



11 June 2015

By email: water@esc.vic.gov.au

Water Team – Pricing Framework Review
Essential Services Commission
Level 37, 2 Lonsdale Street
MELBOURNE VIC 3000

Dear Sir/Madam

Consultation Paper: Review of Water Pricing Approach

Our organisations welcome the opportunity to comment on Essential Services Commission's (the **Commission**) Consultation Paper, *Review of Water Pricing Approach*.

We generally support the direction set out by the consultation paper, particularly the proposal to have extensive stakeholder consultation and the engagement of economic regulation experts to produce papers to inform the review. We look forward to providing feedback on these papers.

In the consultation paper, a number of criteria are put forward that are to be used to evaluate various water pricing approaches. These criteria are:

- incentives for efficient investment to deliver quality and reliable services to customers;
- incentives for the regulated entity to reduce or minimise costs while delivering services to a standard expected by customers (and other regulators);
- regulatory burden for both the regulated entity and the Commission;
- financial viability of the water industry;
- complexity and transparency;
- predictability and certainty; and
- ease of understanding for customers.

We broadly support these criteria and agree that these criteria can underscore an effective regulatory framework. An effective regulatory framework is important to Victorian consumers who rely on an independent and transparent price setting process to deliver efficient and fair water prices for Victorians within the context of monopoly businesses providing an essential water service.

However, as organisations that support the participation of the more disadvantaged and more vulnerable members of our community, we submit that an additional criterion be added—that is, for any water pricing approach to promote the needs of low-income and vulnerable Victorians.

Section 8A of the *Essential Services Commission Act 2001* (Vic) requires the Commission to consider the benefits and costs of regulation for consumers, particularly low-income and vulnerable consumers. Similarly, the Water Industry Regulatory Order 2014 requires the Commission to take into account the interests of consumers, including low-income and vulnerable consumers

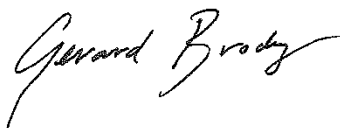
In previous pricing determinations, these principles have been drawn on by the Commission to protect low-income and vulnerable consumers. In the final decision of the Water Price Review 2009-13, the Commission extended the Guaranteed Service Level scheme to increase the businesses' incentives to adequately address payment difficulties experienced by their customers. This decision contributed to an assurance that customers experiencing hardship are treated fairly, with dignity and in a timely manner. In the more recent final decision of the Water Price Review 2013-18, recognising the significant bill impacts of the requirement for water businesses to recover the cost of the desalination plant, the Commission allowed \$5.25 million in revenue for retailers to use to assist customers in managing the impact of the proposed price increases.

These decisions have not only promoted the needs of low-income and vulnerable consumers, but we believe they have met broader community expectations about the affordability of water and a consumer's right to access this essential service. All Victorians benefit from a regulatory framework that supports those experiencing financial or other vulnerability—many if not all consumers are at risk from falling into financial difficulties. The decisions have also resulted in the water industry taking positive steps to protect vulnerable groups of consumers. This is demonstrated by the fact that despite water prices increasing, restriction levels have remained low, as have consumer complaints.

It is thus essential for any criteria to assess various water pricing approaches to include a criterion that considers the needs of vulnerable consumers.

Please contact us if you have any questions about this submission.


Yours sincerely



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