

Queensland Competition Authority
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Price Monitoring of SEQ (Southeast Queensland) Water and Wastewater Distribution and Retail Activities 2013-15

About us

The Queensland Council of Social Service (QCOSS) is Queensland's peak representative body in the community services industry. The organisation represents approximately 600 member organisations working across Queensland in a broad range of portfolios.

QCOSS supports these organisations and works to address the causes of poverty and disadvantage. A key part of this role is our engagement with the State Government to secure the best outcomes for QCOSS members and support the needs of low income and vulnerable Queenslanders.

Under a Grant Agreement, QCOSS is funded by the Department of Energy and Water Supply (DEWS) (formerly through the Queensland Water Commission) to engage in advocacy in relation to water in four main areas:

- Having input into policy, specifically through advocacy for low-income consumers of water and energy.
- Research on water issues and scoping areas of concern for low-income consumers.
- Building relationships within the industry in order to ensure better outcomes for low-income consumers.
- Dissemination of water-related information within the community sector.

Introduction

Thank you for the opportunity to make a submission to this investigation. QCOSS is keen to provide input into this stage of this Price Monitoring 2013-15 investigation and hope that our input is useful in informing the Queensland Competition Authority's (QCA) draft report.

QCOSS acknowledges the important role which price monitoring plays in regulating South East Queensland's (SEQ) monopoly water businesses. We note there has been three years of what is referred to as "interim" price monitoring as the form of economic regulation in SEQ up to 30 June 2013 and that price monitoring is set to continue until 2015.ⁱ There have already been some significant changes in this time, including the removal of the cap on retail prices and the announcement and/or introduction of major tariff and pricing reform

by some water businesses. The potential impact of these changes on households should be monitored. It is QCOSS' view that this price monitoring investigation could include some consideration of social and equity issues as well as clearly setting out the impact of prices on water bills. Consideration could be given to:

- Clearly setting out the impact of pricing practicesⁱⁱ on water bills by household usage and household type;
- Making more transparent the policies of water businesses in addressing customers in financial hardship;
- Publishing statistics relating to the incidence of water customers in hardship; and
- Requiring water businesses to demonstrate how they have consulted with households likely to be impacted by prices and tariffs, and make transparent what policies they have in place to assist customers in hardship and actively prevent people from falling into debt and financial hardship.

Context – Water Affordability

Water is an essential service and all households have a right to affordable access to water services. QCOSS has recently commenced a research project to achieve a greater understanding of water issues faced by low income and vulnerable households. It is expected that this project will shed some light on the extent to which water services may be unaffordable and how much water prices contribute to bill stress which is evident for many low income and vulnerable Queenslanders.

The policy response to water affordability in Southeast Queensland is largely outside the economic regulatory framework and is delivered by a combination of government and water business policies. Although outside the QCA's remit, QCOSS' view is that there is room for improvement in the delivery of current government policy on water affordability.

There are number of opportunities to improve the affordability of water within the policy framework. The Queensland Government currently provides a concession of \$120 per year to holders of the Commonwealth Pensioner Concession Card. However there is concern that this rebate is too narrowly targeted and it is not clear that it is adequate. Using the Pensioner Concession Card to determine eligibility excludes certain low income and vulnerable households, for example, single people on the Newstart Allowance or working households with very low incomes. QCOSS's view is that these households should be eligible for the water concession and this can be achieved by extending it to include holders of the Commonwealth Health Care Card.

There are also some gaps in terms of consumer protections for water customers. Under the Water and Wastewater Code for South East Queensland, water businesses must have policies about financial difficulties and hardship and a published Customer Service Charter. The Charter must outline the small customer's and SEQ Service Provider's rights and obligations, as well as provide information on how to access the Energy and Water Ombudsman Queensland (EWOQ) in the case of disputes. However, many low income consumers – namely tenants who may pay the consumption component of the bill – sit outside these consumer protections (as they do not have a direct billing relationship with a

water business) and are also not eligible for concessions. It is not known to what extent some tenants experience bills stress due to their water bills. What is known is that as many as 69 per cent of renters in Australia are low income households (defined as those in the two lowest income quintiles)ⁱⁱⁱ. This is a potentially vulnerable group currently being excluded from accessing financial assistance and consumer protections.

The need for price monitoring to now consider social and equity issues

To date the form of economic regulation in South East Queensland in the urban retail sector has been light handed, either “monopoly prices oversight” or more recently price monitoring. While the QCA’s primary legislation provides for the QCA to consider social and equity matters^{iv} in monitoring prices, the emphasis since 2009 has been on economic efficiency (as evidenced by the price monitoring Direction Notices which are silent on any consideration of social or equity matters).

Price monitoring was intended as an “interim” form of economic regulation for the three year period 2010 to 2013 until the long term form of economic regulation is worked out, however it has now been extended to 2015. As such, social and equity issues may not be acknowledged within an economic regulatory framework until at the earliest 2015 (assuming that they will be included in the current Review of Pricing Principles for a Long Term Economic Regulatory Framework for Southeast Queensland^v to be effective from 1 July 2015 onwards).

However it is our view that the next round of price monitoring (for the period from 1 July 2013 to 30 June 2015) should give some consideration to social and equity issues in the context of water affordability. QCOSS provides the following points to support this position:

- Water prices are increasing across South East Queensland and this will continue until 2018 due to the bulk price increases. The CPI cap (which had been in place since 1 July 2010) and once-off measures, such as the \$80 rebate, have acted to mollify price rises, however going forward they may be further increases in the level of prices due to retail costs increases. For example water and sewerage prices in Logan City Council increased by 10.6 per cent in 2013-14 which Logan explained as the Council having to “play some *“catch up” to re-establish an appropriate revenue and expenditure base for the water and sewerage businesses*”^{vi}.
- There are signs that a number of water businesses in SEQ are likely to undergo major tariff reform. Unitywater has already commenced the restructuring of tariffs from 1 July 2013^{vii}, which includes adjusting the fixed and variable tariffs as well as introducing variable wastewater charges. Gold Coast City Council have also announced that they are considering tariff reform and will be announcing revised tariff structures in 2014-15^{viii}. Tariff reform has the potential to significantly affect some low income households and could create financial hardship for categories of customers who might not have previously struggled with water bills, for example tenants who pay for water consumption.

- Unlike for the energy sector^{ix} there is no formal recording/documentation of the numbers of people receiving financial assistance or on a hardship program across water companies. As such, there is no way of knowing the extent of financial hardship in the water sector in SEQ and whether or not the policy response to water affordability by the Queensland Government and water businesses is appropriate. Given the potential for some price and tariffs changes over the next few years, it is important that social and equity issues are captured in regulatory monitoring of the sector to ensure this essential service remains affordable for all SEQ consumers.

How the QCA could consider the inclusion of social and equity issues

The fact sheets^x which the QCA produced for the last price monitoring investigation improved the transparency and understanding of the impact of prices on water bills. These could be extended to also assessing the impact on larger and smaller consumers of water and household types.

The extent to which the water businesses have put in place policies to address the following could also be monitored in terms of:

- Demonstrating their understanding of the impacts of water price increases and tariff restructuring on customers, including analysing the impact for different types of customers^{xi};
- providing information that demonstrates their commitment to proactively helping customers meet the costs of their water supply through the implementation of transparent hardship programs and payment processes to assist customers to adapt to higher prices and/or larger bills. (for example, in response to the recent price rises in Victoria that Yarra Valley Water and South East Water in Victoria proposed enhanced hardship programs with increased payment flexibility, while Coliban Water proposes payment-matching in instalment plans and selective debt write offs): ^{xii}and
- demonstrating how they have or how they intend to consult/inform with lessors and their tenants about changes in tariffs or pricing practices, noting that tenants are especially vulnerable where there is significant tariff rebalancing which results in larger consumption component to the water bill.

By the QCA undertaking this monitoring role more accurate and consistent information for consumers is provided across all the water businesses in SEQ. Improving transparency in how the water businesses manage and address hardship will increase the likelihood of more equitable outcomes especially for low income and vulnerable consumers.

Further and possibly separate to its role in price monitoring QCOSS suggests the QCA could be tasked to periodically collect and publish statistics on incidence and trends in hardship in the water sector in Southeast Queensland. The QCA already undertakes this task with respect to electricity disconnections, financial assistance and complaints. This would provide valuable evidence to water businesses and policy makers on the appropriate policy response to water affordability which not only could benefit consumers but prevent the build up debts and improve revenues.

Conclusion

Economic regulation is fundamental in ensuring that water services are delivered at prudent and efficient cost and that there is no abuse of market power by the monopoly water businesses. However it may be the case that providing water services at efficient and prudent cost still means that some households struggle to pay their water bills and for these households the water services are not affordable. As such, QCOSS has put forward a case for consideration of social and equity issues in this current investigation as well as some suggestions about the role which price monitoring may play in ameliorating and managing water hardship. This may well be a growing issue in the future with the removal of the retail price cap, continued transition to a cost reflective bulk price and lack of targeting of water concessions.

Again, thank you for the opportunity to provide input to this review process. If you have any questions about this submission, please feel free to contact Rose McGrath (Water Policy Officer) by phone on (07) 3004 6916 or by email on rosem@qcross.org.au

ⁱ Ministers' Referral Notice issued under Section 23A of the Queensland Competition Authority Act 1997 by QCA's responsible ministers in February 2013.

ⁱⁱ Pricing practice is defined in *the Queensland Competition Act 1997*, Schedule 2 Dictionary, for a monopoly business activity or a monopoly water supply activity—

(a) means—

(i) the level and structure of prices for the activity; or

(ii) anything that affects the level and structure of prices for the activity, including, for example, the service quality, costs of production and levels of performance relating to the activity

ⁱⁱⁱ Australian Bureau of Statistics Household Wealth and Wealth Distribution Cat. 655 4.0 (2011-12).

[http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/FB162A8CBB41033DCA257BCD001A5725/\\$File/65540_2011_12.pdf](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/FB162A8CBB41033DCA257BCD001A5725/$File/65540_2011_12.pdf)

^{iv} *Queensland Competition Act 1997*, Section 26 (1) (i) under Matters to be considered by the authority in its investigation, where it is stated that it have regard to: *social welfare and equity considerations including community service obligations, the availability of goods and services to consumers and the social impact of pricing practices; social welfare considerations*

^v For more details see the QCA website - SEQ: Long-term Regulatory Framework and Pricing Principles – at following link, <http://www.qca.org.au/water/SEQLTRGPP/>

^{vi} Logan City Council, *2013/2014 Water and Sewerage Pricing*, Roads and Water Infrastructure Chair Committee Speech by Councillor Don Petersen. See speech and media releases here:

http://www.logan.qld.gov.au/_data/assets/pdf_file/0009/128088/BUDGET-2013-2014-Water-and-Sewerage-Pricing-Kit-SMALL.pdf

^{vii} Unity water's new tariff structure results in significant rebalancing of the tariff and depending on use some significant increases in the consumption part of the bill. This is likely to especially impact on large users and tenants.

^{viii} Gold Coast City Council, *Survey shows residents are water savvy*, Media Release Wednesday, 24 April 2013 4:00 PM. See media release here <http://www.goldcoast.qld.gov.au/survey-shows-residents-are-water-savvy--15729.html>

^{ix} Under Clause 8.5.1 of the Electricity Industry Code requires that the Queensland Competition Authority monitor and publish quarterly customer disconnection and complaints data collected from retail entities. These are published on their website under Information Reporting and contain statistics on Small Customers Disconnections, Hardship and Complaints.

^x Queensland Competition Authority (2013) Fact Sheet: Monitoring of south east Queensland Retail Water and Wastewater Prices and Costs for 2012-13.

^{xi} We would refer you to Unitywater's excellent factsheets on the impact of their recent prices on different types of customers based on usage

^{xii} Victorian Council of Social Service, (2013), Submission to Water Price Review 2013, link can be found here: http://vcoss.org.au/documents/2013/06/SUB_130222_Water-Price-review-2013-18-Water-Plans_ESC_DL_unsigned.pdf