

30 November 2022

Water Team
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

Dear Sir/Madam,

Initial Feedback: 2023-28 Water Price Review

Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to provide initial feedback on Victoria's water corporations' pricing submissions currently under review by the Essential Services Commission (**ESC**).

As this is initial feedback, and given capacity constraints as a not-for-profit consumer advocacy organisation, our submission does not attempt to provide a detailed assessment of each of the pricing submissions. Instead, we have sought to provide a high-level overview of what we have observed across all the available submissions, while referring to individual submissions where we have identified particular areas of concern (or good practice). Where we have made general statements, these can be taken as applicable to all businesses, and as matters that the ESC should consider when reviewing submissions.

We note that this is the second pricing review under the PREMO framework. As we stated in our submission at this stage of the 2018 water price review, we expected to see water corporations adjust to the model over time, improving both the quality of their submissions and the process involved to develop them. We are pleased to see that this is the case, with the submissions being generally of a high quality and demonstrating ambition on the part of businesses for the coming regulatory period. We particularly welcome falling or steady price paths being proposed by most businesses, as well as an increased quality of engagement and investment in hardship programs.

However, submissions have also raised areas of concern for us, and we urge the ESC to scrutinise submissions that raise issues of equity and consistency for Victorians. We hope that the ESC will closely examine those proposals with price increases to ensure that price paths will not put undue pressure on people experiencing vulnerability and have been developed with meaningful customer consultation. Businesses with lower quality engagement—particularly engagement that was short term or not inclusive of low-income Victorians and consumer advocates—should be similarly explored, as well as proposals with no increased investment in hardship assistance and a reduction in guaranteed service levels. The ESC should also review submissions to ensure that major customers and developers are paying their fair share, and for inconsistencies in service standards and remuneration between businesses.

About Consumer Action

Consumer Action Law Centre is an independent, not-for-profit consumer organisation based in Melbourne. We work to advance fairness in consumer markets, particularly for disadvantaged and vulnerable consumers, through financial counselling, legal advice and representation, and policy work and campaigns. Delivering assistance services to Victorian consumers, we have a national reach through our deep expertise in consumer law and policy and direct knowledge of the consumer experience of modern markets.



Opening remarks

Access to water is a basic human right recognised by the United Nations¹ and the Australian Government² as fundamental to health, wellbeing, and an adequate standard of living. Critical to upholding this human rights obligation is the affordability of water services, particularly for those customers experiencing financial hardship and vulnerability. Water prices are a significant interest for Consumer Action and consumer advocates at large, with price increases disproportionately affecting the economic and general wellbeing of people in the community on low-incomes. We are pleased to see prices trending downward or remaining steady compared to long-term trends in most submissions, but projected price increases in several regions during the coming regulatory period has raised concern about affordability into the future for customers of these corporations.

Victorians are facing increased financial stress during a period of rising cost of living pressures and the ongoing impacts of the COVID-19 pandemic. Rising water prices during this regulatory period will exacerbate hardship for those experiencing the most difficulty. The number of water customers on hardship programs is increasing (by 8.99% in metropolitan areas from June 2021 – June 2022³), and more and more Victorians are struggling to pay bills for their most fundamental needs. Housing stress and cost of living increases have forced many community members to make difficult decisions and sacrifices of their own well-being, trading off other essential goods and services to be able to keep a roof over their heads⁴. This is deeply worrying, and we urge the ESC to keep these customers, and easing their financial burden, in mind during its assessment of the pricing submissions put forward by Victorian water businesses.

Pricing

In recent years, Victorian water prices have remained relatively steady with a modest downwards trend. On average, the total typical residential bill for Victorian customers has decreased by \$49.69 over the period of 2014-2015 to 2020-2021⁵. As noted in our 2018 submission, prices had been increasing at a staggering rate in the years leading up to 2016, and we hoped to see prices stabilise or decrease over the next period⁶. We are pleased to see that this has been the case and hope to observe similar trends in the 2023-2028 regulatory period.

¹ United Nations - UN Water, *Human Rights to Water and Sanitation*, n.d., <https://www.unwater.org/water-facts/human-rights-water-and-sanitation>.

² Attorney-General's Department, *Right to an adequate standard of living, including food, water and housing: Public sector guidance sheet*, n.d., <https://www.ag.gov.au/rights-and-protections/human-rights-and-anti-discrimination/human-rights-scrutiny/public-sector-guidance-sheets/right-adequate-standard-living-including-food-water-and-housing>.

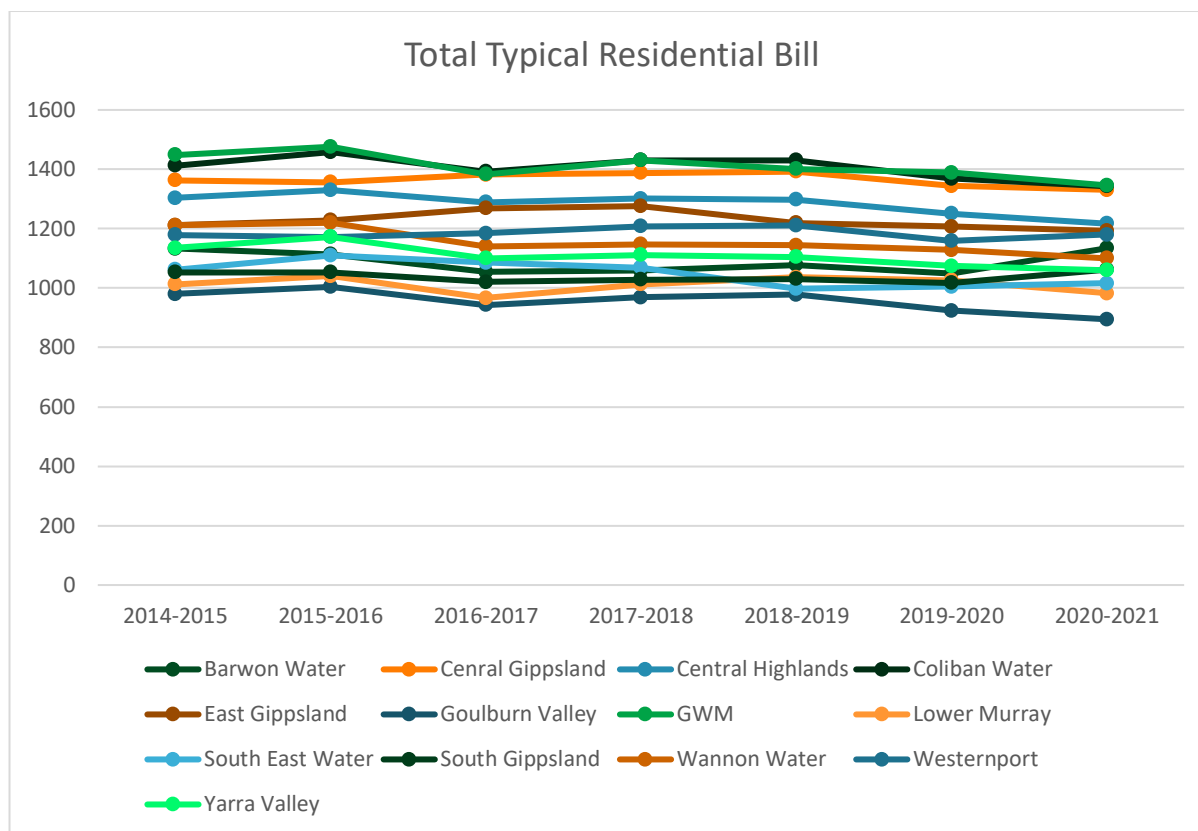
³ Essential Services Commission, *Victorian water businesses – response to coronavirus*, 2021; 2022, p.1; p.2, <https://www.esc.vic.gov.au/sites/default/files/documents/RPT%20-%20Support%20for%20customers%20during%20coronavirus%20-%20public%20report%20-%20to%20end%20of%20June%20-%2020210708.pdf>; <https://www.esc.vic.gov.au/sites/default/files/documents/RPT%20-%20Support%20for%20customers%20during%20coronavirus%20-%20to%20end%20of%20June%202022%20-%20public%20version%20-%2020220721.pdf>.

⁴ Anglicare Victoria, *Rental Affordability: 2022 Snapshot*, 2022, p. 8, <https://www.anglicarevic.org.au/wp-content/uploads/2022/04/Victorian-Rental-Affordability-Snapshot-2022.pdf>.

⁵ Bureau of Meteorology, *National performance report 2020-21: urban water utilities*, 2021, http://www.bom.gov.au/water/npr/docs/2020-21/Part_B_The_complete_dataset_2020_21.zip.

⁶ Consumer Action Law Centre, *Initial Feedback: 2018 Water Price Review*, pp. 2-3, <https://www.esc.vic.gov.au/sites/default/files/submissions/2018-water-price-review-submission-consumer-action-law-centre-coliban-water-20171115-1.pdf>

Figure 1. Total Typical Residential Bill based on average residential annual water supplied.



In reviewing the 2023 price submissions from the water businesses listed in Figure 1 above, we have been pleased to see decreasing price paths for customers of the major providers – Yarra Valley Water (YVW), South East Water (SEW) and Barwon Water – representing 6%-7.6% real price decreases over the 5-year period for the majority of Victorians. We are also pleased to see real price decreases proposed by Gippsland Water and GWM Water (GWM). In the case of GWM we note that the decrease is concentrated in year 1 (-7.9%) followed by marginal increases in subsequent years. We consider this a reasonable approach, given the current cost of living pressures people are facing. This approach is something that could be more widely adopted to address current affordability challenges, with the caveat that any price increases in future years as result of this front-loading should not exceed CPI. These price paths will minimise the impact of water bills on financial stress for people experiencing hardship, however we note that Victorians are facing unprecedented cost of living pressure and that modest decreases may not be enough to ease the burden.

Regarding those businesses proposing price increases, we urge the ESC to scrutinise these price paths and prioritise equity impacts for customers in these regions. Where prices will increase, we would like to see price paths that minimise bill shock by evenly distributing increases across the period, and have been developed in consultation with customers. Businesses should be paying attention to how best to deliver price increases and clearly indicating the measures they are taking to do so. We note that Goulburn Valley Water (GVW) has proposed lower increases in the first 2 years to account for cost-of-living forecasts and prioritising values-based projects under customer stewardship that will deliver key outcomes that customers want. Central Highlands Water (CHW) has similarly kept prices stable (at CPI level) in year 1, doubled hardship support as prioritised by the Deliberative Assembly consumer group, and will implement more frequent billing to reduce bill shock. We would hope that the ESC will pay particular attention to price increases proposed without sufficient customer consultation and where justification does not include providing better value in other areas. For example, Lower Murray Water (LMW) has proposed a modestly increasing price path but has not indicated any investment in hardship assistance to ease the burden of rising prices

on low-income households or in water efficiency programs. If prices are increasing, we want to see that these increases are accompanied by real improvements for customers and comprehensive consideration of their needs.

Under the WIRO, the ESC is legally obligated to have regard for several critical matters, including:

- taking into account the interests of customers of the water companies including low income and vulnerable consumers;⁷
- avoiding price shocks where possible;⁸
- enabling customers of the water companies to easily understand the prices being charged for the services they receive;⁹
- providing signals about the efficient costs of providing the services¹⁰

We consider these issues to be particularly important given the financial hardship that Victorians are experiencing and will continue to experience in coming years. Managing expenses is increasingly difficult for customers in the current climate, and we expect that the ESC will take this into account when assessing proposals.

We have been pleased to see that price movements have generally remained consistent across homeowners and tenants, and that renters are not being disadvantaged by price paths compared to owner-occupiers. Wannon Water is noted as the exception, with tenant bills expected to increase by 2% while homeowners will only see price increase below 1%. This is a concern for us as we know from our advice services that customers experiencing financial hardship are often renters (some 48% of callers to the National Debt Helpline at Consumer Action are renters, compared to only 28.5% of Victorians renting according to the 2021 census¹¹), and even a small difference in the price path may exacerbate their risk of payment difficulty compared to those customers that own their homes.

It has also been positive to observe increases in New Connection Costs (**NCCs**) charged to developers and not unduly burdening existing residential customers. We were pleased to see Gippsland Water acknowledge our feedback and recommendations to remove any cross-subsidies that disadvantage residential customers and indicate that they will renegotiate expiring major contracts to reflect the real cost of service. We note that CHW has specifically cited NCC increases as a means of decreasing cross-subsidies, and hope that the ESC will more closely scrutinise those submissions that do not address this point. We want to see all users, and particularly businesses and developers, paying the full cost of their water use, as opposed to being subsidised by residential customers. In particular, we have noted that South Gippsland Water (**SGW**) is proposing \$18.6 million in CapEx upgrades to support two major customers and are concerned about whether those customers are contributing fairly to this large expenditure increase.

Tariffs

Tariff structures have generally remained stable across submissions, especially with respect to the balance between fixed and variable charges. We have been pleased to see businesses responding to customer feedback regarding tariffs and note CHW's decision to keep tariff structures unchanged due to the equity concerns raised by their Deliberative Assembly about volumetric price increases. Gippsland Water have also proposed a 'user pays' tariff principle in response to customer collaboration and feedback about fairly distributing the cost of water and will not continue to investigate fixed/variable tariff changes following unanimous non-support from their Customer Reference Group. It has been reassuring to see customers sharing our concerns about equitable tariff structures and businesses responding accordingly.

⁷ WIRO 2014 11(d)(iii).

⁸ Ibid.

⁹ WIRO 2014 11(d)(i)

¹⁰ WIRO 2014 11(d)(ii)

¹¹ Australian Bureau of Statistics, *Snapshot of Victoria: High level summary data for Victoria in 2021*, [accessed 29 November 2022], <https://www.abs.gov.au/articles/snapshot-vic-2021>

We once again caution against tariff structures that assign more weight to variable charges, as certain customers are less able to respond to price signals and implement efficiency changes in their homes, with tenants being the most constrained in this area. Wannon Water and Westernport Water have both proposed small increases to variable charges with the support of customers, which we hope the ESC will review closely, considering the risks to renters and customers experiencing vulnerability. We are concerned about the representation of these customers among those that were consulted on these decisions, and whether their interests are being heard and best served by this approach. Westernport Water indicated that the fixed/variable pricing models were presented to their deliberative forum, and that modest increases were supported by 'a slim majority'¹². We hope the ESC will investigate the makeup of and materials provided to this deliberative forum to verify that members were fully informed about the impact on renters. Wannon Water claimed that renters and homeowners were engaged throughout the submission process and that fixed/variable cost changes were mindful of the impact on renters, but we urge the ESC to scrutinise this claim and verify whether customer decision-making was supported by quality information about how renters may be affected. The Deliberative Assembly at CHW was initially interested in increasing variable charges to increase customer control but were ultimately not supportive of this change following detailed discussions about the disproportionate impact for renters and customers experiencing vulnerability¹³. Where the fixed/variable split has changed, it is essential that customers (and particularly customers who rent their residence) were fully informed about the impacts and comfortable with the proposal.

The digital meter tariff proposed by GVW is another point of concern, as digital metering and its associated benefits will be particularly inaccessible for customers experiencing hardship with the cost of installation being doubled. GVW have justified this tariff because the previous charge did not fully cover the cost of digital meter installation, but also notes that new connections with digital metering are benefiting from better access to their usage data and early detection of leaks. We are concerned about customers being disadvantaged because they cannot afford the digital meter tariff and hope the ESC will carefully consider the impacts of this proposal, including whether any claimed benefits of digital meters are being shared equitably by customers experiencing vulnerability. Consideration of how to address the cost barriers associated with installing digital meters is particularly critical as the transition to digitisation gathers pace.

We are supportive of the proposals by YVW and SEW to remove sewage disposal tariffs, which was determined in consultation with customers who indicated that the charge was complicating their bills and causing confusion. We would like to see the ESC encourage this approach among other water business to promote simplicity for water customers, in line with the ESC's obligation under the WIRO to enable customers to easily understand the prices charged for service received.

Engagement

Effective customer engagement is a critical and continuous process that involves multiple touchpoints of information, consultation, and collaboration. We are pleased to see that businesses' engagement appears genuine in most instances and that they are increasing their attempts to involving customers in development and determination. Many of the price submissions have referenced the IAP2 Spectrum of Public Participation¹⁴ and it has been positive to see businesses acknowledging the importance of higher-level engagement and utilising this framework in the development of their strategies. For meaningful engagement in the regulatory price determination process, we consider the 'collaborate' and 'empower' levels to be the standard and commend

¹²Westernport Water, *Price Submission 2023-28*, 2022, p. 125.

¹³Central Highlands Water, *Price Submission 2023-28*, 2022, pp. 38-39.

¹⁴International Association for Public Participation, *IAP2 Public Participation Spectrum*, 2020, https://iap2.org.au/wp-content/uploads/2020/01/2018_IAP2_Spectrum.pdf.

businesses who have reached this benchmark and successfully engaged a diverse base of customers in decision-making.

Businesses who have not met the standard of collaboration and empowerment have failed to demonstrate that customer feedback has been authentically sought, fully informed, and had meaningful impact on decision-making. East Gippsland Water (**EGW**) assembled a Deliberative Forum of 30 customers who met three times and posed only two questions to the panel regarding prices and hardship expenditure¹⁵. While EGW did indicate higher level collaboration with their Customer Committee, the consultation with the dedicated Forum was short-term and limited in scope with no transparency around how members were supported by information and expertise. GWM noted an information quality limitation of their Community Panel process, with members indicating that they did not receive pre-reading materials with sufficient time to properly review them prior to the meeting. Even when customer feedback has been clearly considered and incorporated, we do not consider this engagement to have been fully collaborative or empowering if customers were not sufficiently supported and informed throughout the process. Businesses who demonstrated considered guidance for their committee/panel members include Barwon Water and SEW, with their submissions describing dedicated training and discussion to work with members and make sure they understood the information being provided to them.

We were pleased to see businesses prioritising inclusive engagement, particularly with First Nations communities and customers experiencing vulnerability. Ongoing formal partnerships such as that between Barwon Water and the Wadawurrung Traditional Owners Aboriginal Corporation indicate a deeper level of engagement and collaboration than simply seeking one-off feedback or sign-off on decisions, and we hope to see more evidence of water businesses supporting self-determination through meaningful partnership. We noted that GVW emphasised the importance of partnering with First Nations communities to deliver outcomes and work towards shared goals as opposed to contributing to the demand and expectation on Traditional Owner groups for input. This is a critical perspective that we would like to see the water sector adopting on a larger scale. EGW's submission indicates that they reached out to several Traditional Owner groups to incorporate First Nations perspectives, but evidently only successfully engaged the Lakes Entrance Aboriginal Health Association. Where businesses have demonstrated only limited engagement with Traditional Owners, we would expect the ESC to scrutinise what they are asking of/offering to these communities.

Consumers experiencing financial hardship are also a priority for us to see effectively engaged in the price determination process. CHW's Deliberative Assembly was made up of 39 members who were overwhelmingly homeowners (30 members) with only two tenant representatives¹⁶. SGW similarly indicated that only 11% of customers engaged during the submission process were tenants, compared to 75% owner-occupiers¹⁷. This is particularly concerning because of the impact of pricing decisions such as tariff structures on renters. Customers experiencing vulnerability are disproportionately affected by price movements and should be heavily involved in the engagement process. The GWM Community Panel of 16 members included six customers who identified as experiencing vulnerability¹⁸, which is a more positive level of representation. It was also positive to observe dedicated engagement activities with customers in vulnerable circumstances, such as the in-depth interviews conducted by Barwon Water. We hope that the ESC will interrogate submissions that do not demonstrate clear and significant engagement with customers experiencing vulnerability.

Businesses generally indicated consideration for demographic representation on their customer panels and committees, and submissions that broke down the make-up of these committees in detail are particularly useful in terms of transparency and evaluating inclusivity. CHW and GWM both included full demographic information relating to their customer advisory panels which reflected broad representations of the community, with some

¹⁵ East Gippsland Water, *2023 Price Submission*, 2022, pp. 27-28.

¹⁶ Central Highlands Water, *Price Submission 2023-28*, 2022, p. 36.

¹⁷ South Gippsland Water, *Price Submission 2023*, 2022, p. 17.

¹⁸ GWM Water, *2023-2028 Water Price Submission*, 2022, p. 10.

limitations. We noted that while both committees included members with a large age range, only a small minority (two participants) of CHW Assembly members were under 35 years of age¹⁹, and that GWM did not indicate any participants from CALD backgrounds. We were pleased to see YVW actively seek out the views of those communities often not captured in engagement activities, particularly customers who are deaf, blind, between 16 and 25 years of age, and who are culturally and linguistically diverse with interpreter supports where needed²⁰. Customer consultation should involve people who are representative of the community that the business serves and include dedicated efforts to engage people who are most vulnerable and least likely to be engaged by general consultation activities.

We also want to see engagement that goes beyond customers, namely where the Board, senior management, and external parties have been meaningfully involved in consultation. We are concerned about business proposals that have merely been signed off by the Board without ongoing or direct involvement in the submission development. Businesses such as GVW and Westernport Water note attestation and ownership of the submission by the Board but have not indicated any in-depth involvement. The ESC should encourage senior and executive level engagement with regulatory decision-making that goes beyond oversight. We have also noted where businesses have not undertaken consultation with consumer advocates and community organisations. In particular, submissions from CHW and Westernport Water do not indicate engagement with community organisations and local service providers or consumer advocates. The community services sector and consumer advocates are an invaluable source of expertise regarding the experiences of customers facing payment difficulty and people experiencing vulnerability, particularly with respect to insight into the trends that emerge across individual experiences. To meaningfully prioritise the welfare of people in vulnerable circumstances, water businesses should be demonstrating engagement with these advocates and experts.

It was positive to see that most businesses began their engagement process at least a year prior to publication of the submission and that engagement was generally an ongoing process and described as a 'feedback loop'. We have noted that CHW's first listed engagement activities commenced in November 2021 and that their submission is dated in September 2022, leaving less than 12 months for the engagement process²¹. LMW indicated that they only began planning their engagement activities in mid-2021²², resulting in a similarly tight timeline. Conversely, Barwon Water and Wannon Water commenced engagement in 2017 and 2018 respectively, meaning that activities have been ongoing throughout the current regulatory period in preparation for the coming one. This is the kind of timeline approach we would hope to see from water businesses moving forward. It was also positive to see businesses such as CHW and GVW utilising annual customer surveys over the five-year period to inform submission development, supplementing the formal engagement program and addressing some of the limitations of time constraints associated with submission-specific engagement. We have been pleased to see that water businesses employed a variety of engagement methods, including surveys, interviews, focus groups, and panels across multiple channels (face-to-face, online, and by phone). YVW, EGW, and GVW did particularly well in demonstrating a wide range of engagement activities and opportunities, and it was especially positive to note financial incentives offered by EGW to compensate customers for the time taken to complete surveys and participate in the Deliberative Forum.

We encourage the ESC to compare businesses and their approaches in order to better identify good practice and where engagement actually translates into benefits for customers.

¹⁹ Central Highlands Water, *Price Submission 2023-28*, 2022, p. 36.

²⁰ Yarra Valley Water, *2023-28 Price Submission*, 2022, p. 25.

²¹ Central Highlands Water, *Price Submission 2023-28*, 2022, p. 32.

²² Lower Murray Water, *2023-2028 Price Submission*, 2022, p. 10.

Hardship

Consumer Action is very supportive of proposals from water businesses to increase their investment in hardship assistance, and it has been positive to see a number of submissions that indicate significant material expansion of these programs. We are already seeing a rising number of customers entering hardship programs in the wake of COVID-19, and ongoing cost of living pressures will likely drive this number up further. It is particularly important for businesses that are proposing price increases to balance this with robust hardship programs. We have been pleased to note that EGW, Coliban Water, and CHW are proposing to double (or more than double in the case of EGW) their hardship assistance per annum. This direct investment in hardship support is critical, and we are concerned by proposals from GWM and LMW that do not note any significant investment in programs for customers experiencing payment difficulty. Education and customer service upgrades, while important, are not sufficient to fully support customers experiencing acute financial vulnerability, particularly during a period of such high inflation and widespread economic hardship.

We also note that businesses do not appear to have comprehensively evaluated their existing programs, and consultation with customers about hardship assistance has mostly been focused on whether this support is a priority as opposed to how it is operating. Customers engaged in the submissions generally indicated that hardship assistance was important and that they were willing to pay higher bills if it translated into lower price increases in the future and increased investment in hardship programs, but consultation was typically limited to questions of that nature.

There are also indications that water businesses are not sufficiently investing in this area. A recent report from the Consumer Policy Research Centre found that 22% of Victorian water customers are not receiving their concession entitlement²³. This is despite there being several obligations in the Water Customer Service Code for water businesses to provide information and assist customers with respect to concessions. We want to see more from businesses regarding what is currently working to support customers on hardship programs and what needs to work better, including support in accessing concessions—this should be a particular focus of ESC compliance monitoring. Financial investment will be rendered less effective by inefficiencies in the programs receiving the funds, and businesses need to commit to more comprehensive evaluation and redevelopment of their current activities.

Performance and Outcomes

This is the first instance where businesses have had to report on their performance under the PREMO framework, and we consider this a crucial aspect of transparency and efficiency in the water sector moving forward. Submissions generally indicated strong performance against the outcomes identified in the previous regulatory period, with the majority of targets being largely or totally met in most cases. We recognise that the 2018-2023 regulatory period has been fraught, particularly with regard to the COVID-19 pandemic, and are pleased to see that businesses have generally performed well in a challenging landscape. Several submissions raised concerns about outcomes that were consistently not met across the five-year period, including:

- CHW – ‘Better customer experience’ and ‘Reliable and sustainable water and sewer systems’ were not completely met (average amber rating) in any of the four years²⁴.
- GWM – ‘Reliable and affordable services’ received an amber rating for every year²⁵.

²³ Consumer Policy Research Centre, *Mind the Gap*, 2022, p. 13 https://cprc.org.au/wp-content/uploads/2022/11/Mind-the-Gap_Report_Update-1111.pdf

²⁴ Central Highlands Water, *Price Submission 2023-28*, 2022, p. 13.

²⁵ GWM Water, *2023-2028 Water Price Submission*, 2022, p. 15.

- LMW – ‘Keep my costs to a minimum’ was rated as amber in two of the four years and red (not met) in a third and ‘Be mindful of our environment’ was rated red in year one and amber for each subsequent year²⁶.
- Wannon Water – ‘Ensure we provide great value’ rated as red all four years²⁷.
- YVW – ‘Water availability and conservation’ target was not met in any year²⁸.

We also noted that Westernport Water have not met several commitments related to water reliability and quality but have compensated customers for these missed targets. We hope to see water businesses responding to the learnings from the 2018-2023 period and improving their performance against revised outcomes through 2023-2028.

We have been pleased to see customers engaged in the process of developing priority outcomes and measures. EGW stated that their Customer Committee endorses the performance ratings annually and Barwon Water similarly conducted a review of their performance with their customer advisory committees in the middle of the period. SGW made changes to their outcomes in 2020 based on recommendations from customers, removing the ‘Planning’ outcome and leaving five priority measures in place²⁹. We want to see performance assessments that are an accurate reflection of customer priorities and whether the business is delivering on their commitments. The ESC should consider whether each business is demonstrating that they are working towards delivering better value to customers and being held accountable for shortfalls. The PREMO framework can push water businesses to be more efficient and provide better services to Victorians over time, and ESC review is critical to defining what is good practice and who is falling behind.

Service standards and GSLs

Ideally, we would like to see standards improve over time and for the value of GSLs to increase to maintain their value for customers. Barwon Water has proposed a new GSL relating to sewage spills inside a customer’s home and committed to increasing payments to reflect CPI, and CHW are doubling two GSL penalties with 50% increases to the payments on the other five standards. GWM and SEW have also proposed two new GSLs. It has been disappointing to see Coliban Water, GVW, Gippsland Water reduce the GSLs offered to their customers. GVW has also reduced the rebate associated with their retained standards³⁰. Where businesses have retained GSLs, we urge the ESC to evaluate whether they still offer sufficient value to their customers.

Businesses generally demonstrated that customers were consulted regarding service standards and that changes were supported by customers. Despite a significant reduction in the number of service standards, GVW indicated that the five service standards for the upcoming period were determined by customers³¹. The ESC should scrutinise instances of reduced GSLs to ensure that changes are fully reflective of customer priorities and especially customer needs.

We would also like to see consistency across water businesses, and we are concerned about payment value disparities between the identical GSLs offered by different companies. Payments vary significantly between price submissions, and the inconsistency causes both inequity and confusion regarding the real value of GSL breaches. It is particularly concerning to note the difference in reimbursement for the GSL mandated by the ESC regarding restricting the water supply of, or taking legal action against, a residential customer prior to taking reasonable

²⁶ Lower Murray Water, *2023-2028 Price Submission*, 2022, p. iv.

²⁷ Wannon Water, *Price Submission 2023-28*, 2022, p. 62.

²⁸ Yarra Valley Water, *2023-28 Price Submission*, 2022, p. 19.

²⁹ South Gippsland Water, *Price Submission 2023*, 2022, p. 5.

³⁰ Goulburn Valley Water, *Goulburn Valley Water Pricing Submission 2023-28*, 2022, p. 28.

³¹ Goulburn Valley Water, *Goulburn Valley Water Pricing Submission 2023-28*, 2022, p. 9.

measures to contact the customer and provide information about available help where the customer is experiencing payment difficulties. A comparison of GSL payments across businesses is presented in Table 1.

Water Business	Payment
Barwon Water	\$404
Central Highlands Water	\$450
Coliban Water	\$360
East Gippsland Water	\$300
Gippsland Water	\$300 per day (\$900 maximum)
Goulburn Valley Water	\$100
GWM Water	\$300
Lower Murray Water	\$300
South Gippsland Water	\$300
Wannon Water	\$300
Westernport Water	Reimbursement of Annual Water Access Fee or \$350 for tenants
Yarra Valley Water	\$300

Table 1. Comparison of GSL for restricting the supply of residential customer experiencing payment difficulty without taking reasonable measures to contact them

The \$100 rebate proposed by GVW is particularly disappointing and we urge the ESC to review such a low offer well below the minimum offered by other businesses in the 2018-2023 regulatory period. We hope that the ESC will encourage the approach of Barwon Water and CHW to increase the value of GSL payments over time and in line with CPI, as well as scrutinising other service levels that are inconsistently priced across businesses.

Demand forecasts

COVID-19 has had a significant impact on water usage and demand, particularly in areas impacted by increased regional migration. Businesses such as Barwon Water, CHW, Coliban Water, EGW, Gippsland Water, and GVW have noted population growth rates higher than previously forecasted and Victoria in Future (VIF) estimates. Conversely, metropolitan Melbourne has been affected by slower than anticipated population growth. We have previously indicated that demand forecasts need to be based on recent data and planned capital expenditure needs to be reconsidered in light of this.³²

We note that some businesses have mentioned using VIF 2021 data in their submissions. While it is positive that businesses have drawn on the most recent data they can access, we note that the VIF 2021 data is not yet publicly available so we cannot make any assessment of this data.

³² Consumer Action Law Centre, *Water is an essential service and must remain affordable for everyone* [accessed 29 November 2022], <https://consumeraction.org.au/water-is-an-essential-service-and-must-remain-affordable-for-everyone/>

Submissions have indicated that businesses have consulted internal data and local population measures in addition to VIF to determine demand forecasts. We consider this use of broader data sets an important step in arriving at an accurate forecast for this regulatory period, given the impact of COVID on demand. Due to the uncertainty around demand across the period under review, we urge the ESC to ensure that businesses have been using additional data sets to inform their estimates. It has been positive to note that most businesses have indicated that they will bear the financial risk of higher demand forecasts not being met. However, we hope that the ESC will scrutinise this closely to make sure that ambitious estimates do not result in higher prices paid by customers in the 2023-2028 regulatory period or the future.

Regulatory period

We are pleased to see that all businesses whose submissions we reviewed have adopted a five-year regulatory period. A five-year pricing period provides customers with predictability around billing and service for a longer period and avoids the costs incurred with a shorter period, due to more frequent engagement and preparation of proposals.

Thank you again for the opportunity to provide comments on the price submissions made by the water corporations participating in this price. Please contact Luke Lovell, Senior Policy Officer on 03 9670 5088 or at [REDACTED] if you have any questions about this submission.

Yours sincerely

[REDACTED]

Gerard Brody
Chief Executive Officer
CONSUMER ACTION LAW CENTRE