water’s hardship policy states that it will provide water conservation advice through brochures to assist customers reduce their water usage. South Gippsland Water also promotes government initiatives, such as the Water Smart Gardens and Home Rebate Scheme, as a way to encourage consumers to reduce water consumption. Undetected leak grants are also provided to customers who suffer high bills as a result of an undetected leak. The effectiveness of programs relating to water efficiency are measured by reductions in average household consumption

v. Links to other agencies/programs

South Gippsland Water only has indirect links to local financial counselling agencies, by recommending customers in hardship to obtain assistance from a financial counsellor. South Gippsland Water also provide information about concessions (utility relief grants and capital grants), government rebates and EWOV.

vi. Evaluation and review

South Gippsland Water evaluate the success of its hardship policy by measuring the reduction of outstanding debt and minimising financial-related complaints. The policy is reviewed annually. However, South Gippsland Water do not provide a formal mechanism to evaluate its hardship policies with external stakeholders, including customers. South Gippsland Water state that it has the lowest level of debt among all water businesses which brings benefits to both customers and to South Gippsland Water.

(j) East Gippsland Water

Although East Gippsland Water did not provide a response to the questionnaire, a copy of its hardship policy was provided. East Gippsland Water’s hardship policy is based on the Victorian Water Industry Association’s, *Industry Guide on Residential Hardship Policy*. The policy states

that East Gippsland Water will consider the provision of financial assistance to customers in hardship, where endorsed by the Chief Executive Officer. Assistance includes deferment of payment terms, suspension of collection action and suspension of interest accumulation. In extreme cases, consideration may be given to reducing or waiving tariff charges, subject to board approval. East Gippsland Water also allow customers who are having payment difficulties to enter into payment arrangements, however interest will continue to accumulate except in cases of 'extreme hardship'. Customers who do not honour payment arrangements will be immediately subject to debt collection procedures, including restriction of water supply.

(k) Central Highlands Water

Central Highlands Water also provided its hardship policy, but did not complete the questionnaire. Central Highlands Water has forms of tariff relief available to customers who can demonstrate that unexpected hardship will prevent them from paying their water bill. These include deferment, reduction or suspension of interest and other charges. Waivers are also available to customers with high volume charges arising from undetectable or unexplainable leaks. Prior to Central Highlands Water allocating rebates under its hardship policy, where applicable, an application for a Utility Relief Grant should be made.

Unfortunately, information about how Central Highland Water's hardship policy is made accessible to customer and their representatives, how staff are trained and how it is reviewed, was not made available. Central Highlands Water are currently implementing a new and separate hardship policy, which had not received board approval at the time of writing this Report.

(l) Coliban Water

Coliban Water provided a copy of the VicWater Residential Hardship Guide as part of this Project. As discussed above, the ESC have stated that this Guide satisfies businesses' obligations under the Code with respect to hardship policies. The Guide defines customers experiencing hardship, provides a list of rights of customers experiencing hardship and details a process of dealing with customers in hardship. The Guide is described as a minimum level of service and is attached at Appendix E.

(m) North East Water

Similar to Coliban Water, North East Water's hardship policy is based on the VicWater Residential Hardship Guideline but has been modified slightly to suit the needs of North East Water.

5 CUSTOMER CHARTERS AND REFERENCES TO CUSTOMERS IN HARDSHIP

As outlined in section 1, Customer Charters are required to be included on businesses' websites and be made available on request. All Customer Charters were required to be approved by the ESC during 2005, after the Code came into operation. This section provides an overview of Customer Charters and the information provided in them on hardship policies and affordability.

The majority of water businesses' Customer Charters provide a brief overview of their hardship policies and provide contact details for customers who wish to obtain further information. These charters typically alert customers to the possibility of alternative payment options in the event of financial hardship, but do not outline in detail the options available. For example:

- South East Water's charter explains that they will not restrict drinking or recycled water, take legal action or charge debt recovery costs while customers continue to make payments under an agreed payment plan, but encourage them to contact it for more details;
- Wannon Water's charters (there are separate charters for the Portland Coast, South-West and Glenelg regions) contain several key points 'in summary' about their hardship policy and encourage customers to contact them to obtain a fully copy; and
- Goulburn Valley Water's charter contains some details about the ways in which it deals with customers in hardship, including not restricting water supply and avoiding legal action and debt recovery costs, and invites customers to contact them for a copy of its policy.

Yarra Valley Water's charter explains more fully that it has been instrumental in developing an Industry Code of Practice for customers experiencing financial hardship and have put in place a Hardship Policy to ensure it is sensitive to customers' specific needs. It describes its Specialist Customer Support Team which can arrange alternative payment arrangements that takes into account a customer's capacity to pay and can provide referrals to free and independent financial counselling.

A number of businesses' customer charters also provide reasonably detailed information about their hardship policies including statements that they provide staff training to ensure customers in hardship are treated with sensitivity and without making value judgments. Typically, they also provide information about government assistance programs, exemptions for restriction and legal action. Further, they state that the hardship policy is regularly reviewed, some in consultation with independent financial counsellors. Western Water, Central Highlands Water, East Gippsland

Water, North East Water, Westernport Water, Coliban Water and Barwon Water's charters all contain similar provisions.

City West Water's charter briefly mentions its residential hardship policy and invites customers to contact it for further details. The charter does, however, explain that flexible payment plans can be negotiated and the existence of concessions and assistance schemes. City West Water's charter is translated into ten languages.

Gippsland Water's charter provides information about its hardship policy, including recognition of hardship customers, the availability of alternative payment arrangements and that the hardship policy states the circumstances in which it will waive or suspend interest payments on outstanding amounts. It also provides an address and telephone number through which the hardship policy may be obtained.

All the Customer Charters approved by the ESC in 2005 now provide information about hardship policies, although varying levels of detail are provided. As Customer Charters are the primary way in which customers can access their rights and obligations with respect to their relationship with their water business, it is important that this information be provided. Through Customer Charters customers and their representatives (be they financial counsellors, community lawyers or support workers) can access general details about water businesses' hardship policies and contact the water businesses if further detail is required.

6. CONSULTATION WITH FINANCIAL COUNSELLORS

As part of the Project, financial counsellors were asked to respond to a questionnaire about Victorian water businesses' hardship policies. Financial counsellors were chosen as professional advocates who assist low-income and vulnerably consumers to deal with debt issues. The questionnaire asked how hardship policies were utilised by financial counsellors in their provision of advice and assistance to water consumers in hardship. A copy of the questionnaire is attached at Appendix D. Financial counsellors servicing five different water businesses' districts responded to the survey.

Not surprisingly, responses varied according to the water business being considered. Financial counsellors who have dealt with Yarra Valley Water noted that the water business is extremely flexible and helpful in relation to payment arrangements, and that its hardship policy and available assistance is proactively communicated to customers and financial counsellors. For example, Yarra Valley Water are said to acknowledge that water efficiency improvements are an essential part of assisting customers in hardship and, as such, provide water audits and retrofitting to hardship customers. Further, there is good communication between Yarra Valley Water and local financial counselling organisations – Yarra Valley Water host an annual financial counselling forum to discuss the year's performance and assist with forward planning. Comprehensive consultation with community organisations has assisted Yarra Valley Water to produce an integrative and accessible hardship policy.

There was no response from financial counsellors who had dealt with the other metropolitan water businesses, City West Water or South East Water.

Financial counsellors who dealt with regional urban water businesses experienced far less positive experiences with hardship policies. Some financial counsellors were not aware that regional urban water businesses' had hardship policies. Although they had advocated on behalf of clients with water businesses to arrange payment plans, make applications for utility relief grants or even obtain debt waivers, this was not through recourse to a hardship policy. Even where financial counsellors were aware of water businesses' hardship policies, some stated that it would be difficult to identify customers on 'hardship response programs'. For example, although Westernport Water had consulted a local financial counsellor in the development of its hardship policy, the feeling was that it generally operated "in an informal way so that customers may not know they are on a hardship response program".

The following case study demonstrates how customers suffering from disadvantage are not identified as hardship customers, and are not treated in accordance with hardship policies in some cases.

Case Study

Susan (not her real name) is a sole parent with 4 children. The family live in an Office of Housing property in a regional Victorian town. Susan's sole income is Parenting Payment Single paid by Centrelink. Many of her family members have ongoing health problems. During 2005, one child was seriously injured in an accident and requires substantial ongoing medical treatment in a Melbourne hospital.

At the start of 2005, Susan owed her Water Company \$190 and received a further 2 or 3 accounts throughout the year. She was making ad hoc payments when she could afford to. Her Water Company was applying the Government water concession and was aware that she was receiving a Centrelink payment. Susan had ad hoc contact with her Water Company when they rang her. She felt that they were only interested in receiving a payment and does not recall being made aware of the Water Company's hardship policy. She recalls asking for a Utility Relief Grant (**URG**) on one occasion, but was advised the amount of the debt was too small.

In early December 2005, her Water Company restricted her water for non-payment of approximately \$150. At the time, Susan spoke to the Water Company technician who told her to call the Water Company or pay the bill. Susan was unable to call the Water Company as she had no credit on her mobile phone. The Water Company technician did not offer any assistance. The following day, Susan contacted a Financial Counselling Service. Following a discussion on her options, she rang the Energy and Water Ombudsman (**EWOV**). EWOV contacted the Water Company who contacted Susan. An arrangement was made to pay \$20 per fortnight commencing 4 days later, and the restrictor was removed. Susan was not advised by the Water Company of their hardship policy or offered an URG.

On or about the day the first payment was due, Susan received a hand written instalment plan letter from the Water Company. The letter advised Susan that if she did not adhere to the agreement, a water restriction would take place. There was no mention of the Water Company hardship policy in the letter.

Susan was unable to pay the \$20 payment on the due date as she was sick. She believes the Water Company tried to contact her mobile, but she did not have access to

her mobile at the time. Susan's water was again restricted 3 days later. She was home at the time of restriction but the Water Company technician made no attempt to contact her.

Susan paid \$20 at the Post Office. Susan contacted the Financial Counselling Service again, and then rang EWOV. EWOV transferred her to the Water Company. The Water Company requested a copy of the receipt before they would remove the restrictor. The receipt was faxed to the Water Company, and the restrictor was removed later that day. Shortly after faxing the receipt, Susan's financial counsellor was contacted by a manager from the Water Company to discuss the issue. During this discussion it was agreed that Susan should apply for an URG and the Water Company supplied an URG number. During our discussion, the financial counsellor asked the manager why the Water Company had not made a greater effort to clarify if Susan was experiencing hardship. The manager's response was defensive with the expectation being that it was the customers and not the Water Company's responsibility. The manager could see no role for the Water Company technician in facilitating communication so as to avoid the restriction.

The clear implication from much of the financial counsellors' comments in the regional areas was that although hardship policies were a positive step forward, there was a real difficulty enabling hardship policies to result in a substantive change in business practices. The case of Susan highlights that a hardship policy must be integral to a water businesses work practices before it can be of substantive use to customers in hardship.

Some financial counsellors also noted that a number of regional urban businesses have aggressive debt collection policies, with restriction sometimes inappropriately used as a method to encourage customers to pay. Rather than determining the reasons for high water bills, the background reasons why customers are facing difficulties in paying bills, or offering genuine assistance, restriction was sometimes used before a customer was put on an instalment arrangement. Other water businesses often did not restrict, but let water debts accumulate with interest accruing. Under section 281 of the *Water Act 1989* (Vic), regional urban water businesses have the power to charge interest on overdue accounts. The current rate of interest set by the Governor in Council is 11.5 per cent.

While water businesses are generally stated as acknowledging the value of water efficiency improvements in reducing water bills, water efficiency advice or assistance was not generally provided as a response to consumers identified as suffering financial hardship. One financial

counsellor commented that he has asked his local water businesses to implement the Smart Homes Assistance Program on a number of occasions without success.

Considering the positive experience of financial counselling involvement in the development of Yarra Valley Water's hardship policy and responses to hardship, the questionnaire also asked what resources financial counsellors might find useful to assist developing and/or updating water businesses' hardship policies. The majority of financial counsellors stated that they need to be better resourced to deal with policy issues so as to improve relations and interactions with utility businesses. Others noted that water businesses should be required to not only have a hardship policy, but promote it and use it (that is, appropriately identify customers as hardship customers and treat them accordingly). Proactive promotion and use of hardship policies would encourage financial counsellors to become involved in assisting with their development.

7. CONCLUSIONS AND RECOMMENDATIONS

The introduction of independent regulation of the Victorian water sector has occurred in conjunction with a move to a user pays system for water consumption and, more recently, a move to charging domestic water consumption with inclining block tariffs. In this environment, and recognising that access to affordable water is a fundamental human right,²³ the ESC has recognised a need to require water businesses to ensure customers suffering from hardship are treated appropriately. The regulatory requirement that water businesses have a hardship policy can contribute to low-income and vulnerable customers staying connected to affordable water.

(a) Vulnerability

While recognising that the water industry has worked towards creating policies that aim to assist customers in hardship, further work can be done by water businesses to improve the breadth of assistance to customers in hardship covered by such policies. As can be seen by the discussion in Part 2 of this report, Yarra Valley Water has the most comprehensive hardship assistance scheme in place. While each water business should be free to tailor hardship assistance in a way that suits its business and customer groups, improved state-wide guidelines for hardship programs focused on water affordability would assist customers and advocates. Such guidelines should focus on a broad understanding of vulnerability. For example, a consumer may be considered 'vulnerable' if they:

- are eligible for a concession rate on their energy bill;
- are experiencing short-term financial hardship (e.g. from sudden loss of employment or a relationship breakdown);
- are experiencing chronic/long-term financial hardship (e.g. as a result of a sustained period of illness or a mental or physical disability);
- do not speak English as a first language;
- have a physical, psychiatric or intellectual disability, which affects their ability to enter contracts or requires certain energy usage;
- live in a rural or remote location;
- have a large household to support;
- have high water consumption due to inefficient appliances and/or housing stock;
- go without other essential items, including food, to pay for water service/s; or
- are subjected to ongoing and unresolved billing errors, or practices, which leave them with significant account arrears.

An understanding of the complexity of vulnerability can assist water businesses in the identification of consumers who are most in need of effective hardship response programs.

²³ A Stewart, 'Water as a Human Right' in CLCV, *Water: Access, Affordability and Sustainability* (April 2005).

Furthermore, an understanding of the inter-relatedness of water debt and other household debt is required for vulnerability to be adequately identified and addressed. Consumers who have trouble with water bills may have difficulties with other household bills and consumers in hardship necessarily prioritise bills according to need. Understanding this complexity can ensure that water businesses actively assist consumers in hardship.

(b) *Implementation of hardship policies*

Most hardship policies surveyed as part of this Report contained basic protections for customers identified as being in hardship. These included suspension from debt collection, legal action, restriction or interest accumulation. In some circumstances, water businesses would offer debt waiver. However, in some cases, due to poor accessibility, promotion and staff experience and knowledge, the existence of hardship policies did not necessarily mean that customers in hardship were being treated in accordance with the policy. The consultations with regional financial counsellors suggested that regional water businesses did not have dedicated hardship staff that could deal with customers in hardship and did not promote their hardship policies. To substantively benefit low-income and vulnerable consumers, as well as water businesses, hardship policies must be proactively promoted to customers and their representatives and become integral to business processes. They also must be implemented by staff with specific skills in identifying hardship and in accordance with principles of how that water business deals with low-income, vulnerable and disadvantaged customers.

(c) *Demand management/water efficiency*

Hardship policies of many of the water businesses surveyed as part of this Report could be improved by more accessible and transparent demand management programs that address the needs of vulnerable customers and those experiencing hardship. Such policies have the added advantage of being consistent with the State Government's policy promoting sustainable water use.²⁴ Effective measures that increase water conservation are also pivotal tools in improving the affordability of water for low-income and vulnerable consumers.

The Smart Homes Program, in particular, is identified as an important program to form part of a best practice hardship policy for Victorian water businesses. The program, managed by the concessions unit of DHS, assist concession households in financial hardship to replace inefficient or defective household fixtures causing high water bills, such as leaking taps and inefficient showerheads.²⁵ During a Smart Homes water audit, a plumber will also provide education and information to assist customers to reduce their water consumption. The experience of Yarra

²⁴ Victorian Government, *Our Water Our Future – White Paper on Water*, June 2004.

²⁵ DHS concessions.

Valley Water's participation in Smart Homes demonstrates the significant benefits that the program has not only to consumers through decreased water bills but to water conservation generally. Yarra Valley Water's review of the program identifies that:

- customers' accounts reduce by an average of 30 per cent;
- customers save 120 kilolitres per year on average; and
- in dollar terms, customers save on average \$80 per year in their water usage (adding sewerage disposal charges, this could mean an average saving of \$150 off the consumption portion of their water bill).²⁶

Considering that many customers in hardship may have significant capacity to reduce their water usage, hardship policies which include links to demand management programs can help customers reduce their water bills and contribute to them not being customers in hardship in the future. It appears from the responses to the questionnaires in this Report, that there is a particular need to extend such demand management programs beyond metropolitan Melbourne to regional urban and rural areas.

(d) Recommendations

- **That all Victorian water businesses make use of the proposed hardship guidelines created through the Utility Debt Spiral Project.**
- **That the obligation to have a hardship policy be broadened to include a requirement that hardship policies be proactively *promoted and used* by water businesses.**
- **That the ESC monitor the use of hardship policies, by requiring water businesses to report on numbers of customers accessing relief (and what type of relief) through hardship policies in its annual performance reporting.**
- **That all hardship policies be required to have a statement of principles about how the water business deals with customers in hardships.**
- **That all staff in water businesses, from senior management down, be provided with extensive and ongoing training to support the hardship policy.**
- **That hardship policies clearly recognise the complexity of vulnerability, and make hardship policies available to all vulnerable consumers.**
- **That hardship policies be required to include demand management/water efficiency as a primary focus.**
- **That all Victorian water businesses proactively participate in the Smart Homes program.**

²⁶ Smart Homes Review – 17 March 2005

APPENDIX A – VICTORIAN WATER BUSINESSES

Metropolitan water businesses

City West Water
South East Water
Yarra Valley Water
Melbourne Water*

Regional-urban water businesses

Barwon Water
Central Highlands Water
Coliban Water
East Gippsland Water
Grampians Wimmera Mallee Water**
Gippsland Water
Goulburn Valley Water
Lower Murray Water**
North East Water
South Gippsland Water
Wannon Water (formerly South West Water, Portland Coast Water and Glenelg Water)
Western Water
Westernport Water

Rural water businesses*

Southern Rural Water*
Goulburn Murray Water*
First Mildura Irrigation Trust*

* These water businesses do not provide domestic water services to households. Melbourne Water is the wholesaler of water to the Melbourne metropolitan retailers. The rural water businesses primarily provide irrigation services to farmers.

** These water businesses provide both domestic water services to households as well as rural services to farmers.

APPENDIX B – LETTER TO BUSINESSES

Dear

Research project

The implementation of hardship policies by Victorian water businesses

My name is Gerard Brody and I am the Water Policy Officer (**WPO**) at the Consumer Law Centre Victoria (**CLCV**). The WPO, a position jointly funded by the Department of Sustainability and Environment and the Consumer Utilities Advocacy Centre, has been established at the CLCV to ensure a dedicated community sector response to water issues, particularly the ongoing regulatory reform of the water sector. As the WPO, my role is to promote the interests of Victorian water consumers, particularly low-income and vulnerable water consumers, in water policy and regulatory debates by advocating for high quality, equitable and affordable access to water services within an environmentally sustainable framework.

As you would be aware, since the introduction of the Customer Service Code from 1 July 2005, water businesses are obligated to have a hardship policy that details procedures for assisting residential customers in hardship. I am currently undertaking a research project into the implementation of hardship policies by the Victorian water businesses (the **Project**). The ultimate aim of the Project is to assist with the development and implementation of effective hardship policies by Victorian water businesses.

As part of the Project, I wish to consult with water businesses about their current policies relating to customers experiencing hardship and how these policies are implemented in practice. I will then review comparative jurisdictions and industries to consider what a best practice hardship policy might look like. I will also consult with various other stakeholders, including financial counsellors.

If you, or someone in your organisation, is available to discuss with me the practices of your organisation with respect to customers in hardship, I would greatly appreciate it. I would also be grateful if you could provide me with a copy of your hardship policy.

I look forward to hearing from you. I can be contacted by telephone on 9629 6300 or by email at gerard@clcv.net.au.

Yours sincerely

CONSUMER LAW CENTRE VICTORIA LTD

Gerard Brody
Water Policy Officer

APPENDIX C – QUESTIONNAIRE TO BUSINESSES

Implementation of Hardship Policies Research Project

Questionnaire for water businesses

The Implementation of Hardship Policies Project (the **Project**) analyses the hardship policies, which have been implemented by the Victorian metropolitan and regional-urban water businesses in accordance with their obligation under the Customer Service Code. The Project aims to assist with the development and implementation of effective hardship policies by metropolitan and regional urban water businesses.

This questionnaire aims to obtain more information about how these policies are implemented. Specifically, it considers the resources put into hardship response as well as how the policy is integrated into the business. Questions consider the following areas:

- Accessibility/information;
- Staff and training;
- Content;
- Water efficiency;
- Links to other agencies/programs; and
- Evaluation and review.

Accessibility/information

- a) In what ways is <water business>'s hardship policy communicated to customers and other relevant people (ie, available on website, available on request, distributed to community agencies, referenced in customer charter/other brochures)?

- b) How can customers contact the team that deal with hardship? What triggers are in place for the call centre staff to refer a customer to the hardship section?

- c) What protocols does <water business> have in place with respect to contacting customers who have been difficult to follow up?

- d) Does <water business> provide information to customers about the circumstances in which they may be moved off a hardship response program back to regular payments (after having 'caught up')?

- e) Does <water business> provide information to customers about the circumstances in which they be moved off a hardship response program back to normal credit recovery (ie, in circumstances where the customer has failed to comply with a payment arrangement).

Staff and training

- a) What training is provided to staff who implement <water business>'s hardship policy?

- b) What training is provided to regular call centre staff about <water business>'s hardship policy?

- c) How are the staff who implement <water business>'s hardship policy resourced?

- d) What skills do the staff who implement <water business>'s hardship policy have in relation to customers experiencing hardship?

Content

- a) Does <water business> have a statement of principles of how it deals with low-income, vulnerable and disadvantaged customers?

- b) How does <water business>'s hardship policy respond to the varying circumstances of customers experiencing financial hardship? How does <water business> respond differently to customers in temporary and/or more permanent financial hardship?

- c) Does <water business> suspend disconnection, debt collection, legal action or interest accumulation whilst the customer is on the hardship response program?

- d) Are there any circumstances where <water business> considers debt waiver as an appropriate response to customers experiencing financial hardship? How does <water business> decide whether debt waiver is appropriate?

Water efficiency

- a) What programs does <water business> have with respect to promoting water efficiency to assist with reducing water usage/high bills?

- b) What links does <water business> have to other water efficiency programs run by local councils, the government and/or community agencies?

- c) Is <water business> participating in the Smart Homes Program (administered by the DHS Concessions Unit) as a response to customers experiencing financial hardship? If not, why not?

- d) How is the effectiveness of <water business>'s programs relating to water efficiency measured?

Links to other agencies / programs

- a) Does <water business> have direct or indirect links to local financial counselling agencies?

- b) What links does <water business> have to other government assistance programs and non-government support services?

- c) Does <water business>'s hardship policy provide links to dispute resolution services such as the Energy and Water Ombudsman Victoria (EWOV)?

Evaluation and review

a) How does <water business> evaluate the success of its hardship policy?

b) Does <water business> seek feedback from customers that have experienced hardship to identify opportunities for improvement?

c) Has <water business> reviewed or considered the ‘business case’ (economic benefits) of having an effective hardship response program? If so, what were the findings of this inquiry?

d) What processes are there in place to review <water business>’s hardship policy?

e) What statistical data is kept in relation to customers on <water business>’s hardship policy? Is data kept about the percentage of customers who successfully comply with alternate payment arrangements? Is information accessible by area or postcode?

Thankyou for participating.

APPENDIX D – QUESTIONNAIRE TO FINANCIAL COUNSELLORS

Implementation of Hardship Policies Research Project

Questionnaire for financial counsellors

As part of the Implementation of Hardship Policies Project (the **Project**), the Consumer Law Centre Victoria (CLCV) is analysing the hardship policies which have been implemented by the Victorian metropolitan and regional-urban water businesses in accordance with their obligation under the Customer Service Code. The Project aims to assist with the development and implementation of effective hardship policies by metropolitan and regional urban water businesses.

This questionnaire aims to obtain information about how these policies are utilised by financial counsellors and other community workers. If you would like further information about the Project, please contact Gerard Brody at the CLCV on 03 9629 6300 or gerard@clcv.net.au.

- a) Are you aware whether your local water business has a financial hardship policy in place?
If so, have you ever had a reason to access or inquire about it?

- b) Have you ever had to advocate on behalf of a water consumer to your local water business (ie, for a payment plan?) If so, how easy was it? Did the water business make you aware of their hardship policy?

- c) Are you aware whether the water business that you deal with has a specialist team with respect to financial hardship that you can access (ie, a well-resourced team that is especially skilled in responding to customers experiencing financial hardship)?

- d) Does the local water business show respect and understanding to customers in financial hardship?

- e) Does the local water business acknowledge that water efficiency improvements are an essential part of assisting customers in hardship (ie, the provision of expert advice, materials and home audits on how to reduce usage and improved water efficiency)?

- f) Does the local water business have formal or informal links with local financial counselling agencies?

g) Are you aware of whether the local water business provides easily accessible information to customers about concessions, government assistance programs and non-government support services?

h) Are you aware of whether local water business provides customers with information about EWOV?

i) Does the local water business implement appropriate, affordable and agreed payment arrangements?

j) Does the local water business provide a range of options tailored to suit each customer (including Centrepay, incentive plans, partial or complete debt waiver, review of fees, etc)?

k) Does the local water business suspend disconnection, debt collection and legal advice when a customer is on a 'hardship response program'?

l) Does the local water business provide a clear articulation of the circumstances in which the customer may be moved off its 'hardship response program' (eg, after the customer has 'caught up' on payments or when the customer has not complied with a payment arrangement)?

m) Are you aware of whether the local water business has sought the consultation of local financial counselling or community support agencies in developing or updating their hardship policy? Have you had any such input? If so, how much?

n) What resources might you find useful to enable you to assist local water businesses with developing and/or updating their hardship policy?

o) Can you provide any other relevant information relating to the ways in which the local water business deals with consumers experiencing financial hardship?

Please forward completed questionnaires to:

Gerard Brody
Water Policy Officer
Level 9, 91 William Street
Melbourne VIC 3000
Email: gerard@clcv.net.au

Thankyou for participating!

APPENDIX E – VICWATER RESIDENTIAL HARDSHIP GUIDE