Utility Debt Spiral Project

Utility Debt Spiral Study
A joint community, government and business initiative designed to explore the relationship between utility debt and poverty, and to identify social and regulatory frameworks and policies to assist people at risk.

Reports by the Utility Debt Spiral Study Reference Group
Preface

The Utility Debt Spiral Project (the Project) is a joint research project initiated by the Committee for Melbourne under the auspices of the United Nations Global Compact.

The Project is based on the premise that water, electricity and gas bills can be a significant factor in personal debt spirals and the poverty trap.

Applying the United Nations Global Compact Melbourne Model, the Project has harnessed the expertise and involvement of business, government, regulators, and civil society project partners to test this premise, and to examine and identify potential means of ameliorating the impact of utility bills as a direct cause of, or exacerbating factor in the debt spiral.

At a cross sector workshop held in Melbourne in 2003, stakeholders confirmed the need for such a study; the appropriateness of the experience in Victoria, Australia, as a basis for study; and the importance of ensuring that any recommendations were based on a comprehensive understanding of present circumstances.

Accordingly, a Steering Committee and Study Reference Group were established to examine and identify Victorian experiences in relation to:

- characteristics of people at risk;
- 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 customers.

This Utility Debt Spiral Report is a compilation of four reports completed for the Project by the Study Reference Group. The Report is set out as follows:

- Part A: Discussion Paper. This paper was prepared by The Allen Consulting Group to prompt discussion among stakeholders at a Phase 2 Workshop in August 2004. The Workshop canvassed issues arising from the three research reports, and next steps to develop recommended improvements to the Victorian arrangements.

- Part B: Poverty, hardship and utilities-related financial stress in Victoria. This report assesses existing data regarding susceptibility to experiencing hardship, and the relationship between poverty and utility stress. It was commissioned by the Committee for Melbourne from Peter Siminski of the Social Policy Research Centre, University of New South Wales.
• **Part C: Utility regulatory framework mapping.** This report outlines the existing Victorian regulatory framework for utility debt, and draws conclusions on the characteristics of effective social and economic regulatory frameworks and policies to assist people at risk. It was undertaken by a Regulatory Sub-Committee of the Project Steering Committee.

• **Part D: Customers experiencing financial hardship, either temporary or chronic: How should energy and water providers, governments and regulators best respond?** This report outlines best practices by Victorian energy and water companies in avoiding disconnection from essential services for inability to pay. The report was undertaken by the Office of the Energy and Water Ombudsman of Victoria.

Readers should note that chapter, section, table and figure numbering recommence at the beginning of each Part of this volume.
Acknowledgements

The Utility Debt Spiral Study would not have been possible without the financial and in-kind contributions of an extraordinary group of people and organisations representing utility companies, government and civil-society. Participants generously gave of their time, ideas and expertise in an effort to develop innovative solutions to a complex issue affecting our society.

The Committee for Melbourne would like to make particular note of the efforts and contributions made by: Linda McMillan (Farrier Swier Consulting), Kerry Connors (CUAC), Fiona McLeod (Water and Energy Ombudsman (Victoria)), Gavin Dufty (SVDP) and Tony Wood (Origin Energy). In addition, the Committee for Melbourne gratefully acknowledges the following members of the Steering Committee that oversaw the development of the three research topics contained in this Study:

Steering Committee members

- Project initiator and coordinator:
  - Committee for Melbourne (Deputy Director, David Teller)

- Government:
  - State Government of Victoria (DHS)
  - City of Melbourne

- Regulator:
  - Essential Services Commission (ESC)

- Ombudsman:
  - Water and Energy Ombudsman (Victoria)

- Utility Companies:
  - City West Water Ltd
  - South East Water
  - Yarra Valley Water
  - Origin Energy
  - Australian Gas and Light (AGL)
  - Powercor and Citipower
  - TXU
- **Civil society:**
  - Consumer Utilities Advocacy Centre (CUAC)
  - Saint Vincent de Paul (SVDP)
  - Good Shepherd
  - Kildonan Child and Family Services
  - Consumer Law Centre Victoria (CLCV)
  - Financial Consumer Rights Council (FCRC)
  - Victorian Council of Social Services (VCOSS)

- **Companies:**
  - Farrier Swier Consulting
  - The Allen Consulting Group
  - Allens Arthur Robinson
  - Waterfield Consulting

- **Academia:**
  - Social Policy Research Centre (SPRC) – University of NSW

**Study funding organisations**

Finally, the Committee for Melbourne gratefully acknowledges the following funding organisations without whom we would not have been able to undertake such a comprehensive review of this important topic:
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Part A

Discussion Paper

Prepared by The Allen Consulting Group on behalf of the Committee for Melbourne
Chapter 1

Introduction

1.1 Why focus on utility debt?

Electricity, water and – to a lesser extent – gas are essential services: services that are essential for a reasonable standard of living. It is important that people who are unable to pay their utility bills due to financial hardship do not face disconnection or legal action.

Utilities are also of interest because of their potential to flag broader issues of financial disadvantage. This is because utilities:

- touch every household;
- are regulated services; and
- are billed regularly.

The utility billing and payment system thus provides an early opportunity to detect problems faced by customers experiencing financial difficulties with payment, whatever the cause. It also provides a logical contact point for referral to support agencies, and important information on trends and issues to help inform social policy debates and government initiatives (Section 1.2.1, Part C of this study).

1.2 This discussion paper

The aim of this part of the report is to prompt discussion among stakeholders about the implications of the three subsequent report components produced as part of the Utility Debt Spiral Project:

- Part B: Poverty, hardship and utilities-related financial stress in Victoria;
- Part C: Utility regulatory framework mapping; and
- Part D: Customers experiencing financial hardship, either temporary or chronic: How should energy and water providers, governments and regulators best respond?

The Utility Debt Spiral Project is part of the Committee for Melbourne’s involvement in the UN Global Compact – a joint initiative between business and the United Nations to support and encourage responsible business operations and universal values. These values are based on the Universal Declaration of Human Rights, the International Labour Organisation’s Fundamental Principles on Rights at Work and the Rio Principles on environment and development.

Melbourne has become the first city in the world to collectively engage the Global Compact. Working with the City of Melbourne, the Committee for Melbourne has developed what is being known internationally as the UN Global Compact ‘Melbourne Model’. The model focuses on engaging business, local government and civic society to ensure an optimal medium and long-term social, cultural and economic outcome for the city of Melbourne. These three groups are cooperating to ensure concrete outcomes will be produced.
1.3 Structure of Part A

The remainder of Part A is structured as follows.

- Section 2 examines the relationship between utility stress and financial disadvantage.
- Section 3 considers how should we respond to households suffering utility stress, and summarises existing programs available to households experiencing utility stress or broader financial disadvantage.

Both of these sections summarise key findings emerging from the research and pose some questions for discussion.

- Section 4 sets out some suggested topics for workshop discussion derived from the key research findings and questions raised.
Chapter 2
Utility stress and financial disadvantage

2.1 Extent of utility stress

In 1998-99, 16.1 per cent of Australian households reported ‘utility stress’ – defined as that in the past year, they had been unable to pay electricity, gas or telephone bills on time because of a shortage of money. Victoria (14.7 per cent) had the lowest proportion of all States and Territories.

It is not clear at what point in the utility bill collection process that survey respondents consider that they are unable to pay a bill on time – whether it is upon delivery of a late payment notice, a final disconnection notice, or actual disconnection. The introduction to Chapter 4 of Part B of this study explains that it is likely that these figures underestimate the total proportion of households who miss the initial deadline on at least one utility bill in a given year.

Part B of the study also indicates that, generally, social surveys underestimate the extent of utility stress and financial hardship due to their reliance on self-reporting. Victorians are relatively less likely to report being in utility stress and financial hardship if they are:

- homeless or in transitory accommodation;
- prioritising utility bills over other essential items to avoid utility hardship;
- rationing their use of utility services below a socially-acceptable minimum to avoid utility hardship; and
- older.

Further research is needed to identify the extent to which utility stress is unreported (because the consumers cannot be contacted or do not reveal their circumstances) and the extent of hidden utility stress (which can arise when consumers ration their use of utility services below a basic minimum, so they can pay their bills).

2.2 Utility stress as an indicator of financial hardship

As we might expect, there is a strong relationship between serious financial deprivation and utility stress. Figure 2.1 shows that households experiencing utility stress account for:

- 70 per cent of all households suffering financial hardship;
- 25 per cent of all households in income poverty; and
- 83 per cent of all households suffering both financial hardship and income poverty.
Section 5.2 of Part B of this study finds that Australian households reporting utility stress are about 12 times more likely than other households to suffer ‘financial hardship’ – defined as having done one or more of the following due to a shortage of money:

- pawned or sold something;
- gone without meals;
- unable to heat home; or
- sought assistance from welfare/community organisations.

Under this definition, households could experience financial hardship as a result of a chronic problem or a temporary difficulty. As an indirect indicator of this, only 20 per cent of households suffering financial hardship are also in income poverty.

The relationship between low income and utility stress is considerably weaker than that between hardship and utility stress. Households experiencing utility stress are only 1.8 times more likely than other households to be in poverty. Section 5.2 of Part B of this study notes that as both utility stress and financial hardship are self-reported, it is not surprising that these are more closely correlated than utility stress and income poverty.

Households are 25 times more likely to suffer both financial hardship and income poverty if they are in utility stress.

Thus far we have seen that most households reporting financial hardship also report utility stress. It is important to remember, however, that the reverse is not true: most households reporting utility stress do not also report financial hardship. In fact, almost 60 per cent of households who report utility stress are neither in poverty nor reporting the behaviours that indicate financial disadvantage (figure 2.2).
This highlights the importance of targeting utility hardship programs to those households in the greatest need, and of developing a range of approaches to identify and provide effective support to those households in broader financial hardship or income poverty.

**Variation across households**

Section 5.12 of Part B of this study finds that the likelihood of utility stress being accompanied by hardship or poverty is higher among households with certain characteristics. Specifically, the following types of ‘stressed’ households are most likely to also experience broader disadvantage:

- those with the lowest incomes (adjusted for family size);
- those with a household reference person who is not working – especially if they are unemployed; and
- those people who are living alone.

Some of these characteristics may be observable to utilities through the coding of concession cards and consumption patterns. However, individual case studies demonstrate that people’s experiences are unique and complex. Chapter 6 of Part B of this study concludes that it would not be appropriate to apply a formula-driven approach based on household characteristics to determine whether assistance or leniency should be provided.

**Expenditure on utilities**

Chapter 6 of Part B of this study notes that Victorian households experiencing utility stress spend 9 per cent more on electricity than other households. This could be due to several factors, including:

- larger family size;
- poorer quality of housing (including heating, insulation etc.); and
• less efficient use of energy.

2.3 Different problems, different needs

It is understood that some people experience utility stress on a temporary basis, while others suffer chronic, long-term problems. These two broad groups of customers have different needs. Policy responses and hardship programs need to be designed in a way that recognises this distinction. For example, one-off grants or short term changes in debt payment terms may be more appropriate for people with a temporary hardship, while alternative payment plans, such as instalment plans, may be more useful for customers with chronic difficulties. Clearly, accurate identification of the nature of a customer’s hardship is necessary for accurate targeting of responses.

The available data on utility stress analysed by Part B of this study does not classify households according to the duration or depth of their problems. In the absence of such information, it is more difficult for policy-makers, community groups, regulators and utility retailers to target their programs to match customers’ needs.

Most government responses to utility hardship (see chapter 3), such as concessions and grants, are available to eligible concession card holders, who may be experiencing temporary or chronic problems. But some current programs do attempt to target households with different needs. For example, the Department of Human Services’ Utility Relief Grant Scheme aims to assist customers who are experiencing a temporary financial crisis. Applicants must have an eligible concession card and must demonstrate one of the following three criteria:

• a substantial increase in consumption that has resulted in high utility bills;
• unexpected expenses on essential items; or
• a decrease in their income.

The Department of Human Services’ Capital Relief Grant is also targeted to customers experiencing temporary hardship as a result of faulty or defective appliances.

The regulations established by the Essential Services Commission to address affordability do not make any distinction between customers with temporary or chronic problems. However, the hardship policies adopted by some utility retailers have recognised this issue. For example, one energy company’s hardship policy distinguishes between customers:

• experiencing short term payment difficulties who are on a limited income;
• experiencing short term payment difficulties who are not on a limited income; and
• experiencing long term payment difficulties who are on a limited income.
Chapter 3

Responding to utility stress and hardship

3.1 Coordination of responsibilities

The Commonwealth Government, the Victorian Government, community organisations, utility regulators such as the Essential Services Commission (ESC) and electricity, gas and water retailers all play a role in supporting Victorian households who are financially disadvantaged and/or are having difficulty paying their utility bills. That there are so many actors in the system reflects our federal system of government, and the introduction of competition to the relevant industries.

It is apparent that there is little coordination between the responses to hardship of different players in the system. More coordination and communication could assist all parties to target their responses more effectively, ensuring that resources are used efficiently and appropriate support is received by those most in need. Mechanisms to share relevant information exist. One avenue may be the administration of concessions by utilities under agreement with the Department of Human Services. Under this agreement, utilities are required to provide information to customers about other available support services, and to report back to the Department of Human Services. Utilities have separate reporting requirements to the ESC. These lines of communication could, within the constraints of privacy legislation, provide opportunities for better sharing of information about customers’ circumstances and needs.

In addition, Part D observes that some utilities have partnerships with community organisations to provide financial counselling services to customers identified under their hardship policies. These partnerships appear to incorporate the ability for community organisations to coordinate access to support available from all players.

Section 7.3 of Part C of this study describes the roles of government, the ESC and the utility providers as follows.

Role of government

It is the role of elected governments to determine social policy, and to put in place institutions and arrangements to fund and implement those policies. In the Victorian utility context, it is generally accepted that there is a clear role for government in protecting vulnerable people in society, and that access to water, sewerage, gas and electricity services are necessary to maintain a basic standard of living for vulnerable groups.

Role of ESC

As the economic regulator of the energy and water industries, the ESC supports government social policy by:

- pursuing its statutory objectives in exercising its powers (including by promoting competition and protecting the interests of consumers);
monitoring and informing government of emerging trends and issues that impact on social policy;

advising government on impacts of proposed policies for particular vulnerable customer groups; and

developing, implementing, and enforcing regulatory obligations to ensure that regulated businesses have in place systems, procedures and incentives to deliver the required social outcomes.

Obligations on utilities

Utility retailers have regulatory obligations and responsibilities to provide efficient, effective and compassionate resources and systems to:

- provide appropriate debt management advice and assistance to households;
- refer customers to other available sources of help;
- implement government’s social policy schemes and initiatives;
- encourage energy and water efficiency as a strategy to reduce high bills; and
- help inform government social policy debates.

3.2 Existing government support

General financial assistance

A range of payments, concessions, grants and services are available to members of financially disadvantaged households. Most significant in terms of dollars is the system of payments and pensions provided by the Commonwealth Government to people with a low private income, including students, the unemployed and underemployed, people with a disability, older people and carers. Pensioners and some other low income earners are also eligible for a Pensioner Concession Card or a Health Care Card, which entitles holders to concessions on health care expenses, and a range of other concessions, including utility-related concessions. The Commonwealth also provides benefits to low- and middle-income families with dependent children.

The community sector provides a substantial amount of financial assistance to people who find themselves in financial crisis. This assistance can be for a one-off episode or an ongoing financial problem. It can take the form of financial payments, supported accommodation, or donations of food, clothing, furniture, counselling or other goods and services.

Consumer protection

All consumers of utilities are protected by laws that strengthen the position of consumers in dealings with suppliers of goods and services.

These laws include:

- general consumer protection laws that prohibit unfair practices, such as misleading and deceptive conduct;
- privacy legislation that sets out minimum standards for the handling of personal information; and
utility-specific consumer protections, relating to matters including price, billing, disconnections and cooling off periods.

Privacy legislation, administered by both Commonwealth and Victorian governments, places limitations on the type of customer information that utility retailers are permitted to exchange with government agencies, community organisations, the ESC and other retailers. This restricts the capacity of all parties to identify the characteristics and needs of customers experiencing hardship broadly, to contact customers considered to be at risk of utility stress or financial hardship, and to target their responses accordingly.

Utility-specific government programs

There are several Victorian Government programs that are designed to assist low income and vulnerable energy and water customers in Victoria to manage their spending on utilities and pay their utility bills. These are summarised in table 3.1.

Table 3.1

<table>
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<th>Type of program</th>
<th>Summary</th>
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<td>Concessions and grants</td>
<td>‘General’ energy concessions – the Winter Energy Concession on electricity and gas bills and three other concessions on electricity bills available to all eligible concession card holders</td>
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<tr>
<td>(Department of Human</td>
<td>‘Targeted’ electricity concessions – three concessions on electricity bills targeted toward specific groups of eligible concession card holders</td>
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<tr>
<td>Services)</td>
<td>Water and sewerage concessions – concessions available to all eligible concession card holders</td>
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<td></td>
<td>Smart Homes Program – replacement costs of inefficient or defective fixtures that are causing high water bills, available to concession card holders in financial hardship</td>
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<td></td>
<td>Utility Relief Grant – one-off financial assistance to eligible concession card holders who are experiencing a temporary financial crisis and are at risk of disconnection or restriction of their electricity, gas or water supply</td>
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<td></td>
<td>Capital Relief Grant – one-off assistance to people in an ‘emergency situation’ by repairing or replacing essential water, gas or electrical appliances for households who could otherwise not afford to do so, because of financial hardship</td>
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<td>Energy efficiency</td>
<td>Energy Task Force – a Sustainable Energy Authority (Victoria) pilot program that aims to improve comfort and reduce energy bills in low-income homes. Involves retrofitting of homes by sealing off drafts, improving insulation and installing energy and water efficient fixtures</td>
</tr>
<tr>
<td>programs</td>
<td>Water Conservation Assistance Pilot Program (Department of Sustainability and Environment) – aims to assist concession card-holding homeowners to make homes more water efficient. Provides up to $500 towards the cost of assessing, repairing, maintaining and replacing water related plumbing fixtures</td>
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<td>Financial management</td>
<td>Centrepay (Centrelink) – a free service through which customers receiving Centrelink payments can elect to have money deducted automatically from their payment to their utility provider. Not all Victorian utility providers offer Centrepay as a payment option (under review whether this should be a regulatory option).</td>
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Source: Section 1 of Part D of this study.

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1 Although unidentifiable data may be made available for research purposes.
It is apparent that the weight of government effort (and expenditure) is focused on the provision of financial support, in the form of grants and concessions. This suggests that there is greater emphasis on the ‘cure’ of households already in hardship than on ‘prevention’ reflecting the difficulty in accurately identifying households who are at risk of falling into hardship.

Eligibility for almost all government programs is restricted to holders of concession cards. Several programs that involve the repair, maintenance or installation of energy- or water-related fixtures are available only to concession card-holding homeowners. While this latter restriction on eligibility can be readily understood, it is notable that households who are living in rental accommodation are more likely both to report utility stress and to suffer broader financial disadvantage (Executive Summary to Part B of this study).

Part D of the report details these programs but does not provide any information on their effectiveness.

### 3.3 ESC requirements on utility retailers

The ESC has established some minimum requirements on utilities regarding how they can respond to customers experiencing hardship. At present, the ESC does not provide any defined incentives for retailers to adopt innovative hardship programs that exceed the minimum requirements.

**Energy retailers**

Current ESC codes and guidelines do not contain any specific hardship codes or policies. However, electricity and gas retailers are, respectively, subject to an Electricity Retail Code and a Gas Retail Code that include provisions to protect consumers who are unable to pay their bills due to financial hardship. Under the Codes, if a retailer believes a customer is experiencing repeated difficulties in paying bills or requires payment assistance, the retailer must:

- make an assessment of the customer’s capacity to pay;
- consider conducting an energy efficiency field audit;
- offer the customer an instalment plan; and
- provide the customer with information on available concessions, energy efficiency and the availability of financial counselling.

A retailer may not disconnect a customer or commence legal proceedings for debt recovery unless it has complied with these requirements. Retailers may not commence legal proceedings to recover a debt from a customer who is making payments according to an agreed payment arrangement, such as an instalment plan.

In addition, a retailer may not disconnect a customer who fails to pay the retailer by the relevant date unless:

- the retailer has given the customer a reminder notice (with a new pay by date) and a disconnection warning;

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2 Other programs providing or funding support for particular groups – such as Victorians with disabilities – may also impact financial hardship.

3 Unless the customer has failed to comply with two instalment plans in the previous 12 months and cannot make a reasonable assurance to meet obligations under a further plan.
where the customer has called the payment assistance number, the retailer has responded and provided advice on financial assistance and the customer has either (a) not provided a reasonable assurance to pay the bills or (b) failed to pay as agreed; and

- the failure does not relate to an instalment under the customer’s first instalment plan with the retailer.

Where failure to pay occurs through lack of sufficient income, the retailer must not disconnect a customer until it has made its best efforts to contact the customer in person or by telephone and the customer has not accepted an instalment plan within five days of the retailer’s offer.

Clause 14(a) of the Code details further circumstances in which a retailer must not disconnect a customer for non-payment of a bill (see Section 3.1.1 of Part D of this study).

From 2005, all energy retailers will be subject to a common Energy Retail Code from 1 January 2005 (containing provisions similar to the existing Gas and Electricity Retail Codes). The ESC has indicated that under guidelines to the Code, Victorian energy retailers would be allowed to charge customers late payment fees only if (amongst other things) they have implemented ‘best practice hardship policies and procedures … based on the Yarra Valley Water model’, and have published their hardship policies and procedures on their website.

 Upon the release of the revised Code, the Minister for Energy Industries commented that the Government’s preferred approach would be for retailers to introduce discounts for timely payments, rather than charge late payment fees to customers who could afford to pay on time, but chose not to. The Government subsequently foreshadowed its intention to prevent late payment fees being imposed on small customers. But in any event, the Commission announced, in its report, *Energy Disconnections and Capacity to Pay – Report on Energy Retailers’ Performance* released on 7 October 2004, that it will establish a licence obligation requiring retailers to implement best practice hardship policies that meet specified objectives and principles. The objectives and principles will be developed in a project by the ESC, in consultation with retailers, consumer representatives and other stakeholders. The ESC also intends to co-ordinate this work with current initiatives and hardship policies – including consideration of both the Yarra Valley Water model and the generic ‘best practice model’ proposed by the Committee for Melbourne (and set out in Chapter 6 of Part D of this report).

### Water authorities and retailers

Clause 9 of the Contract specifies other circumstances in which restriction of supply or disconnection for non-payment will not occur (see Section 3.2.1 of Part D of this study).

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3.4 Retailers’ hardship programs

Best practice

Section 6 of Part D of this study suggests that a best practice ‘hardship response program’ for a utility retailer should include the features summarised in Box 3.1.

The proposed program complies with all requirements of the ESC’s Retail Codes but does not attempt to incorporate the ‘best’ elements from each retailer’s program. Several retailers have voluntarily adopted hardship policies incorporating more numerous and more detailed responses to customer hardship than set out in the Part D proposal for best practice.

Box 3.1

PROPOSED ELEMENTS OF A BEST PRACTICE HARDSHIP RESPONSE PROGRAM

<table>
<thead>
<tr>
<th>The implementation of agreed appropriate affordable payment arrangements, with flexibility to suit each customer, including:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Centrepay;</td>
</tr>
<tr>
<td>• incentive plans;</td>
</tr>
<tr>
<td>• partial or complete waiver of debt; and</td>
</tr>
<tr>
<td>• review of fees.</td>
</tr>
<tr>
<td>Suspension of disconnection, debt collection, legal action – while customers are on the hardship response program</td>
</tr>
<tr>
<td>A specialist team skilled in responding to customers experiencing hardship, which:</td>
</tr>
<tr>
<td>• the retailer’s call centre and other staff refers customers to</td>
</tr>
<tr>
<td>• customers are able to contact directly</td>
</tr>
<tr>
<td>• conducts home visits where it has been difficult to contact a customer by phone or in writing</td>
</tr>
<tr>
<td>Staff training on:</td>
</tr>
<tr>
<td>• causes of financial hardship;</td>
</tr>
<tr>
<td>• identification of customers experiencing hardship, including proactive identification;</td>
</tr>
<tr>
<td>• literacy and access issues experienced by some customers;</td>
</tr>
<tr>
<td>• how to talk to customers experiencing hardship; and</td>
</tr>
<tr>
<td>• when to refer customers to the ‘hardship response program’.</td>
</tr>
<tr>
<td>A hardship policy that is clearly communicated to customers</td>
</tr>
<tr>
<td>An articulation of the rights of customers experiencing financial hardship</td>
</tr>
<tr>
<td>Links to:</td>
</tr>
<tr>
<td>• energy/water efficiency programs;</td>
</tr>
<tr>
<td>• financial counselling agencies;</td>
</tr>
<tr>
<td>• concessions, government assistance, non-government support services; and</td>
</tr>
<tr>
<td>• dispute resolution services.</td>
</tr>
<tr>
<td>Continuous review, including customer focus groups to gain feedback on hardship programs</td>
</tr>
</tbody>
</table>

Source: Section 6 of Part D of this study.

For example, a number of retailers have established partnerships with financial counselling agencies. Typically such a partnership involves the agency assisting the retailer with the development of its hardship programs and with training staff in how to deal with customers experiencing difficulties. The retailer refers customers to the agency for counselling, paid for by the retailer.
Other initiatives taken by retailers to assist customers in difficulty include:

- a loyalty program that rewards customers who consistently make regular payments to reduce their arrears;
- free water efficiency audits;
- free repair of internal plumbing systems; and
- a no interest loans scheme for people in financial difficulty that need to borrow money for emergency purposes.

Most Regional Water Authorities, who are not currently subject to any regulated requirements regarding affordability, have voluntarily developed their own Customer Charters. Some are based on the Metropolitan Benchmark Customer Contract and set out standards relating to restriction and disconnection of supply, while others contain relatively little information about hardship issues or the process for disconnection or restriction of supply.

That retailers have chosen to adopt such programs indicates that they consider them to be beneficial to their business, for reasons that might include:

- gaining a reputation as a ‘good corporate citizen’ that contributes to the community and deals compassionately with customers in hardship;
- requirements imposed by the government shareholder on water utilities but not transparently set out in codes;
- commercial advantages from retaining these households as their customers and receiving those payments that the household is able to make; or
- intangible advantages from establishing a good reputation and working relationship with the ESC.

There is no available information reflected in the research conducted for this project on the extent to which retailers’ hardship policies (including customer charters) are implemented in practice.
Chapter 4

Suggested questions

1. What does utility stress tell us about the extent and nature of financial hardship in Victoria?

2. How effective, in terms of the response to hardship and the relative costs to governments, regulators, utilities and community organisations, are the current utility hardship policies at responding to those customers who reveal their utility stress by an inability to pay a bill?

3. What gaps exist in the responses currently made to utility stress and financial hardship by governments, regulators, utilities and community organisations for utility customers in hardship? In what ways should these responses differ for chronic and temporary financial hardship?

4. What are the key limitations to more effective responses to Victorians in financial hardship? Under whose responsibility do these limitations exist and how may they be reduced for this purpose?

5. What opportunities exist for governments, regulators, utilities and community organisations to better coordinate more effective responses to utility stress and to Victorians in financial hardship?
Part B

Poverty, hardship and utilities-related financial stress in Victoria

Prepared by Peter Siminski at the Social Policy Research Centre (SPRC) on behalf of the Committee for Melbourne
Executive Summary

This report has been prepared by the Social Policy Research Centre to explore disadvantage and poverty in the community and to identify utility service customer groups at risk of financial hardship. This is a component of the Utility Debt Prevention Project coordinated by the Committee for Melbourne.

Groups at risk of poverty and hardship in Victoria

The concepts of poverty and hardship are normative and hence difficult to define. They involve a number of ideological and technical judgements to operationalise. Accordingly, there have been a great number of methods used to analyse the incidence of poverty and hardship, including many variants of income or expenditure poverty methods, (direct) hardship approaches, and methods that combine many various data sources.

Despite the many approaches that have been used, a number of consistent findings are apparent:

- People who are unemployed are far more likely to be disadvantaged.
- Sole parents are clearly the household type most likely to be disadvantaged.
- People living alone are the second most likely to be disadvantaged amongst the household types.
- Couples with large numbers of dependent children, particularly those with four or more children are also likely to be disadvantaged.
- On the balance of the evidence, it seems that older people are less likely to be disadvantaged than younger adults.
- It is also clear that a higher proportion of children live in disadvantaged households than do adults.
- Living in rental accommodation is associated with a higher chance of being disadvantaged.
- Indigenous people are very likely to be disadvantaged, as are people who are homeless.
- Under most measures, people living outside of major cities are at greater risk of being disadvantaged. However, there is a great diversity of outcomes outside of major cities. The outcomes and characteristics of local areas are important to consider.

The experience of poverty and disadvantage

A large number of case studies have been conducted by various organisations to convey the experience of living in poverty and disadvantage. Many of these have been drawn upon in this report.

These case studies have been selected to highlight some of the issues facing the groups of people who have been identified as being most likely to be disadvantaged.
Most of the case studies show that experiences of poverty are rarely due to one factor alone. The factors often work in combination. A related danger is that disadvantaged people can ‘fall through the cracks’ if they do not neatly fit into any category that has been identified as being at high risk.

Who cannot always afford to pay their utilities bills on time?

The ABS Household Expenditure Survey of 1998-99 asked respondents whether in the past year the household could not pay electricity, gas or telephone bills on time because of a shortage of money (referred to here as ‘utilities stress’).

It is not surprising to find that, in most cases, the groups of people most likely to be disadvantaged are also more likely to report being unable to pay utility bills on time because of a shortage of money.

- The strongest predictor of utilities stress is the age of the household reference person, with younger households far more likely to report it. The odds of utilities stress are more than seventeen times higher amongst the youngest age group than the oldest age group.
- Lower incomes are also associated with higher rates of reported utilities stress.
- Being in a sole parent household or a ‘mixed household’ is associated with higher rates of reported utilities stress.
- Owning one’s dwelling outright has an independent negative effect on the odds of utilities stress.
- There is some evidence that having people with disabilities as members of a household increases the odds of reported utilities stress, though this is not the case amongst people with severe or profound disabilities in Victoria.
- Labour force status of the reference person, highest educational qualification of household members, and country of birth of the reference person do not have major independent effects on the odds of reported utilities stress, holding other factors constant.

Is utilities stress a good predictor of poverty and hardship?

Are households that have been unable to pay utilities bills on time due to shortage of money more likely to be disadvantaged that other households?

The odds of experiencing hardship and income poverty simultaneously are almost 25 times higher amongst households reporting utilities stress than households that do not.

Are some groups of households who report utilities stress more likely to be suffering from hardship and/or poverty than others?

- Those with the lowest equivalised incomes are much more likely to simultaneously report experiences of hardship and income poverty than other households.
Reported utilities stress is also much more likely to be accompanied by reported hardship and poverty amongst those households whose reference person is not working, especially if the person is unemployed. More than two thirds of households with an unemployed reference person that report utilities stress also report experiences of hardship.

The other main characteristic that is independently associated with a higher likelihood of reported hardship and income poverty amongst households reporting utilities stress is to live alone.

Conclusion

This report shows that there is a clear relationship between being disadvantaged and reporting problems with paying utility bills. It also shows that this relationship is stronger for some groups than for others. However, as highlighted by the case studies, people’s experiences are unique and complex. It would certainly not be appropriate to apply a formula-driven approach based on household characteristics to determine whether assistance or leniency should be provided.

It is also noteworthy that, on average, households that experience difficulties with utility bills spend more money on electricity than other households (eight per cent more in Australia overall, nine per cent more in Victoria)
Chapter 1

Introduction

Using the ‘Melbourne Model methodology’ – harnessing the knowledge, resources, experience and ideas of business, government and civil society – to tackle intractable urban problems, the Utility Debt Spiral Project aims to develop concrete and holistic solutions for those in hardship, using utilities debt as a potential trigger for action. The overall aim of the project is to explore how utility companies can operate as an early warning system for individuals facing financial hardship.

This report contains six chapters. Following this introductory chapter, the next chapter reviews recent studies of poverty and hardship in Australia, identifying those groups at most risk of being disadvantaged. Chapter three discusses the human experience of poverty, drawing on a number of case studies compiled in other studies and reports. The following two chapters focus on ‘utilities stress’ – being unable to pay utilities stress on time due to a shortage of money. Chapter four reports on an investigation into the groups most likely to experience utilities stress. The relationship between utilities stress, hardship and poverty is examined in chapter five. The final chapter offers conclusions.

1.1 A note on terminology

The terms ‘poverty’ and ‘hardship’ are often used interchangeably in everyday language. In this report, these terms have been used in a particular way. Within the established literature on these topics, the term ‘poverty’ often refers to ‘income poverty’, which is to have an income below a given threshold. ‘Hardship’ has a less established meaning in the research discourse. But in some recent studies referred to in this report, it has a particular meaning that refers to self-reported financial difficulties. These definitions shall be elaborated in the body of the report, and unless otherwise stated, they have been adopted here. The terms ‘disadvantage’ and ‘disadvantaged’ have been used to convey the more general meaning of these concepts.

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6 The author acknowledges the helpful comments made by Peter Saunders and Bruce Bradbury on an earlier draft.
Chapter 2
Groups at risk of poverty and hardship in Victoria

The issues of poverty and hardship are of central importance to all developed societies. Those in greatest need are the focus of many social policies, particularly in those countries that have been referred to as liberal welfare regimes, such as Australia. However, these concepts are inherently normative and hence difficult to define. They involve a number of ideological and technical judgements to operationalise. Accordingly, there have been a great number of methods used to analyse the incidence of poverty and hardship. It is thus very difficult to gauge the extent of poverty and disadvantage. However, the groups of people who are found to be in greatest risk of poverty and hardship are usually the same, regardless of the methods used.

A review of the conceptual, ideological and technical issues involved in the measurement of poverty and disadvantage is beyond the scope of this report. Interested readers are referred to a small sample of the many examples where these issues have been addressed (Saunders, 1994; 1998a; 2004; Greenwell et al., 2001; Citro and Michael, 1995; Bray, 2001a; ACOSS, 2003).

In this chapter, a short review is made of some of the key Australian studies that have sought to identify the groups of people at greatest risk of poverty and disadvantage. The focus is on identifying the groups of people at most risk, with an emphasis on findings relating to Victoria, where such information is available. Income poverty and expenditure poverty are addressed in the next section. This is followed by a review of studies addressing (subjective) hardship indicators, and a discussion of a recent attempt to combine the income and hardship methods. Geographic concentrations of disadvantage are addressed in a separate section, because of the distinct nature of such research. A summary is presented in the final section of this chapter.

2.1 Income poverty and expenditure poverty

Income Poverty

Income poverty analyses hold a privileged position amongst studies measuring disadvantage, since the influential work of Professor Ronald Henderson (Commission of Inquiry into Poverty: 1975). A review of more recent findings is presented below, followed by a short discussion of expenditure poverty.

An analysis of income poverty for the period of 1990-2000 was undertaken by the National Centre for Social and Economic Modelling (Harding, Lloyd and Greenwell, 2001). This study was based on a half-mean poverty line, using ABS income distribution survey data. They found that 13.0 per cent of Australians lived in income poverty in 2000, compared with 11.3 per cent in 1990. New South Wales was the state with the highest poverty rate at 13.9 per cent. Victoria had a poverty rate of 12.0 per cent, which was fifth highest amongst the States and Territories.
This rate was higher amongst children (14.9 per cent) than for adults (12.3 per cent). The rate was slightly higher for adult males (15 years or over) (12.5 per cent) than for females (12.0 per cent). People aged 15-24 were more likely to be in income poverty (15.9 per cent in 2000) than other age groups. The rate is lowest amongst people aged 65 and over (11.2 per cent in 2000). The difference between old and young is greater on an income after-housing costs basis.

People who were unemployed were very likely to be in income poverty (57.5 per cent in 2000). Sole parents were the family type most at risk of being in poverty throughout the decade (21.8 per cent in 2000), closely followed by single people (18.3 per cent). Couples with three or more children were also at high risk of poverty (Figure 2.1). The rate of poverty among couples with children rose slightly from 11.1 per cent to 12.2 per cent over the decade. People who have obtained university degrees (bachelor or higher) had a lower poverty rate (6.0 per cent in 2000) compared with other people. People in rental accommodation were much more likely to be in income poverty than home-owners or purchasers, especially after housing costs are deducted from income (27.8 per cent for renters/boarders, compared with 8.1 per cent for outright owners, and 17.5 per cent for purchasers).

Figure 2.1

ESTIMATED POVERTY RATES FOR INDIVIDUALS LIVING IN SOLE PARENT AND COUPLE WITH CHILDREN FAMILIES, BY NUMBER OF CHILDREN – AUSTRALIA

![Graph showing estimated poverty rates for sole parents and couples, by number of children.](source: Harding et al. (2001: Figure 4))
Indigenous people are rarely identifiable in nationally representative household surveys, usually because of sample size limitations. However, the income distribution of indigenous people is available from Census data. In 2001, some 72 per cent of Indigenous Australians were in the bottom 40 per cent of the household income distribution. In very remote areas, this increases to 92 per cent (ABS, 2003b). Hunter (1999) argues that income poverty statistics do not convey the full extent and the nature of Indigenous poverty. Nevertheless, he constructed estimates of Indigenous income poverty by combining data from the ABS Survey of Income and Housing Costs and the National Aboriginal and Torres Strait Islander Survey. He found that Indigenous poverty was much higher than non-Indigenous poverty, regardless of the methods used. Using (OECD) equivalised household income and a half-median poverty line, the Indigenous poverty rate was 31.4 per cent, more than 2.7 times higher than the non-Indigenous rate (11.7 per cent).

Homeless people are unlikely to be customers of utility services. Nevertheless, a brief discussion of their outcomes is included here for the sake of completeness. Some 99,900 people were classified as being homeless on Census night in 2001. More than 20,000 of these people lived in Victoria. Analyses of household income of homeless people are problematic for obvious reasons. It is probably not a very good way of measuring the degree of disadvantage which they suffer, anyway. Nevertheless, data from the latest Census are available. Half of enumerated homeless people were staying with friends or relatives on Census night, while eleven per cent were staying in ‘improvised dwellings, tents, or sleeping out’. Half of the first group had a household income of less than $400 per week, as did two thirds of the second group.

**Expenditure Poverty**

An alternative approach is to consider expenditure poverty, rather than income poverty. Saunders (1998b) compares the results of (half-median) expenditure-poverty to that of income poverty. He finds that the expenditure-based approach reveals the same broad patterns to that of the income approach. Older households, however, appear to be much worse off when expenditure is considered rather than income. This finding is confirmed by other studies (Saunders, 1997; 2004). When ‘core’ poverty is considered (when both income and expenditure is below the poverty line), the differences between family types become even more pronounced. Single aged people and sole parents have clearly the highest rates.

A variant of the expenditure poverty approach is to compare the expenditures of households to the standards developed by the SPRC Budget Standards Unit. These standards were commissioned by the Department of Social Security in order to inform decisions relating to standards of consumption adequacy (Saunders et. al, 1998). Saunders (1998b) used such a method, and again found a similar set of findings to that of the other approaches. He found that the worst off groups were single older women, sole parents and single non-aged women, groups that are identified in conventional income poverty research as having the greatest risk of poverty. He found that there was a considerable difference in the implied standard of living of single aged women and older couples. He did not consider single men in the analysis.
2.2 Hardship

A departure from the income or expenditure poverty analyses was pioneered by the work of Townsend (1979). This alternative approach was based on a notion of poverty as exclusion from ‘ordinary’ activities due to a lack of resources. Such an approach implies asking people directly, in a survey, whether or not they had gone without certain activities due to a shortage of money.

In Australia, the first nationally representative survey that includes questions about hardship and financial stress is the ABS Household Expenditure Survey (HES) 1998-99. To this date, the significant analyses of financial stress data are based on the HES. However, similar questions are asked in the Household Income and Labour Dynamics in Australia survey (HILDA) and the ABS General Social Survey. The latter has not yet been made available for analysis by researchers, though summary tables have been published (ABS, 2003c).

The ABS published an article that presented the first analysis of these data (McColl et al., 2001). They focussed on the incidence of fifteen such indicators. They made little distinction between the various indicators, and classified households into three categories. Households that reported fewer than two forms of financial stress were labelled as having ‘No stress’. Those reporting two to four forms of financial stress were labelled ‘moderate stress’. Households reporting five or more forms of financial stress were considered to have ‘higher stress’. They found a ‘distinct correlation’ between level of income and the level of financial stress indicated. The greatest level of financial stress was experienced by lone parents with dependent children only, with 41 per cent showing higher stress and a further 32 per cent showing moderate stress. Lone persons aged under 35 years were next highest (21 per cent in high stress). Couples over 65 years of age showed the lowest levels of stress (4.2 per cent in the higher stress category). Older single people were next lowest at 7.3 per cent. Those households with ‘Unemployment, education or sickness allowances’ or ‘Other government pensions and allowances’ as the main source of income had higher rates of ‘higher stress’ than other households (45 per cent and 41 per cent, respectively). Rural households were slightly more likely to be in ‘higher stress’ (13.6 per cent) compared with capital cities (12.2 per cent) and other urban (13.1 per cent) areas.

These results were generally confirmed by the General Social Survey data (ABS, 2003c). Amongst the various household types, single parents were more likely to experience each of the ‘cash flow’ problems, and they were more likely to take ‘dissaving actions’. Single people aged under 35 were next most likely to experience each of these issues.

The other significant analysis was performed by Bray (2001a). He used a statistical technique (factor analysis) to group the financial stress indicators into three categories, which he calls ‘missing out’, ‘cashflow problems’ and ‘hardship’, respectively. The latter refers to a set of four indicators. These are being unable to afford heating, or meals, or having to pawn possessions, or needing assistance from community organisations. His analysis focussed on the incidence of hardship, and particularly ‘multiple hardship’, which was the presence of two or more of the four hardship indicators.

7 Neither of these categories includes ‘age or disability support pensions’. These form a separate category with considerably lower rates of high stress (16.1 per cent).
The rate of multiple hardship experienced by children was twice as high as that of people aged over 15 years. Higher rates of hardship were associated with lower income, absence of employment, receipt of Parenting Payment Single, Newstart and Disability Support Pension, youth, living in private and public rental housing and the presence of someone with a disability. Lower rates were associated with home ownership and purchase, older households, and being in a couple household (with or without children). The rates of multiple hardship were lower in Victoria than in all other States and Territories except the Northern Territory.

**Figure 2.2**

**INCIDENCE AND LEVEL OF MULTIPLE HARDSHIP BY AGE – AUSTRALIA**

![Graph showing incidence and level of multiple hardship by age in Australia](image)

Note: the vertical axis on the right hand side refers to the rate of multiple hardship within each age category.

Source: Bray (2001a: Figure 12)

### 2.3 Simultaneous income poverty and hardship

It would seem that the major difference between studies of income poverty and hardship are the findings regarding age. In general, income poverty studies find that there is not a big difference between the poverty rates of older and younger households. On the other hand, older people are far less likely to report subjective hardship or deprivation than younger people. An analysis of the interaction between these two indicators can help to clarify this issue.

As part of a discussion on the future directions of poverty research, Saunders (2004) developed a method of combining the income poverty and deprivation approaches. Households are considered to be in ‘deprivation poverty’ if they are in income poverty and report deprivation. He considered two variants of this approach. In the first (V2), the deprivation component is defined as reporting at least one of the fourteen types of financial stress. In the second (V3), deprivation is restricted to a subset of six indicators, which he refers to as hardship. The six indicators include the four used by Bray (2001a), as well as being unable to pay electricity, gas or water on time due to shortage of money, and being unable to pay car insurance or registration on time due to shortage of money.

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As discussed in Chapter 4, children do not themselves address the financial stress questions. A household may be deemed to be suffering from hardship on the basis of the child’s parents’ response.
This analysis found that sole parents have by far the highest rates of deprivation poverty compared to other family types. Depending on the measure of deprivation used, older single people have broadly similar rates to younger single people. Their rates of deprivation poverty are higher than that of couple households, regardless of age or the presence of children. The rates of deprivation poverty are slightly lower in Victoria than in the other States and Territories. The rates are much lower amongst households with at least one person employed, especially if a person in employed full time.

2.4 Geographic concentrations of disadvantage

Most analyses of geographic concentration of disadvantage fall into one of two categories. Some are analyses primarily of income distribution and/or income poverty. Other studies rely on a suite of indicators, and/or a summary index of such indicators. The key features of recent such studies are discussed, in turn, below.

Income Distribution and Poverty

Regional comparisons of income distribution have always been problematic in Australia, since no data spatial price indices exist. Prices of many goods and services, such as food, transport and housing vary greatly across regions. Ignoring these differences is problematic, to say the least.

Usually with this caveat, research has typically found that incomes are lower outside of capital cities, and corresponding with this, income poverty rates (or ‘low-income rates) are higher (Harding and Szukalska, 2000; Bray, 2001b; Lloyd, Harding and Hellwig, 2001; Siminski and Norris, 2003).

However, Siminski and Saunders (2003) argue that a measure of income, after housing costs are deducted, may be more appropriate for regional comparisons. If one analyses income after housing costs, the rates of low income (poverty) are not very different between major cities and the balance of Australia (Siminski and Norris, 2003; Siminski and Saunders, 2003) (Figure 2.4)
Those persons in the bottom 20% of the national distribution of persons when ranked by their
equivalised gross household income.
Comprises the value of the mortgage payments (including the capital component) for owners with a
mortgage and regular rent paid by those who rent. Households who had either of these expenses but
did not state them were excluded from the calculations.
Source: Siminski and Norris (2003)

A picture of increasing spatial income inequality is present in the work of Gregory
and Hunter (1995). They find evidence of further income polarisation between
Australia’s neighbourhoods. They found that between 1976 and 1991, the average
incomes of high socio-economic status areas increased, while average incomes
decreased considerably in the areas with the lowest socio-economic status.
However, in a recent draft working paper, Bray (2003) has argued that a similar
trend is not apparent between 1986 and 2001. He also questions the methodological
basis of Gregory and Hunter’s findings.

Multiple Indicator Approach

A recent example of the multiple indicator approach to measuring the geographic
distribution of disadvantage is Tony Vinson’s (2004) Community adversity and resilence: the distribution of social disadvantage in Victoria and New South Wales
and the mediating role of social cohesion. The primary aim of this study was to
measure the concentration of disadvantage according to postcode areas in New
South Wales and Victoria. The indicators used spanned the issues of
unemployment, long term unemployment, low income, early school leaving, non-
completion of year 12 schooling, unskilled workers, low birth weight, child abuse,
psychiatric hospital admissions, criminal offence convictions, child injuries,
imprisonment, threatened severance of electricity supply, mortality, Disability
Support Pension/Sickness Allowance receipt, participation in organised recreation
and sports groups, volunteering and availability of informal help.
The use of electricity disconnection data is a new development. Vinson was able to obtain data on the number of ‘final notices’ issued by postcode for Victoria. However, he found that electricity providers were reluctant to provide customer numbers by postcode area, and so rates were difficult to calculate. Whilst noting that this was problematic, he used the total number of households by postcode as an alternate denominator. He found that this disconnection rate variable correlated positively with some of the other variables, but negatively with others. In other words, there was no clear relationship between final notices for electricity disconnection and social disadvantage amongst local geographic areas. Vinson believes that this finding may be a function of questionable data in the denominator. However, it would seem likely that ‘occupied dwellings in each postcode’ would be a very good approximation for the number of dwellings supplied by the power companies. One can thus cautiously interpret his finding as evidence that ‘final notices’ are no more likely to occur in disadvantaged areas than elsewhere.

His study was a sequel to an earlier study with similar aims (Vinson, 1999). The author found that ‘not much has changed’ between the two surveys. Social disadvantage was concentrated in particular postcodes. In general, those postcode areas that were assessed as being disadvantaged in 1999 remained disadvantaged in the more recent study.

This study found that the thirty most disadvantaged Victorian postcode areas (postcodes) in 2003 were Heathcote/Argyle (3523), Braybrook (3019), Doveton (3177), Korong Vale (3520), Nowa Nowa (3887), Nyah (3594), Cabbage Tree Creek (3889), Corinella (3984), Marong (3515), Nyah West (3595), Toora Toora (3962), West Heidelberg (3081), Broadmeadows (3047), Corio (3214), Dunolly (3472), Hastings (3915), Port Welshpool (3965), Thorpdale (3835), Cann River (3890), Comet Hill (3556), Crossover (3821), Jeparit (3423), Maryborough (3465), Morwell (3840), Heyfield (3858), Korumburra (3950), Lakes Entrance (3909), Longford (3851), Tallangatta Valley (3701) and Wonthaggi (3995).

Bray (2001b) used a suite of social indicators to compare the outcomes of communities in different parts of Australia, based primarily on 1996 Census data. He classified areas into one of ten geographic categories: Capital city – inner, capital city – middle, capital city – outer, within 75km of capital city, major non-capital cities, towns with population over 40,000 people, towns with population between 10,000 and 40,000 people, towns with population between 2,000 and 10,000 people, towns with population less than 2,000 people, and non-urban areas. A component of his analysis considered differences in (aggregate) socio-economic indicators, such as the as ABS Socio-Economic Indicators for Areas (SEIFA). He found that ‘most aggregate measures show a pattern of broadly positive outcomes within capital cities, and poorer outcomes in other localities, especially smaller towns and non-urban localities’. However, he argues that the reasons for this are complex and varied, and that the particular circumstances of each location need to be taken into account in addressing regional disadvantage.
Chapter 3

The experience of poverty and hardship

Analyses such as those discussed in the previous chapter are useful to examine the relative risk of poverty and hardship amongst groups of the population. However, they do little to convey the qualitative nature of the experience of being disadvantaged. The experience can be very different for given individuals, with some features possibly shared between members of certain population groups.

In this chapter, a brief review is presented of studies that have considered the experience of poverty and hardship. Given the number of population sub-groups that have been considered, the discussion relating to each group is rather brief. Readers are encouraged to follow the references drawn upon here for more detailed discussions of the experiences.

The following sections discuss case studies of some of the groups of people identified in the previous chapter as being at risk of disadvantage, and other groups that are not identifiable in those studies.

3.1 Single Parents

The following case study is reproduced from Anglicare Victoria’s (2003) submission to the recent Senate Inquiry into Poverty. It is an example of the complex issues of poverty and hardship that sole parent families are often faced with. In this case, many interacting factors contribute to the experience of poverty, including low income and wages, insecure employment, a high number of children, disability, inadequacy of housing, public health and public transport, to name a few. This case study also suggests that the experience of poverty can lead to family break up.

The Wilson Family

Leanne and Tony Wilson have been together for thirteen years and have four children aged between seven years and twelve months – two boys and two girls. They live in an outer suburb of Melbourne.

Before she met Tony, Leanne was a childcare worker. When Leanne left work to care for the children, the family ran into financial difficulties, as Tony’s wages were not enough to support them. They were forced to move away from their suburb of choice to a suburb where most families struggle on low incomes, and services and infrastructure are poor. The only home they could afford to rent is too small to accommodate four children comfortably and is poorly maintained.

Leanne and Tony’s oldest child, Jared, has an intellectual disability, and attends a special school. His understanding is very limited, and he gets very frustrated, leading to aggressive behaviour. Four other children are at school and there is a baby at home.

The pressures of inadequate income, unsuitable housing, and bringing up children (one with a disability) without support have paid their toll on Leanne and Tony’s relationship. They began to fight a lot, and five years ago the couple separated.

Tony now rents his own accommodation, but continues to be very involved with his family, and visits the children most days. His employment is casual and part-time, and he often borrows money from Leanne. When his car broke down, he started using Leanne’s car in order to get to work.
Without a car, Leanne cannot get the children to school. As a result, the children do not always attend. They have mixed feelings about school anyway, because they often get into trouble for being late, and are teased because their clothes are different, do not fit, and are not always clean. Instead, the children play in the street, and easily stray some distance away, where there is a major road.

Leanne also needs a number of fillings in her teeth, but cannot afford private dental care. She has the option of going to the dental hospital, but has no one to look after the children. She is reluctant to place them with strangers in foster care, just to get her teeth fixed.

The continuing tensions with Tony, lack of money, and trying to look after a large number of children without support has left Leanne feeling so overwhelmed by the immense challenges of everyday life that her mental health is deteriorating. She is particularly vulnerable due to a history of mental illness in her family. She struggles to care for herself, let alone caring for and supervising her children, though she is an extremely loving and affectionate mother. Leanne has been in this position for so many years that she cannot imagine how her life could improve. Indeed, it could easily get worse – there is a danger that some of her children may be removed by Child Protective Services and placed in Foster Care, causing her immense grief and reinforcing her sense of failure.

Anglicare has recently helped Leanne find a larger house through a transitional housing program, but the solution is temporary, and the family will be forced to move again. Anglicare staff provide support for Leanne and her family, and are also helping Leanne make links in the local community to obtain support. The local council is providing home help, and some families nearby are assisting by offering respite care. But it feels like too little too late.

3.2 Unemployment

In a recent book titled *The Lowest Rung: Voices of Australian Poverty*, Mark Peel (2003) writes of the experience of poverty, based on conversations with almost 300 people in Broadmeadows (Victoria), Inala (Queensland) and Mount Druitt (New South Wales). One of the key issues, discussed in Chapter 5, is the experience of work and unemployment. He describes the impact of economic restructuring and the loss of secure full time work. ‘In a way, it is misleading to talk of about job growth in Australia since the 1980s. It is more accurate to talk about job replacement: full-time by part-time, secure by insecure, long-term by short-term and casual, manual by non-manual, producing by selling, unqualified by over-qualified, public by private.’ (p 116-117) In Broadmeadows, the unemployment rate was eleven per cent for men in 1996, compared to one per cent in 1971 (p 118).

Unemployment amongst men was not the only work-related issue facing these areas. Some people were over-worked, under-paid, or in insecure employment. Some women who wanted to work were unable to because of the lack of part-time jobs or affordable childcare. But the main recurring issue that Peel found in these communities is the toll of unemployment on men. He describes how unemployment is about more than a lack of money. Amongst working class men, the link between masculinity, work and providing for the family are very strong. ‘All of the other things you wanted to be – a good husband and father or a good mate – depended on your ability to work.’ (p 123).

Carol’s account of her husband’s unemployment is reproduced from Peel (2003: 126).

My husband had always driven a crane. He had only been trained for two years and he hadn’t been unemployed in his life. His self-esteem went down the drain. It was terrible because they think they’re never going to work [again].

I had the part-time job, and I used to come home of an afternoon and he’s laying on the floor that depressed. He would just go to sleep, he was that depressed.
It was really hard, to see a man that age asleep at half past three in the afternoon. He was really depressed. That’s terrible. It breaks your heart to see a man who’s brought home that amount of money laying on the floor doing nothing. He didn’t feel like he wanted to do anything either, because he was depressed.

The worst thing was he felt like he was letting me down. That was the worst thing.

3.3 Indigenous Australians

Poverty amongst Indigenous Australians goes far beyond their low incomes, described in the previous section. For instance, compared to non-Indigenous people, they have nearly twenty years less life expectancy at birth, sixteen times higher rates of imprisonment, 3.8 times the unemployment rate, 44 per cent the rate of school retention, 24 times the rate of hospital admissions of women due to violence, and 47 times the proportion living in dwellings with ten or more people (ACOSS, 2003).

A paper authored by Hunter (1999) includes two case studies that highlight some of the inter-related issues facing many Indigenous people, such as inadequate housing and overcrowded dwellings, lack of education, low pay and inadequate social security and services, health problems, alcohol and drug dependency, intergenerational effects of the separation of children from their families and problems with the law. The first was a case study of ‘Nan and Pop’, sourced from the Western Australian Report for the Royal Commission into Aboriginal Deaths in Custody, and reproduced below.

Nan and Pop were raised in the rural south-west of Western Australia where they and their parents were employed as cheap farm labour. Both achieved only very basic literacy standards to grade three level. While Nan was a non-drinker of alcohol, Pop only abstained from consumption of alcohol when required to by poor health.

In 1991, Nan and Pop had six sons, 23 grandchildren (ranging in age from seven to 22) and four great grandchildren. While the family’s duties were in a constant state of flux, the household budget barely covered the expenditure required to look after themselves and two grandchildren. There was no allowance for unplanned contingencies such as funerals, transient relatives, school excursions and activities, extended family crises, and credit payments. These contingencies from time to time prevented, or delayed, regular financial commitments being met. Insufficient income had forced a continuous reliance on relatives and welfare organisations to provide a ‘top-up’ in order to survive from pay day to pay day or to meet any other necessities. Generally, final days leading up to pay day meant a diet of cheap meat and bread.

Social security payments to two young adult grandchildren were received on the alternate week to that when Nan and Pop received their pension. Within two days of that payment being received, the total was spent on alcohol, other entertainment, clothes, taxis or food. In addition, Nan and Pop provided food and support to the friends and peer relatives of the grandchildren who came to stay from time to time. There was a chronic lack of money to acquire basic household necessities such as furniture so a heavy reliance was placed upon welfare or charity organisations for these.

Nan and Pop’s Homeswest residence was in a very dilapidated state. Unsealed eaves near the roof allowed cold air to penetrate throughout the rooms. Chronic illnesses like asthma, arthritis, bronchitis and susceptibility to the cold demanded the need for a reliable heating source. The shower leaked through the wall into the adjoining bedroom. Brick mortar had become chalky causing bricks to become loose. The roof was sagging both at the tile level externally and at the internal ceiling level due to drainage malfunction. The internal walls required painting and plaster work. As a consequence the house did not provide much protection from the elements. This was particularly so during the winter months when their health was affected considerably. Nan and Pop’s bedroom was virtually an icebox. Being in possession of only a small one-bar heater they could only stay warm by either sitting very close to the heater or by remaining fully covered up in bed. On one occasion, Nan had sat too close to the heater and received burns to the front of her legs.
With regard to diet, Nan’s blood sugar level was far too high. The Aboriginal Medical Service urged Nan to go on a special diet in order to reduce the level of sugar. The special meals could be delivered daily to Nan at a cost of $150 every three months. Assistance was sought from the Department of Community Services to meet the cost associated with this service. They responded by stating that it was not their policy to fund such a service and to do so in this instance would set a precedent for similar requests. Lack of a response from the Department for Community Services to the request meant that Nan’s limited finances dictated a diet that could accommodate all members of the household. Basically, their diet consisted mainly of cheap red meat.

A few of Nan and Pop’s grandchildren were becoming involved in drugs and the culture associated with them. They had been known to assist friends in the sale of drugs, which enabled them to partake in their consumption without having to find money to pay for them. From time to time teenage and young adult grandchildren came home drunk with others, and became boisterous, aggressive and often fought amongst themselves. Police had noticed this activity. Sometimes Nan was forced to call in the police to stop them, which could result in arrests. The grandchildren had been labelled ‘troublemakers’ by police. As a consequence, police were giving them a fair amount of attention.

Each time a grandchild was arrested Nan and Pop assisted with matters such as bail. Each time a grandchild was due for court appearances both grandparents attended court to provide support. Their age dictated that they be escorted to the court building so it might be necessary to use taxis or a son’s vehicles. Essentially, Nan and Pop’s situation is a clear example of the anomaly that exists for Aboriginal people between income received, and fortnightly expenditure. Nan and Pop are not alone in that situation and, as the details provided in their budget reveals, economic realities impinged on every facet of life. The lack of income was a major dynamic in their poverty and fed back into housing, health and justice spheres-of-life.

3.4 Young people and tertiary students

There are many factors that contribute to the high rates of poverty and hardship amongst young people. Youth unemployment is high on this list. The transition from school to work has become particularly precarious but other factors such as leaving home at a young age due to family breakdown are also important. Youth living alone are particularly prone to poverty.

The issues facing tertiary students form an interesting case study. While education is often cited as a path out of poverty, students often experience poverty in the process of obtaining their education. Students are often forced to work whilst studying, thus limiting their capacity to study and obtain quality education. This can deter some people, especially the most disadvantaged young people from pursuing tertiary studies.

HECS debts can also affect choices throughout life, such as home purchase and family formation. Women who have children and work part time might retain their HECS debts for their entire working lives. These issues are discussed in detail in the Senate Community Affairs References Committee’s (2004) report on poverty and financial hardship.

The following case study is reproduced from the Shelter NSW (2003:16) submission to the inquiry, which was also reproduced in the Community Affairs References Committee’s (2004) report.

**Austudy is not enough**

Wendy is 30. She has worked in retail and hospitality for many years. Her parents are elderly pensioners.

In 2002, Wendy enrolled in a full time graphic design course at Enmore TAFE. She applied for Austudy and scaled down her hours to 6 hours retail work on a Saturday, which paid $100 a week. This meant her weekly income was about $248 a week.
Wendy was renting a room in a share house within walking distance of the TAFE. Her rent was $130 a week.

After paying her rent, utilities, plus buying materials for the course, Wendy estimates that some weeks she may only have $20 left for food.

Wendy was doing two hours of homework a night, and working Saturdays. After 6 weeks she found it too stressful to juggle the demands of the course, and pay for rent, food, and also keep working on the weekends. She dropped out.

Wendy went off Austudy and returned to working in retail at a different art supplies shop and is now employed as a casual.

Wendy had this to say: ‘Austudy should definitely have Rent Assistance – if the dole has it, then Austudy should have it too. As a person trying to better myself – because I don't want to work as a casual in retail for the rest of my life where I live from week to week and the only way of doing that is educating myself and getting the qualifications – I find it hard to because Austudy is less than the dole. You also have more expenses when you are studying. The dole is more than Austudy!’

3.5 Disabled People

Many disabled people are limited in their employment prospects, and have low incomes as a result. But many disable people also have additional costs to meet due to their impairments, for things such as transport, medical expenses, home-modifications, just to name a few. Financial considerations are of course not the only issues for disabled people. For many people, factors such as accessibility and discrimination also contribute in other ways to the everyday experience of being disabled. Rates of income poverty thus underestimate the hardship experienced by people with disabilities.

In arguing for a cost of disability allowance to supplement existing income support, Disability Action (2003: 24) presented a number of case studies in their submission to the Senate Poverty Inquiry. One of these is reproduced here as an example of the costs associated with disability or severe health problems.

Disability Action Inc. was approached by the parents of a young man who suffered Chronic Fatigue Syndrome. His state of health worsened and he was diagnosed with an allergic reaction to several common elements in almost all of our foods. Only a special diet can keep him functioning relatively well. He can eat only special foods because his stomach becomes inflamed.

The special diet his parents discovered has improved his condition remarkably, however, as it costs around $60,000 a year to keep the young man alive, and there are no subsidies which could be accessed, the parents cannot afford to purchase this food. They have already sold their house and property and rented a house in order to buy this special food. Yet the money will soon be gone and it seems there are no funds available to assist with the purchase of this food for their son.

3.6 Retirees

While people of retirement age are less likely to suffer from hardship than younger people, those who do not own their own home, or who are living alone, are prone to be disadvantaged.

It is generally accepted that the expectations of living standards by retirees are often lower than younger people, as illustrated by this case study, reproduced from ASFA (2000: 12).
Miss P (expenditure around $8,600/income about $10,000 pa) lives an austere lifestyle. Her social life revolves around the many clubs and groups that she belongs to, the voluntary work she does and going to bingo and indoor bowls. She eats at clubs fairly often spending around $7 for a meal. She considers $10 too much to spend on a meal.

She spends very little on food and grocery shopping as she often eats while she is out. She also gets fruit or meat when friends win fruit trays or meat trays at bingo and divide them up. She has not had to buy washing powder for 3 years since she won a lot once at one of the clubs. Her spending on food and shopping has not really changed in retirement.

Miss P does not consider that she has had to cut back on spending in retirement. She lives within her modest expectations. There is nothing she would like to do but cannot afford to. Yet she considers $10 for a hot meal at some clubs excessive and therefore avoids going to those clubs for meals. She is proud that she has found the Bronte RSL club which only charges $3 for a hot meal. She is quite happy with what she does.

‘I realise I have to live on the pension and I just live within my means.’

Older people are often financially reliant on their homes and on their cars for mobility.

Mrs Z (82 years) is planning on moving to a retirement unit in the near future because she finds it increasingly difficult to cope without having to ask people to do things around the house for her. She found that the value of her modest but comfortable fibro home would not cover the cost of many retirement units. She has found one that she can afford and considers that it is ‘not the best’ but has decided that she will make it do in order to maintain her independence. (p 17)

Mr and Mrs G have a 13-year-old car. They go out nearly everyday somewhere, to the shops or ‘wherever’. They could not do without the car for shopping, and Mr. G said he would be housebound without the car.

*Whatever happens we must afford to run the car. If it came to it we would have to go without other things. We haven’t had to yet though.* (p 17)

3.7 People affected by substance abuse

There is a two-way relationship between poverty and substance abuse. Substance abuse is associated with high rates of unemployment, poverty and homelessness (Jope, 2000). She cites Johnson and Taylor (2000), who find that ‘an increased fear and mistrust of the poor may be a consequence of the connection made between poverty, drugs, violence and crime.’ This is linked to the visibility of drug taking in the community.

However, Jope argues that rather than being just a cause of poverty, substance abuse can also be a consequence of poverty. Long-term unemployment, for instance, can lead to depression and possibly substance abuse. In this context, she argues that a ‘tough on drugs’ policy is inappropriate.

3.8 People recently released from prison

Recent work by Baldry et al. (2003a; 2003b) highlights the many issues facing prisoners re-entering the community. Many of the disadvantaged groups mentioned elsewhere in this paper are over-represented in the prisoner population. These groups include Indigenous Australians, youth, homeless people, people with mental illness, people with intellectual disabilities.
Baldry et al.’s study was based on interviews with 341 prisoners (145 in Victoria) pre-release, and at three month intervals up to nine months post-release. After nine months, they found that the outcomes of the prisoners were generally worse than prior to imprisonment in New South Wales. Approximately 35 per cent of the sample had been re-incarcerated. Interim findings suggested that the Victorian ex-prisoners were doing much better than those in New South Wales, though they still faced many issues. The New South Wales sample were twice as likely to be homeless nine months after release (38 per cent) than prior to imprisonment (20 per cent). This increase was not apparent for the Victorians – eight per cent were homeless after nine months, compared to twelve per cent prior to imprisonment. Many were living in marginal housing, though fewer in Victoria than in New South Wales. Only seven per cent of the NSW sample was employed after nine months, while one quarter of the Victorians were employed. Some were indebted and some had drug problems.

The authors suggest that is non-sensical to expect social-reintegration of ex-prisoners without extensive assistance.

3.9 People from non-English speaking backgrounds

People from non-English speaking backgrounds face greater difficulties finding employment than immigrants of previous eras. This is partly because of the decline in the supply of unskilled jobs. The unemployment rates of some non-English speaking communities are high.

A report by the Queensland Government (2001) addressed the employment difficulties facing these people. Through focus groups, the experiences of nearly 100 unemployed immigrants were analysed. A key finding was that the participants had an ‘overwhelming desire to contribute to Australia through employment’. The six most common issues raised were ‘English language problems; the lack of access to timely information relating to employment and training options; the unfamiliarity of Australian systems; lack of referees and relevant work experience; and negative experiences in seeking employment, professional recognition and/or training.

Many of the focus group participants reported experiences of discrimination. The experience of two Bosnian participants is reproduced here from this report (p 36).

One male factory worker stated that after being asked by his supervisor of his nationality, he was later informed that there was no work for him. – ‘I was working for couple of weeks in one factory. One day my boss asked me what is my background. I said Bosnian. Later that same day he told me that business was not going well and that there is no more work for me in the factory.’

One female recalled a similar situation: ‘I was working as a kitchen hand in one restaurant. I couldn’t speak English but I didn’t need any language to wash up. One day my boss came to me and asked if I was Bosnian. I said, yes. He said that all Bosnians are the same and he doesn’t want any trouble there. That day I lost my job.'
3.10 No category?

Most of the above case studies show that experiences of poverty are rarely due to one factor alone. The factors often work in combination. The following case study, reproduced from Anglicare Victoria’s (2003) submission to the Senate Poverty inquiry, further emphasises this point. It highlights the danger to disadvantaged people of ‘falling through the cracks’ if they do not neatly fit into any category that has been identified as being at high risk.

*What is the future for Kim?*

Three and a half years ago, Kim Nelson was referred to Anglicare Victoria, barely able to read or write and with a history of suffering abuse and violence from her family.

Kim was successfully accommodated with Anglicare Adolescent Community Placement, sharing in the life of another family who welcomed her with open arms. After two years, she moved to Step Out – a Lead Tenant program that provides semi-independent living, with a supervisor to turn to when past issues resurface. She has developed independent living skills that many of us take for granted – she can pay her bills, she can cook, clean, and be a real companion. However, emotionally she continues to need support. Chronologically she may be 18 but the scars and experiences of her childhood mean she functions at a much younger age. She now understands that she was not the cause of all of her family issues, but she does not trust adults readily and needs to maintain connections with people she trusts.

Kim has had a chequered educational experience – frequent suspensions and regularly changing schools. Since being referred to Anglicare, Kim had however made positive progress by working with various counselling teams including the agency’s Youth and Family Counselling program and adolescent support groups. Anglicare has also worked intensively to improve her education – she took part in a ‘Catering for the Community’ Youth Education, Employment and Training scheme which gave her the courage to return to school. She now has a dream – to complete her VCE next year and go to university. With strong support she can achieve this.

Yet her VCE, that one ray of hope in her life, is clouded as she has no suitable housing options. Kim has just turned 18, and is now deemed too old to be eligible for adolescent supported housing programs. Kim’s difficulties in trusting people, and lack of social skills means that mainstream share accommodation or transitional housing are not viable options. Private rental is way out of reach. Kim is in danger of slipping through the cracks due to rigid service delivery boundaries. She fits no system, and after years of prevention work with Anglicare Victoria, she is at a vulnerable stage – Kim needs an extension of the supported accommodation that she has experienced. Without it, education, and therefore possibly employment, are beyond her grasp.
Chapter 4

Who cannot always afford to pay their utilities bills on time?

As discussed in Section 2.2, the ABS Household Expenditure Survey of 1998-99 asked a number of questions related to financial stress. Amongst these, one question is of central importance to the research question being addressed in this paper. This is the question of whether in the past year the household could not pay electricity, gas or telephone bills on time because of a shortage of money (hereafter referred to as ‘utilities stress’). These questions were asked of one person in each responding household. The person who answered the question was either the household reference person or their spouse (if applicable), randomly picked.

An immediate question is whether the combination of ‘electricity, gas and telephone’ services is a good proxy for the utilities sector. Telephone services are not usually regarded as utilities. Water and sewerage services, on the other hand, are usually encompassed within the ‘utilities’ category, though these are absent from the data item under consideration. One could argue that the nature of telephone services billing is different to that of utilities. Telephone bills are presumably more likely to fluctuate over time. Fixed telephone services accounted for a slightly greater proportion of household expenditure than electricity, gas or water (an average of $14.37 per household per week for Australia in 1998-99, compared with $13.70 for electricity, $3.20 for gas and $5.96 for water/sewerage). Mobile telephone services accounted for a further $4.40 per week. The absence of water and sewerage services is less of an issue. These services account for a smaller proportion of household expenditure than other utilities. Furthermore, water is rarely paid for directly by people in rental accommodation, and so its exclusion makes comparisons between renting and non-renting households more valid. As shall be described below, rental households are more likely to have had difficulties in paying their bills than households of other tenures. In any case, we argue that an analysis of this variable will lead to a reasonably accurate depiction of households that are likely to suffer from utilities-related financial stress.

A second issue is how to interpret self-reported difficulties with paying bills on time. The HES survey suggests that 16.1 per cent of Australian households could not pay electricity, gas or telephone bills on time because of a shortage of money. Victoria, at 14.7 per cent, had the lowest percentage of people reporting difficulties of all the States and Territories (Figure 4.1). One might assume that ‘on time’ refers to the deadline on a given bill. If this was the case, the percentage stated above would be equal to the proportion of households who were sent a reminder notice for either electricity, gas or telephone bills at least once in a given year. Such data are not available to test this scenario. Alternatively, some surveyed

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9 The reference person for each household is chosen by applying the selection criteria below to all usual residents aged 15 years and over from the top down until a single appropriate reference person is identified:
- one of the partners in a registered or de facto marriage;
- a lone parent;
- the person with the highest income; and
- the eldest person. (ABS, 2000: 94)

10 Author's calculations from ABS Household Expenditure Survey 1998-99 Confidentialised Unit Record File. These averages may include households with zero expenditure in one or more of these expenditure categories.
respondents might regard ‘on time’ to mean that bills are paid by the deadline on a reminder letter. It is possible that other respondents may have an even more generous interpretation of paying bills ‘on time’. Therefore, it is likely that the 14.7 per cent of households that reported such difficulties are a subset of those households that missed the deadline on at least one bill in a given year.

Figure 4.1
PERCENTAGE OF HOUSEHOLDS REPORTING UTILITIES STRESS BY STATE OR TERRITORY 1998-1999

The reader may seek to apply the findings made in this report to identifiable groups of utilities customers. Findings from other sources can perhaps assist in interpreting the HES data. Two external sources have been identified. One is from the Essential Services Commission (2004) and the other is a survey conducted by Ray Morgan Research (2002: 78-80).

In its Review of Electricity and Gas and Retail Codes, The Essential Services Commission (2004: Appendix 3) reported that the number of reminder notices sent out by AGL Victoria in a bill cycle is equal to approximately 21.5 per cent of the number of initial bills. The number of disconnection warnings is equal to about 6.6 per cent of the number of initial bills. The corresponding percentages for disconnection warnings by Origin Energy (Victoria) are 26 per cent for electricity and 16 per cent for gas. The corresponding percentage for TXU electricity services is 16 per cent. Recall that the HES asks respondents about the previous year, while the Essential Services Commission data refers to a single bill cycle. If 6.6 per cent of households receive a reminder notice in a given quarter for one utility type, it is probable that a larger proportion of households received a disconnection warning for either electricity, gas or telephone during an entire year.
In the Roy Morgan survey, households in Victoria were asked ‘how often, if ever, would you have difficulty paying any of the [electricity; gas; water; council rates, respectively] bills’. Possible responses were ‘always’, ‘sometimes’, ‘hardly ever’, ‘never’, ‘not used’, and ‘can’t say’. Those that responded in one of the first three categories were deemed to have had problems at some stage. In 2001, fourteen per cent of households that received electricity bills had problems at some stage paying them. Of households receiving gas bills, twelve per cent have problems paying at some stage. Of households receiving water bills, eleven per cent have problems paying at some stage. These compare with seventeen per cent, sixteen per cent, and thirteen per cent of households in 1996. Subsets of these groups ‘discussed the problem with the supplier’. These subsets constituted 38, 34 and 29 per cent of households reporting problems with paying electricity, gas, and water, respectively. These subsets of people are obviously easier to identify by utility companies.

Returning to the question of how best to match the findings in this report with identifiable groups of utilities customers, it is not altogether clear how this is best done. But on the available evidence, it seems likely that those identified in the HES data as having ‘utilities stress’ might be a similar group of households to those that have received a disconnection warning on either electricity, gas or telephone services in a given year. The set of households that discuss problems with paying bills with the supplier are a smaller group. It is not immediately apparent whether the findings in this report are directly applicable to either group. However, as discussed above, the findings are in relation to households that have been unable to pay bills due to shortage of money. Therefore, credible inferences can be made to either of these identifiable groups discussed above.

The likelihood of households reporting this type of financial stress varies according to household characteristics. These are examined in the remainder of this chapter. The factors considered are age, sex, household income, labour force status, household type, number of dependents, housing tenure, education, disability status and country of birth. These factors are first examined individually, and then simultaneously through multivariate regression analysis.

### 4.1 Age

As shown in Figure 4.2, the data suggest a clear relationship between age and utilities stress. Younger people were far more likely to report utilities stress than were older people. For Australia overall, over forty per cent of households with a 15-22 year old reference person reported utilities stress, compared to only 2.2 per cent of households with a reference person aged 75 or over. This pattern is broadly consistent for Victoria. Within most age groups, the proportions were slightly lower for Victoria than for Australia overall. The exceptions were the 15-22 and the 40-49 year age groups, for which the percentages were higher for Victoria than for Australia (51.7 per cent and 19.9 per cent, respectively, for Victoria; and 40.6 per cent and 17.6 per cent for Australia).
4.2 Sex

There is little or no difference between the proportion of males and females who live in households reporting inability to afford utility bills. As shown in Figure 4.3, this is the case for Australia as a whole and for Victoria. The difference between males and females is not statistically significant in either case.
4.3 Household income

As expected, there is a clear relationship between household income and utilities stress. In Figure 4.4, households are grouped into income quintiles. For example, the bottom 20 per cent of households ranked by income are in the ‘Low’ quintile. Following current best practice in income distribution analysis, the measure of income that has been used is equivalised disposable income.\(^\text{11}\) This is a measure of household income after income tax and the Medicare Levy are paid, with adjustments made for household size.

The difference between higher and lower income households’ propensities for utilities stress is perhaps not as large as one would anticipate. This is probably partially explained by an age effect (see Section 4.1). For example, older households are unlikely to report utility bill stress, though they typically have lower incomes.

The proportions are slightly lower for Victoria than for Australia in most income quintiles, with the top quintile being the exception.

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\(^{11}\) See, for instance, ABS (2003: Appendix 3) for a description of the equivalised income concept. The equivalence scale used is the ‘revised OECD’ scale, which assumes that the second and subsequent adults in a household each need half as much income as the first adult for the household to maintain an equivalent standard of living, while each child aged under fifteen years requires an additional 0.3 times the income of the first adult.
4.4 Labour force status

In the analysis of labour force status, households with reference people aged 60 years or over have been excluded. It is not surprising that households with an employed reference person are less likely to experience utilities stress than households with a reference person who is unemployed or out of the labour force. For both Australia overall and Victoria, the percentage of households that reported utilities stress is about three times as high for those with a reference person who is not working than households with an employed reference person (Figure 4.5). For Australia overall, the proportion is slightly higher for households with unemployed reference persons (47 per cent) than for households with reference persons out of the labour force (40 per cent). The corresponding difference is not statistically significant amongst Victorian households (42 per cent and 45 per cent, respectively).

Figure 4.5
PERCENTAGE OF WORKING AGE HOUSEHOLDS REPORTING UTILITIES STRESS BY LABOUR FORCE STATUS OF REFERENCE PERSON – AUSTRALIA AND VICTORIA 1998-1999

4.5 Household type

All households have been grouped into one of five categories of ‘household type’. These are ‘living alone’, ‘couple only’, ‘couple with children’, ‘sole parent households’ and ‘mixed households’.

As shown in Figure 4.6, sole parent households are clearly the most likely to suffer from utilities stress (39 per cent in Australia overall and 41 per cent in Victoria). Mixed households are next most likely (21 per cent in Australia overall and 26 per cent in Victoria). The difference between these households and other households are greater within Victoria than in Australia overall.
Couples with children are much more likely to report utilities stress than couples without children (seventeen percent compared with seven percent for Australia). This could be partially a result of age differences, as a large proportion of couples living alone are elderly.

**Figure 4.6**

PERCENTAGE OF HOUSEHOLDS REPORTING UTILITIES STRESS BY HOUSEHOLD TYPE – AUSTRALIA AND VICTORIA 1998-1999

4.6 Number of dependent children

Dependent children are defined as ‘all people aged under 15 years; and people aged 15-24 years who are full-time students, have a parent in the household and do not have a partner or child of their own in the household’ (ABS, 2000: 90).

As shown in Figure 4.7, households with dependent children are more likely to report utilities stress than households without children. Again, this result could partially reflect age differentials, as elderly households are very unlikely to report utilities stress, and they are also very unlikely to have children.

Differences in these propensities between households that do have children are perhaps easier to interpret, since there is unlikely to be a strong age effect influencing the results. There is not a large difference in these percentages between households with one, two and three dependent children, be it for Australia overall, or for Victoria. It is possible that there is an age effect influencing this result, since families with more children tend to be slightly older. The Australian rate for three children is somewhat higher than for two children. There is a large difference, however, between such households and households with four or more children. About half of households with four or more children report utilities stress, roughly twice the percentage of households with one to three children.
4.7 Housing tenure

Households were classified according to their housing tenure. Households either own their dwelling outright, are purchasing the dwelling, renting privately, renting publicly, or occupying the dwelling through another arrangement (including a rent-free arrangements).

Renters, particularly renters of publicly owned dwellings, are most likely to report utilities stress (Figure 4.8). In Victoria, there is little difference between the percentages reported by private and public renters, at around thirty per cent each. As would be expected, households that own their dwelling outright are much less likely to report utility stress than purchasers. This is a function of the difference in housing costs and of the age difference, as elderly people are much more likely to own their homes outright than younger people.
4.8 Education

There are also differences in reported utilities stress by educational qualifications. In Figure 4.9, households are grouped according to the highest educational qualifications obtained by anyone in the household. Despite the fact that elderly people are less likely to have obtained university degrees than younger people, the results clearly suggest that households in which at least one person has achieved post-school educational qualifications are less likely to report utilities stress. For Australia overall, nineteen percent of households in which no person has obtained post-school qualifications report utilities stress. This percentage is more than twice that of households in which at least one person holds a university bachelor degree or higher qualification (9 per cent), compared to fifteen percent of households in which a diploma or vocational qualification is the highest qualification obtained. The relative percentages are very similar for Victoria.
4.9 Disability status

In the HES, people are classified on the basis of their disability status into one of the following categories: severe or profound restriction, moderate restriction, schooling or employment restriction only, no known specific restriction, or no disability/health condition. In the present analysis, households are categorised according to the most severe restriction amongst household members. The propensities of reported utilities stress for each of these categories are reported in Figure 4.10.

Not surprisingly, the proportion of households reporting utilities stress is relatively low for households with no persons with a disability/health condition (fourteen per cent for Australia and Victoria, respectively). Amongst Victorian households, those that include a person with severe or profound restrictions are least likely to report utilities stress (seven per cent). In contrast, the percentage is highest amongst households with ‘schooling/employment restriction only’ as the most severe restriction of households members (35 percent and 43 per cent for Australia and Victoria respectively. These results are not a function of sampling error, as the sample size is larger than fifty in each category for the Victorian results, and no less than 260 for each category in the overall Australian results. It may be that the results are driven by age differences, since people reporting schooling and employment restrictions are more likely to be younger than people with profound or severe restrictions.
4.10 Country of birth

Households have been analysed here according to the country of birth of the reference person. Due to sample size limitations, countries were grouped into the following categories: Australia, Other Oceania and Antarctica, North and West Europe, South and East Europe, South East Asia, and a residual ‘other’ category.

As can be seen in Figure 4.10, seventeen percent of Australia’s households with reference persons born in Australia reported utilities stress. Amongst Victoria’s households, the corresponding percentage was fifteen. Utilities stress was highest amongst households with a reference person born in ‘Other Oceania and Antarctica’ (24 per cent for Australia and Victoria, respectively). In 2001, approximately 78 per cent of persons living in ‘Other Oceania and Antarctica’ were born in New Zealand, while persons born in Fiji and Papua New Guinea make up most of the remainder. The percentages were also higher for the ‘other’ category than for households with reference persons born in Australia.

Households with reference persons born in Europe or South East Asia were less likely to report utilities stress than Households with reference persons born in Australia.
4.11 Multiple regression analysis

As has been alluded to throughout this chapter, many of the apparent relationships discussed so far are subject to influences that have not yet been controlled for. For example, Victorian households that include a person with a profound or severe restriction are less likely to report utilities stress than households in which no members have disabilities (Section 4.9). It is possible that this may be driven by age differences between the two groups of households. Similarly, income may have a greater effect than implied in Section 4.3 once the effect of age differences are removed.

One way of controlling for such effects is through multiple regression analysis. Such an analysis can be used to investigate the relationships between the dependent variable (utilities stress) and each demographic factor, whilst holding constant all the other variables. For example, one can determine the relationship between utilities stress and income, independently of the relationship between income and the other variables. All of the factors discussed above have been included in the models as explanatory variables, with the exception of sex and number of dependent children. Sex is excluded because the household is the unit of analysis. The number of dependent children variable has been combined with the household type variable to simplify the interpretation. Household expenditure on electricity, gas and telephone has been added as an explanatory variable.

In this model, the dependent variable (utilities stress) is a binary response variable. This means that it can take on only two values, indicating the presence or absence of utilities stress. A logistic model is an appropriate model to analyse a binary response variable. Two models have been estimated, one for Australia overall, and one for Victoria.
The nature of logistic regressions is such that the results are not always simple to interpret. Each explanatory variable in the regression has been specified as a categorical variable to allow for non-linear relationships with the dependent variable, and in order to make interpretation easier. The results are shown in Table 1. To understand these results, one must be familiar with the concept of an odds ratio. The odds ratio is of course the ratio of two odds. Odds, in turn, are equal to the probability of an event occurring divided by the probability of the event not occurring. Thus a probability of sixteen per cent corresponds with odds of \( 0.16/(1-0.16) = 0.1905 \).

An odds ratio greater than one thus indicates that the event is more likely to happen, whilst a ratio of less than one indicates that the event is less likely to happen. Since odds ratios are relative, they are expressed in reference to a specific category within each variable. For example, Table 1 shows that for Australia overall, the estimated odds of a household with a reference person aged 75 or over reporting utilities stress are only 5.7 per cent that of a household with a reference person aged 15-22, holding other factors constant. The reference category for each variable is indicated by an odds ratio of 1.000. One can also calculate the odds ratio between any pair of categories (within a given variable) by taking a ratio of odds ratios. For instance, the estimated odds of a household with a reference person aged 23-29 reporting utilities stress are \( 0.816/0.327 = 2.5 \) times higher than that of a household with a reference person aged 50-64. The odds ratios for the expenditure on electricity, gas and telephone variable should be interpreted differently because it is not a categorical variable. In this case, the odds ratio is in reference to a one dollar per week increase in expenditure. Thus in the regression for Australia, a one dollar increase in weekly expenditure on these services corresponds to a 1.3 per cent increase in the odds of utilities stress. A ten dollar increase corresponds with an odds ratio of 1.013 to the power or 10. This is equal to an increase in odds of fourteen per cent.

Table 1 also includes columns that refer to statistical significance, shown for each variable in its entirety, and for each category compared to the reference category.

The results of the multiple regressions are broadly consistent with the bivariate relationships reported above, though there are some differences. The key features of the regression results are summarised below by variable.

**Age**

The Age variable is statistically significant at the one per cent level in both regressions. As suggested in the bivariate analysis, the youngest households are most likely to report utilities stress, while the oldest households are least likely to report it. One can compare the odds ratios with those that can be calculated from the percentages shown in Figure 4.2. Such a comparison suggests that the effect of age is moderated somewhat when other factors are held constant. The difference between those aged under 40 and the older age groups is smaller once other factors are accounted for. There remains a strong association between age and utilities stress.
### TABLE 1 – ESTIMATED ODDS RATIOS AND STATISTICAL SIGNIFICANCE IN LOGISTIC REGRESSIONS FOR UTILITIES STRESS – AUSTRALIA AND VICTORIA

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>Victoria</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>odds ratio</td>
<td>stat. sig.</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15-22</td>
<td>1.000</td>
<td>***</td>
</tr>
<tr>
<td>23-29</td>
<td>0.775</td>
<td></td>
</tr>
<tr>
<td>30-39</td>
<td>0.616</td>
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<tr>
<td>40-49</td>
<td>0.523</td>
<td>***</td>
</tr>
<tr>
<td>50-64</td>
<td>0.291</td>
<td>***</td>
</tr>
<tr>
<td>65-74</td>
<td>0.133</td>
<td>***</td>
</tr>
<tr>
<td>75 and over</td>
<td>0.057</td>
<td>***</td>
</tr>
<tr>
<td><strong>Income quintile</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>0.815</td>
<td>*</td>
</tr>
<tr>
<td>3</td>
<td>0.550</td>
<td>***</td>
</tr>
<tr>
<td>4</td>
<td>0.341</td>
<td>***</td>
</tr>
<tr>
<td>High</td>
<td>0.139</td>
<td>***</td>
</tr>
<tr>
<td><strong>Household type</strong></td>
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<td></td>
</tr>
<tr>
<td>Couple only</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Couple with one child</td>
<td>1.120</td>
<td>1.538</td>
</tr>
<tr>
<td>Couple with two children</td>
<td>1.178</td>
<td>1.110</td>
</tr>
<tr>
<td>Couple with three children</td>
<td>1.517</td>
<td>**</td>
</tr>
<tr>
<td>Couple with four or more children</td>
<td>1.611</td>
<td>***</td>
</tr>
<tr>
<td>Living alone</td>
<td>1.343</td>
<td>**</td>
</tr>
<tr>
<td>Mixed household</td>
<td>1.333</td>
<td>*</td>
</tr>
<tr>
<td>Sole parent</td>
<td>2.201</td>
<td>***</td>
</tr>
<tr>
<td><strong>Housing tenure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owned outright</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Being bought</td>
<td>3.278</td>
<td>***</td>
</tr>
<tr>
<td>Renting – public</td>
<td>5.323</td>
<td>***</td>
</tr>
<tr>
<td>Renting – private</td>
<td>4.884</td>
<td>***</td>
</tr>
<tr>
<td>Other tenures</td>
<td>2.858</td>
<td>***</td>
</tr>
</tbody>
</table>
| **Labour force status of reference person** | | | | **
| Employed               | 1.000     |           | 1.000     |           |
| Not in labour force    | 1.170     | 2.170     | **        |
| Unemployed             | 1.395     | *         | 1.963     |           |
| **Qualifications**     |           | **       |           |           |
| Bachelor degree or higher | 1.000   | 1.000     |
| Diploma/vocation       | 1.309     | **        | 1.572     |           |
| No post-school         | 1.351     | **        | 1.427     |           |
| **Severity of restriction** | *** | **       |           |           |
| No disability/health condition | 1.000 | 1.000     |
| No known specific restriction | 1.635 | ***       | 1.567     | *         |
| Schooling/employment restriction only | 2.223 | ***       | 2.767     | ***       |
| Moderate restriction   | 2.594     | ***       | 1.937     |           |
| Severe or profound restriction | 2.021 | ***       | 0.629     |           |
| **Country of birth of reference person** | | *       |           |           |
| Australia              | 1.000     |           | 1.000     |           |
| NW Europe              | 0.787     | *         | 1.016     |           |
| Other Oceania          | 1.332     |           | 1.087     |           |
| SE Asia                | 0.609     | **        | 0.591     |           |
| SE Europe              | 1.018     |           | 0.840     |           |
| Other                  | 0.922     |           | 0.790     |           |
| **Expenditure on electricity, gas and telephone** | **       |           |           |           |
| 1.013                   | 1.015     | ***       | 1.015     | ***       |
| **N=**                 | 6892      |           | 1371      |           |

*** statistically significant at 1% level  
** statistically significant at 5% level  
* statistically significant at 10% level
**Income**

Income is also statistically significant at the one per cent level in both regressions. Households with the lowest income are most likely to report utilities stress, while high income households are least likely to report it. The odds ratios are lower than those that can be calculated from the percentages shown in Figure 4.4.. This suggests that the effect of income is greater that implied by the bivariate comparisons when the other factors are held constant. Nevertheless, the income effect is not as strong as the age effect.

**Household type**

The household type variable is also statistically significant at the one per cent level in both regressions. However, the effects of household type differences are greatly reduced once other factors are accounted for in the multiple regressions. For instance, the bivariate results imply that the odds of sole parents reporting utilities stress are more than eight times higher than that of couple only households for Australia overall, and over ten times higher for Victoria. In the multiple regression results, these odds ratio are reduced to 2.2 and 2.9, respectively. Nevertheless, there are significant effects associated with household type that are not accounted for by the other variables.

**Housing Tenure**

Housing tenure is statistically significant at the one per cent level for both regressions. Outright owners are clearly the least likely to report utilities stress, even when age and other factors are held constant. For Australia overall, renting is associated with the highest propensity of utilities stress. The difference between renters and purchasers is much smaller than implied by the bivariate comparisons, once other factors are accounted for. Within Victoria, the propensity of renters to report utilities stress is similar to that of purchasers, other factors being held constant.

**Labour Force Status**

Labour force status of the reference person is not statistically significant in the model for Australia, though it is significant at the five per cent level for Victoria. This does not mean, of course, that labour force status is not important to utilities stress, but that its effect is largely explained by the other variables, presumably by income and age, especially.

**Qualifications**

The highest level of qualifications obtained by a household member variable is significant at the five per cent level in the regression for Australia. The relationship is much weaker in the regression analysis than implied by the bivariate analysis. Thus the effect is partly explained by other variables. This variable is not statistically significant in the regression for Victoria.
Severity of restriction

This variable is statistically significant at the one per cent level in both regressions. In the bivariate analysis, households with schooling or employment restrictions as the most severe restriction of its members had by far the highest incidence of utilities stress (Section 4.9). The regression results suggest that this finding is mostly explained by other characteristics. The results for Australia suggest that having people with restrictions is associated with a higher rate of utilities stress than otherwise, regardless of the severity of restriction. Within Victoria, however, households with severe or profound restrictions as the most severe restriction of its members are no more likely to report utilities stress than households in which no member has a disability or long term health condition. This might reflect a more effective support system to help people with disabilities pay utilities bill in Victoria than elsewhere.

Country of birth of reference person

The regression results suggest that this variable does little to help explain differences in utilities stress. Differences in outcomes are largely explained by the other variables. The variable is not significant in the regression for Victoria. It is significant at the ten per cent level in the regression for Australia. Being born in Northern or Western Europe, or South East Asia is associated with a lower probability of utilities stress than being born in Australia. Being born elsewhere is not significantly associated with different rates of utilities stress than being born in Australia.

Expenditure on electricity, gas and telephone services

Not surprisingly, the amount of money spent on telephone, gas and telephone services is associated positively with utilities stress. The regressions suggest that an increase of one dollar per week is associated with a 1.3 per cent increase in the odds of utilities stress for Australia overall, or a 1.5 per cent increase within Victoria.
Chapter 5

Is utilities stress a good predictor of poverty and hardship?

As discussed in Chapter 2, there are two main methods of assessing the likelihood of poverty and hardship in contemporary analyses of this topic. These are the indirect (income poverty) and the direct (hardship) approaches. An emerging third approach is to combine both indirect and direct measures.

In this chapter, utilities stress is assessed as an indicator of poverty and hardship overall, and for subgroups of the population. Because the population of interest is narrowed to those experiencing utilities stress, the results presented here refer to Australia overall, rather than to Victoria. This decision was made because the sample of Victorian households experiencing utilities stress is only 200, thus not allowing for meaningful comparisons between subgroups. The corresponding sample for Australia is 1144.

5.1 Chosen measures of poverty and hardship

For the present purposes, households are defined as being in income poverty if their equivalised disposable income is below half of the median such income. Many variants to this measure have been used or suggested elsewhere, as evident in Section 2.1. Nevertheless, this measure is probably the least controversial choice (Saunders and Smeeding, 2002). The percentage of households experiencing (this version of) poverty was 8.2 per cent, about half of the corresponding percentage for utilities stress.

Both Saunders (2004) and Bray (2001a) use a subset of the ABS financial stress measures as indicators of hardship. Saunders refers to six of the indicators as ‘core hardship indicators’. Utilities stress is one of these six indicators. By this definition, any household that reported utilities stress is experiencing hardship.

Bray suggests that only four of these measures indicate hardship. Households were deemed to have suffered from hardship if, due to a shortage of money, in the previous year, the household had done one or more of the following:

- Pawned or sold something; or
- Went without meals; or
- Unable to heat home; or
- Sought assistance from welfare/community organisations.

In the interest of avoiding spurious results, the Bray definition is adopted here. The percentage of households experiencing (this version of) hardship was 8.2 per cent, which by coincidence is equal to the percentage of households experiencing income poverty. Only 1.48 per cent of households experienced both income poverty and hardship.
It is important to emphasise that these measures of poverty and hardship are indicators, which are most useful for making comparisons between groups of people or over time. These should not be taken as definitive statements as to whether or not a given household is disadvantaged. In the case of the hardship measure, certain interactions are important to emphasise. As noted by McColl et al. (2001), household budgeting usually involves choices between certain items. The ability to afford one item or service may come at the cost of being unable to afford something else. This is very significant in interpreting the relationship between utilities stress and hardship, discussed in this chapter. Going without meals or heating, seeking assistance from welfare organisations, and having to pawn something are interpreted as indicators of hardship. However, it may be precisely because of a choice to delay paying a utility bill that some households may be able to avoid these forms of hardship. For these and other reasons, it is not appropriate to interpret the presence of poverty or hardship as necessary conditions for legitimacy in paying bills late.

5.2 Utilities stress as an indicator of poverty and hardship overall

Overall, utilities stress is a good indicator of self-reported hardship, but not a good indicator of income poverty (Figure 5.1) Given that utilities stress is a self-reported measure of financial stress itself, it is no surprise that it correlates more closely to hardship than income poverty.

Figure 5.1

PERCENTAGE OF HOUSEHOLDS IN HARDSHIP AND INCOME POVERTY BY PRESENCE OF UTILITIES STRESS – AUSTRALIA

More than one third (36 per cent) of households with utilities stress also reported at least one of the four types of hardship. In comparison, less than three per cent of households that did not experience utilities stress reported experiences of hardship. The odds of experiencing hardship are thus more than twenty times higher for households reporting utilities stress.

12 This was pointed out to me by May Mauseth, Policy Officer at the Consumer Utilities Advocacy Centre.
Thirteen per cent of households with utilities stress were in income poverty, compared with seven per cent of households that did not report utilities stress. The odds of experiencing hardship are only 1.8 times higher for households reporting utilities stress.

Some 7.5 per cent of households with utilities stress experienced income poverty and hardship. Only 0.3 per cent of households that did not experience utilities stress reported experiences of hardship and income poverty. Thus the odds of experiencing both hardship and income poverty are almost 25 times higher for households reporting utilities stress than households that do not.

Overall, the results suggest that there is a strong relationship between utilities stress and serious deprivation. The rest of this chapter is devoted to further analyse these relationships on the basis of household characteristics. The analysis is restricted to those households that did experience utilities stress, and comparisons are made to the percentages reported in Figure 5.1.

5.3 Age

The percentages calculated in Section 5.2 are repeated here by age of reference person. The higher these percentages, the more likely that utilities stress is accompanied by hardship and/or income poverty. The 65-74 years and 75 years and over categories have been collapsed because of the small number of such households that report utilities stress.

There seems to be very little difference by age in the effectiveness of utilities stress as an indicator of deprivation. Despite the fact that older households are much less likely to report utilities stress, they are no more likely to be suffering from hardship or income poverty if they do report such stress. (Figure 5.2)
5.4 Income

To conduct an analysis of income poverty by income quintile is nonsensical since all households in income poverty are in the lowest income quintile! Thus the analysis is limited here to the effectiveness of utilities stress as an indicator of hardship only.

As shown in Figure 5.3, utilities stress is a much better indicator of hardship amongst low income households than households with higher incomes. Of households in the bottom income quintile that report utilities stress, more than half also report hardship experiences. By definition, many such households are also in income poverty.

To reiterate, not only are low-income households more likely to report utilities stress (Section 4.3), but those that do report utilities stress are more likely to suffer from hardship than households with higher incomes.

Figure 5.3
PERCENTAGE OF HOUSEHOLDS WITH UTILITIES STRESS THAT ALSO EXPERIENCE HARDSHIP BY INCOME QUINTILE – AUSTRALIA

5.5 Labour Force Status

Of working-age households reporting utilities stress, those with an employed reference person are much less likely to report hardship, or to be in income poverty, than other households. Of working-age households with an unemployed reference person reporting utilities stress, more than two-thirds are experiencing hardship, and almost one third are experiencing both hardship and income poverty. Of working-age households with a reference person out of the labour force and reporting utilities stress, more than half are experiencing hardship.
5.6 Household type

About half of sole parent households and people living alone that report utilities stress also report hardship. These households are also more likely than other households to be in income poverty. Of mixed households that report utilities stress, a high proportion also report hardship (38 per cent), but a relatively small proportion (six per cent) are in income poverty.

This result is particularly interesting for people living alone. Only a small proportion of people living alone report utilities stress (Figure 4.6). But of those that do, a higher proportion are in income poverty than any other household type; and the proportion that report hardship is just as high as that of sole parent households.
5.7 Number of dependent children

There seems to be little relationship between the number of dependent children in the household and the effectiveness of utilities stress as an indicator of deprivation (Figure 5.6). Households with a large number of children are much more likely to report utilities stress than other households (Section 4.6). However, amongst households that report utilities stress, households with four or more children are only slightly more likely to suffer from hardship and/or financial stress than other households reporting utilities stress.

![Figure 5.6](image)

5.8 Housing tenure

Of those households that report utilities stress, owners and purchasers are least likely to be suffering from hardship (Figure 5.7). However, outright owners reporting utilities stress are just as likely to be in income poverty as any other housing tenure group. This is probably because many outright owners are elderly people, who typically have relatively low incomes. Around half of renters that report utilities stress also report hardship.

![Figure 5.7](image)
5.9 Qualifications

Of households reporting utilities stress, those that have no members with post-school qualifications are more likely to have suffered hardship and income poverty (Figure 5.8). Some 43 per cent of such households experienced hardship, while nine per cent experienced both hardship and income poverty. Households in which a person has obtained a degree are unlikely to suffer from utilities stress (Section 4.8). Those that do report utilities stress are also relatively unlikely to have suffered from hardship (nineteen per cent) or income poverty (twelve per cent).

![Figure 5.8](image)

**PERCENTAGE OF HOUSEHOLDS WITH UTILITIES STRESS THAT ALSO EXPERIENCE HARDSHIP AND INCOME POVERTY BY HIGHEST EDUCATIONAL QUALIFICATION OBTAINED – AUSTRALIA**

5.10 Severity of restriction

Amongst households that report utilities stress, those that include a person with a disability seem to be more likely to suffer from hardship (Figure 5.9). Almost half of such households report hardship. However, there doesn’t seem to be a relationship between the percentage suffering from hardship and the severity of the restriction amongst these households. Also amongst households that report utilities stress, there seems to be little relationship between disability status and the likelihood of income poverty.
5.11 Country of birth of reference person

Amongst households that report utilities stress, there is not a large variation by country of birth in the proportion that experienced hardship (Figure 5.10). However, households with a reference person born in South or East Europe, South East Asia or ‘other Oceania’ are more likely to be in income poverty than other households. The South and East Europe category is an interesting case, as it has the lowest proportion of households reporting hardship and the highest proportion in income poverty. This may be a function of age, since many persons born in this region are older. Older households are less likely to report hardship and more likely to be in income poverty than younger households. This question can be partly answered through the multivariate analysis in Section 5.12.
5.12 Multivariate analysis

As in the analysis reported in Chapter 4, it is desirable to determine which characteristics have an independent influence on the dependent variable. In other words, which characteristics are independently associated with a greater likelihood that utilities stress is accompanied by hardship and/or income poverty? To address this question, multiple logistic regressions have been estimated for the sample of households reporting utilities stress.

These regressions model the probability of hardship and income poverty, both individually and simultaneously. The estimated odds ratios and the statistical significance of each variable and each parameter are shown in Table 2. See Section 4.11 for a discussion of logistic regression interpretation. The results of the first three regressions are discussed first, followed by a discussion of the fourth regression.

**Hardship and Income Poverty, separately**

Two regressions have been estimated for modelling hardship. The ‘Hardship A’ regression uses the same explanatory variables as those used in the model described in Section 4.11, except for the expenditure on utilities variable. The ‘Hardship B’ regression excludes the income variable. There is a strong relationship between income and the likelihood of hardship amongst households reporting utilities stress. However, the equivalised disposable income of a household is probably not easily ascertained by a utility service provider. By excluding income in the second model, one can test sensitivity of the relationships between hardship and other, more observable, characteristics.

Perhaps surprisingly, amongst households reporting utilities stress, age is not a factor in the probability of hardship or income poverty. The only exception to this is that households reporting utilities stress with a reference person aged 65 years or over are less likely to be in income poverty than younger households.

As mentioned earlier, having low income is a factor that clearly increases the odds of hardship amongst households reporting utilities stress. With income excluded, labour force status is the strongest factor in whether utilities stress is accompanied by hardship and income poverty. The odds of income poverty are twelve times higher for households with an unemployed reference person compared to households with employed reference persons. With income excluded (Hardship B regression), the odds of hardship are almost five times higher for households with an unemployed reference person.

The household type variable is significant in the regressions modelling both hardship and income poverty. Amongst households experiencing utilities stress, being in a sole parent household, a mixed household or living alone doubles the odds of hardship in comparison to couples without children. Living alone or being a couple with three children more than quadruples the odds of being in income poverty compared to couples without children.

The housing tenure variable is also significant in modelling hardship and income poverty for households reporting utilities stress. Living in a rental property or in ‘other tenures’ triples the odds of experiencing hardship, compared to outright homeowners. On the other hand, the opposite is apparent for income poverty. Owning one’s home triples the odds of income poverty, compared with home purchasers and private renters.
<table>
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<td>23-29</td>
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<td>0.685</td>
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</table>

*** statistically significant at 1% level
** statistically significant at 5% level
* statistically significant at 10% level
Amongst households reporting utilities stress, having no post-school qualifications doubles the odds of hardship compared with those households in which somebody has obtained a university degree. However, educational qualifications have no significant effect on whether these households are in income poverty.

Amongst households reporting utilities stress, those with people that are disabled are roughly twice as likely to experience hardship than other households, holding the other factors constant. Disability status is less significant in explaining the likelihood of income poverty. If anything, those households with people that are disabled are less likely to be in income poverty.

Country of birth is not a significant factor in the likelihood that households experiencing utilities stress also experience hardship and/or income poverty.

**Hardship and Income Poverty, simultaneously**

The final regression, labelled ‘Both H and P’ in Table 2, models the likelihood that households reporting utilities stress experience both hardship and income poverty. This is the most restrictive specification of disadvantage. Only 1.5 per cent of all households, and 7.5 per cent of households reporting utilities stress fall into this category. There is little doubt that these households are amongst the most disadvantaged in society.

The results of this regression reveal that (apart from equivalised income) labour force status is the key factor in determining whether utilities stress is accompanied by both hardship and income poverty. Holding other factors constant, the odds of experiencing both hardship and income poverty are fifteen times higher amongst households with an unemployed reference person than households with an employed reference person. The corresponding odds are almost five times higher for households with a reference person out of the labour force than households with an employed reference person.

Few of the other variables were statistically significant in this regression. However, living alone increases the odds by a factor of 2.7 compared with couples without children.
Chapter 6

Conclusion

Poverty and hardship are complex phenomena. The experience of poverty is unique, and it is often the result of a range of complex interacting factors. But its negative consequences are shared and can impact on also facets of life. Many studies, using various techniques, have shown that some groups in our society are more likely to be disadvantaged than others. Many of the most disadvantaged people are not fortunate enough to have stable housing arrangements and so are beyond the realm of utility service providers. For others it is a struggle to pay rent and utility bills.

It is not surprising to find that, in most cases, the same groups of people are more likely to report being unable to pay utility bills on time because of a shortage of money. Conversely, nor is it surprising that those people that report having financial difficulties in paying their bills on time are much more likely to be in income poverty, and to report experiences of hardship than others. But of those households that report financial difficulties with paying utility bills, those that are headed by an unemployed person are particularly likely to be suffering from poverty and self-reported experiences of hardship.

This report shows that there is a clear relationship between being disadvantaged and reporting problems paying utility bills on time. It also shows that this relationship is stronger for some groups than for others. However, as highlighted by the case studies, people’s experiences are unique and complex. It would certainly not be appropriate to apply a formula-driven approach based on household characteristics to determine whether assistance or leniency should be provided.

Finally, in a privatised utilities market, it is noteworthy that those households experiencing difficulties with utility bills are important customers. On average, they spend more money on electricity than other households (eight per cent more in Australia overall, nine per cent more in Victoria).\(^{15}\)

\(^{15}\) Author’s calculations from the ABS Household Expenditure Survey 1998-99 Confidentialised Unit Record File.
Appendix A

Indicators of financial stress and hardship in HES 98-99

In the 1998-99 ABS Household Expenditure Survey, respondents were asked a series of questions in relation to what has been broadly referred to as financial stress. Answers to these questions form sixteen indicators of self-reported financial stress. These questions were asked of one person in each responding household. The person who answered the question was either the household reference person or their spouse (if applicable), randomly picked.14 In this Appendix, all of these indicators are described in full. Not all of these indicators are referred to in this report.

Saving experience

Over the last 12 months, which of the following best describes your household's financial situation?

- Spend more money than we get
- Just break even most weeks
- Able to save money most weeks

Comparison with standard of living 2 years earlier

- Better than 2 years ago
- The same as 2 years ago
- Worse than 2 years ago
- Not applicable

Inability to afford nominated items

Which of the following do members of your household usually have?

- A holiday away from home for at least one week a year
- A night out once a fortnight
- Friends or family over for a meal once a month
- A special meal once a week
- Buy new and not second hand clothes, most of the time
- Spend time on leisure or hobby activities
- No/none

14 The reference person for each household is chosen by applying the selection criteria below to all usual residents aged 15 years and over from the top down until a single appropriate reference person is identified:
- one of the partners in a registered or de facto marriage;
- a lone parent;
- the person with the highest income; and
- the eldest person. (ABS, 2000: 94)
For each item which you don't have, is it because

- Don't want it
- Can't afford it
- Other reason

**Access to emergency finance**

If all of a sudden you had to get $2,000 for something important, could the money be obtained within a week?

- Yes
- No

Which of the following sources could your household use?

- Own savings
- Loan from bank, building society or credit union
- Loan from finance company (high interest)
- Loan on credit card
- Loan from family or friends
- Loan from welfare or community organisation
- Sell something
- Other sources

If more than one possible, which would be the most likely to be used?

**Other financial stress indicators**

Over the past year have any of the following happened to your household because of a shortage of money?

- Could not pay electricity, gas or telephone bills on time
- Could not pay for car registration or insurance on time
- Pawned or sold something
- Went without meals
- Unable to heat home
- Sought assistance from welfare/community organisations
- Sought financial help from friends or family
- No/none
References


ABS (2003c) *General Social Survey Summary Results Australia 2002*, ABS Cat. No. 4159.0, ABS, Canberra.


Part C

Utility regulatory framework mapping

Prepared by Linda McMillan (Farrier Swier Consulting) with the assistance of Gavin Dufty (SVDP), Anna Collyer (Allens Arthur Robinson) and the Regulatory Framework Mapping Group on behalf of the Committee for Melbourne
Chapter 1

Introduction

1.1 Background

1.1.1 Discussion paper objectives

This paper has been prepared by a Regulatory Framework Working Group established under the Project, to describe the Victorian regulatory framework for electricity, gas and water companies and authorities, with a focus on the aspects that affect the retailer-customer relationship. The key purposes of the paper are to:

- Provide a contextual framework and outline of the characteristics of an effective utility regime and process to identify and assist those at risk, and to achieve social outcomes.
- Educate – The Project contemplates improved communication and coordination between industry participants and agencies involved in achieving social outcomes. The regulatory framework paper should provide a useful tool to help achieve this.
- Highlight any limitations arising from the framework – There are practical, legal or technical factors that may limit the range of solutions capable of being implemented.

The paper focuses on the economic regulatory framework for Victorian utility companies and authorities, and in particular, on social outcomes. Hence, the focus is on:

- the retailer-customer relationship and interaction;
- information available to inform the broader community of:
  - people at risk of disconnection due to inability to pay (the ‘early warning system’); and
  - emerging trends or changes which may warrant broader community actions to address them.

This paper touches only briefly on broader environmental, safety and market regulation impacting on utilities. These are important factors in understanding drivers for Victorian utility regulatory models (see section 3) and limitations for the range of solutions (section 6).

1.2.1 The utility context for debt

The focus on utility debt in the context of poverty issues reflects the following factors:

- Electricity, gas and water are essential services for a reasonable standard of living.

Members of the Working Group are listed in Appendix 2.
• Regular billing for utilities provides an opportunity to detect problems for customers experiencing financial difficulties with payment, whatever the cause. It also provides a logical contact point for referral to support agencies, and important information on trends and issues to help inform government social policy debates and initiatives.

• In Victoria, it is not the role of utility retailers to redress social policy issues. However, they play an important role in administering and delivering social policies as in force from time to time. In particular, utility retailers are required to assist, refer, and deal compassionately with disadvantaged customers.

It is also important to note that, from a social policy perspective, electricity companies are in a unique position in that they are the only utility that touches every household in Victoria.

This paper distinguishes between:

• market operation and regulation (national electricity market, wholesale gas market, water trading);

• economic regulation of utilities:
  – network pricing and service standards;
  – retail price regulation; and

• social outcomes and consumer protections:
  – standards, information and interaction between retailers and customers; and
  – administration of social policies/ schemes.

The focus is on the last bullet point (social outcomes and consumer protections), but the paper recognises that the outcomes of market and regulatory arrangements affect end prices, long term investment, and service standards; and therefore potentially, the affordability and reliability of utilities for customers at risk.

1.2.2 Why Victoria?

The paper focuses only on Victoria and the Commonwealth institutions that impact on Victorian utilities. There may be important differences in other Australian jurisdictions. Nevertheless, as a case study of a regulatory framework for utility debt, Victoria is considered to provide a sound model given that:

• The competitive market frameworks for electricity and gas are based on Australian national laws and codes.

• Victoria provides perspectives relevant to both public and private infrastructure: electricity and gas industries are privatised; water remains in public ownership.

• Industry restructuring in the 1990s led to significant changes in the regulation of utility retailer-customer relationships. The instruments, institutions, policies and protocols developed as part of the restructuring have since been tested and refined, and a significant body of expertise has emerged in relation to utility debt and social policy.
• The introduction of retail competition in gas and electricity in 2001 and 2002 provided triggers for regulatory reviews, and implementation of customer safety nets.

• Water retailers have applied considerable resources to develop and test leading edge programs to assist disadvantaged customers.

• Victoria has well established government and non-government agencies and programs.

• Issues have been considered and approaches modified by both Labor and Liberal governments – a change in 1999 provided a trigger for an objective review, and introduction of new protections.

The framework has a Victorian utility focus, but where practical, highlights links with federal laws. It does not explore federal taxation, social welfare or general consumer protection laws, though it is acknowledged that each of these may have a profound impact on debt and poverty issues.

1.3 Structure of Part C

Section 2 establishes the social policy context for utility debt, and describes the range of tools available in Victoria to assist government to deliver its policies.

Section 3 contains an overview of Victorian utility regulation overview for each industry, with diagrams, tables and flow charts, that depict the national context, market arrangements and Victorian regulatory instruments.

Section 4 describes common consumer protection aspects of regulation of the three utilities.

Section 5 describes the regulation of the relationship between utility retailers and customers in each industry.

Section 6 describes limitations on the regulatory frameworks created by other Victorian or national regulations.

Section 7 summarises the Regulatory Framework Working Group’s initial conclusions and section 8 sets out some of the variables that would need to be taken into account in considering the application of the Victorian regime elsewhere.
Chapter 2

Utility debts and social policy

2.1 Introduction – social policy

The term ‘social policy’ can be ascribed many different meanings, and it is beyond the scope of this paper to attempt to define the term conclusively. However, some guidance can be drawn from the following extracts:

But when is a personal issue a social issue? And when is a social issue a social policy issue? The process of policy making begins when people come together to identify and name an issue of common concern, and to seek a collective or social solution to concerns in their everyday lives – or in the wider world in which they live. The concern may be about their housing, jobs or childcare, a wider issue in the environment, human or civil rights, or, as in the case of protests over war, about actions their government has taken which they don’t support. When a plan of action is developed, the people have a ‘policy proposal’. If this is adopted by a level of government it is likely to be called ‘policy’ or ‘public policy’. If it is widely recognised to be about quality of life, then it may be called ‘social policy’..

And on the difference between social and economic policy:

When structural/functionalist social theory dominated discourse, social welfare policy was seen to be separate from the economy and the family. This construction of the issue was consistent with a liberal welfare state in which ‘the family’ and ‘the market’ were the main mechanisms for well-being. Contemporary analyses recognise that public legislation and policies about social life are interdependent and influence personal and family life, community experience and labour, urban planning, transport and recreation, as well as the distribution of wealth and other resources.

Welfare economics is a branch of the study of economics which draws more on economic than on social policy traditions but which identifies an approach of those economists concerned with social welfare. With the pressure in the 1980s to address the dominance of economics in policy making and to deliver social services in a cost-efficient manner, many policy personnel have explored this tradition.

Some welfare economists emphasise the government role in redistribution, based on philosophical principles about equality and social justice. A contribution of this tradition is its emphasis on the economic base as interrelated with social policy, and on the production, as well as the consumption and allocation of goods, as significant.

Against this social policy backdrop, at any point in time, there may be significant variation in:

- the characteristics (and location) of groups at risk;
- the needs of different ‘at risk’ groups;
- the priority issues governments wish to address; and
- society’s capacity and willingness to fund support schemes for those at risk.

This dictates that bodies administering and implementing social policy initiatives require flexible structures and systems, so that elected governments can respond to changing issues, and use various bodies to implement their social policy initiatives as developed from time to time.

In any utility regulatory and contractual framework, there can be a range of drivers and incentives to assist with social policies. These include:

- commercial justification (making a defensible business case for providing assistance);
- entering contracts;
- setting high level principles and objectives in regulatory instruments, that encourage assistance; and
- creating prescriptive obligations, enforcement powers and mechanisms to compel assistance.

Models vary across industries and jurisdictions. This section of the paper describes the broader social policy context for utility debt in Victoria. In particular, it describes the various mechanisms available to the Victorian Government to deliver its social policies.

2.2 Central government role in social policy

In Victoria and elsewhere, social policy is considered the responsibility of central government, with expectations met through a number of different public, private and non-profit agencies, and via a combination of:

- creating government agencies to administer social policies;
- creating regulatory institutions, rights and obligations;
- contracts;
- ongoing or targeted schemes and funding; and
- informal consultative processes and procedures, and information flows.
Diagram 1: Agencies delivering social policy

2.3 Tools to deliver social policy

This section describes in more detail the various mechanisms by which Victorian and Commonwealth Governments deliver the various social policies that impact on utility consumers.

2.3.1 Creating government agencies to administer social policies

The key state and federal government departments are the Victorian Department of Human Services, and Commonwealth Department of Family and Community Services (FaCS).
FaCS provides family assistance; support for youth, student, child, child care, housing and communities; economic and social participation schemes such as labour market assistance, support for people with a disability, carers, and the aged. The Federal Government also delivers social policy through tax and welfare schemes. It also initiates and funds studies such as the HILDA Survey.

The Department of Human Services (DHS) supports the Ministerial portfolios of Health, Community Services, Aged Care and Housing. Its mission is to enhance and protect the health and wellbeing of all Victorians, emphasising vulnerable groups and those most in need.

The Department provides direct services including public rental housing, disability services, child protection and juvenile justice services.

DHS Ministers administer many state Acts and schemes to monitor issues, and deliver social policy outcomes. Statutes administered by this department cover issues as diverse as Adoption, Home and Community Care, Public Health, Aged Care, Human Research Ethics, Public Hospitals, Ambulance Services, Juvenile Justice, Public Housing, Child Protection, Mental Health, State Concessions, Disability Services, Supported Accommodation, Family Support, Problem Gambling, and Tobacco Reforms.

### 2.3.2 Creating regulatory institutions, rights and obligations

Institutions include welfare agencies, credit and consumer protection agencies, and economic regulators. Rights and obligations (in respect of delivering, or access to, social policy outcomes determined by central government) are given to agencies, regulators, service providers and citizens through statutes, other regulatory instruments, and regulated contracts.

### 2.3.3 Contracts

Government departments may develop strategic alliances with service providers which deliver government’s policies and products. An estimated 72 per cent of the DHS budget is spent on services delivered by agencies under service agreements with the Department. These include government-related agencies such as metropolitan and rural hospital services, public nursing homes, local government, community health centres, ambulance services and a range of non-government organisations providing welfare services or financial counselling.

Also important here are Community Service Obligations (CSO) agreements between the Department and private energy companies, i.e. agreements for Government to fund and companies to deliver CSOs.

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18 The Melbourne Institute’s Household, Income and Labour Dynamics in Australia Survey, which aims to track all members of an initial sample of households over an indefinite life, collecting data in areas of: economic and subjective well-being labour market dynamics; and family dynamics.
19 Source: Victorian Budget 2003
20 In some instances, in conjunction with the Attorney General or other Ministers.
21 Source: Victorian Budget 2003
2.3.4 **Ongoing or targeted schemes and funding**

Support schemes may take the form of specific programs (such as $70 million over 4 years to expand the stock of affordable housing, or programs to support services in rural and remote communities\(^{22}\)), or ongoing funding (such as for legal aid, or financial counselling).

At this time, one of the principal tools used by the Victorian Government to deliver social policy outcomes is the Victorian state concession regime administered by DHS. Concessions aim to improve the affordability of the key services on which people rely to maintain their housing, health, mobility and participation in education and social life.

Around 700,000 households benefit from Victorian Government concessions each year, with concessions aimed at reducing the adverse impact of education fees, municipal rates, stamp duties, motor vehicle registration fees and energy bills. Pensioners, unemployed families and single people, incapacitated veterans, war widows and other people living on low and fixed incomes gain through lower taxes, charges or bills\(^{23}\).

Generally, concessions assist people assessed by the Commonwealth Government as having a sufficiently low income to qualify for a Pensioner Concession Card or a Health Care Card. They are also provided to holders of some Department of Veterans’ Affairs Repatriation Health Cards (Gold Cards). An estimated 1.26 million Victorians hold a concession card\(^{24}\).

State concessions delivered by DHS face issues including targeting and dealing with pressures for extension of entitlement; and demographic changes leading to higher levels of take-up, in particular population ageing\(^{25}\).

Other schemes to assist vulnerable energy consumers include the Utility Relief Grants Scheme (URGS), and the budget funded Special Power Payment in 2002. One off schemes administered by the Department may address such matters as fire, drought or flood relief.

Schemes may be universal, such as the Pharmaceutical Benefits Scheme, or residual, such as emergency grants for the destitute.

2.3.5 **Informal consultative processes, procedures, and information flows**

Governments, agencies and regulators provide frameworks that aim to foster effective formal and informal processes to deliver social policy outcomes.

One important outcome of utility regulation is efficient frameworks and structures for effective communication and information flows, to help identify emerging trends and issues.

\(^{22}\) See the Fact Sheets accompanying the release of the Victorian 2003-2004 Budget
\(^{24}\) Source: Information supplied by G Duffy, St Vincent De Paul, December 2003
\(^{25}\) Piper & Siemon, *Informing State Concessions Policy*, December 2003, at page 1
In the Victorian energy context, the Essential Services Commission (ESC) and the Energy and Water Ombudsman (Victoria) (EWOV) provide effective consultative and dispute resolution processes between regulated companies/authorities and customers. EWOV provides information to industry, the community and to regulators including the ESC. Retailers have information and insights gained through their regular billing processes. Together with information collected by the ESC, these bodies are important sources of information provided to central government to inform social policy debates.

The role of the ESC’s reporting framework is canvassed more fully in a report prepared by for the ESC in November 2003 by The Allen Consulting Group entitled *Disconnection and Financial Hardship: Performance Indicators*, which states that: ‘The Commission’s reporting framework is designed to provide insight into affordability outcomes, and the retailer performance in influencing these outcomes’.

### 2.3.6 Good corporate citizenship

In addition to the mechanisms described above, social or public policy may be delivered through ‘good corporate citizenship’, i.e. integrating social, ethical environmental and philanthropic values in the core decision-making processes of businesses.

Current debates test the relationship between public (or social) policy and corporate citizenship, and the increasing pressure on governments to regulate corporate social behaviour. There is compelling evidence to suggest the importance of voluntary corporate initiatives, rather than regulated compliance. (See for example Zappalà’s recent study which concludes that while there is a role for legislation and regulation, governments can do more to achieve social outcomes through supportive, co-ordinated enabling policies and strong political leadership.

### 2.3.7 Competition

In electricity and gas, retail competition is seen as an important factor in driving price and service outcomes for all customers. However, competition alone cannot overcome issues around vulnerability and hardship. Efficient competitive energy markets support, but do not remove the need for, effective social or environmental policies, and regulatory frameworks to support those policies.

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26 See section 1.1 of the Allens Report.


28 Dr Gianni Zappalà *Corporate Citizenship and the Role of Government: the Public Policy Case*, Research Paper No.4 2003-04, 1 December 2003 (at page 21)
Chapter 3
Overview of Victorian utility regulation

3.1 Introduction

This section provides high level diagrams that depict roles, instruments and accountabilities in the regulatory framework applicable to electricity, gas and water utilities. They also illustrate the structure of each regulated industry.

Appendices 3 and 4 then provide a more detailed description of the key Victorian regulatory instruments in the electricity and gas (appendix 3) and water (appendix 4) industries, focussing on the instruments relevant to the retailer-customer relationship.

3.2 Evolving regimes

In Victoria and nationally, utility structures and markets are constantly evolving. Victorian utility regulation is designed to enable flexibility for regulatory instruments to evolve within a defined framework in order to meet changing needs. The implications for this paper are that:

- the paper provides only a snapshot at a given point in time;
- where possible, the paper seeks to describe instruments in general terms;
- some assumptions have been made in respect of water instruments which are still being developed as part of recent statutory reforms; and
- the paper highlights similarities and differences across utilities.

Diagrams 2 to 9 depict for each of Victorian electricity, gas and water regimes:

- the national context and drivers;
- the structure and market arrangements; and
- the key Victorian regulatory instruments.

3.3 Electricity

3.3.1 National context and drivers

Diagram No 2 illustrates the current regulatory arrangements for the Victorian electricity and gas industries within the national context and drivers for those industries.

A further review of these industries undertaken by the Council of Australian Governments (COAG) in 2002 culminating in December 2002 Parer Report\(^\text{29}\) has precipitated a further reform process which is being coordinated by the Ministerial Council on Energy (MCE). One of the first matters to be addressed is the institutional and governance arrangements in both industries. Updates on the reform process can be found at www.mce.gov.au.

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\(^{29}\) 'Towards a Truly National and Efficient Energy Market', prepared by a review panel chaired by Warwick Parer, dated 20 December 2002.
Electricity and gas economic regulation*

**Commonwealth**

- Trade Practices Act
  - Part IV – anti-competitive practices
  - Part IIIA 3rd party access

**Council of Australian Governments**

**States and Territories**

- Co-operative agreements and legislation for:
  - national electricity law, code
  - national gas pipeline access code

**ACCC**

- Australian Competition & Consumer Commission

**NCC**

- National Competition Council
  - independent advisory body on competition policy reforms

**Vic Government**

**Diagram No. 2: National context for electricity and gas regulation**

**ACCC** regulates:

**Electricity**
- approves any changes to national code
- competition authorisation of code and market
- access undertakings
- electricity transmission pricing under the code

**Gas**
- access pricing for transmission pipelines
- competition implications of Vic gas market rules

**NCC** makes recommendations to Cth Treasurer on:

- states’ performance against competition agreements & competition payments
- whether gas pipelines should be ‘covered’ by access code
- TPA Part IIIA issues

**Essential Services Commission** in Victoria regulates:

**Electricity**
- distribution prices
- metrology procedure (FRC)
- retail, distribution, transmission, generation licences
- retail terms and conditions

**Gas**
- distribution access pricing
- retail, distribution licences
- retail terms and conditions

* Does not include independent safety regulators, such as Victorian Office of Gas Safety, & Office of the Chief Electrical Inspector


3.3.2 *Market arrangements and industry structure*

The box below and diagram 3 summarise the key features of the electricity market arrangements and the structure of the electricity industry.

<table>
<thead>
<tr>
<th>Electricity market features</th>
<th>Ownership structure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industry structure</strong></td>
<td>In Victoria the industry is privatised. Other states have a mixture of government and private ownership. There is some vertical integration (common ownership across different sectors of the industry) where competition criteria are satisfied.</td>
</tr>
<tr>
<td>Disaggregated industry:</td>
<td><strong>National’ wholesale market</strong></td>
</tr>
<tr>
<td>– generators</td>
<td>National electricity code for SA, Vic, ACT, NSW, Qld, Tas;</td>
</tr>
<tr>
<td>– transmission companies</td>
<td>NT &amp; WA each has own arrangements</td>
</tr>
<tr>
<td>– distribution companies</td>
<td><strong>Competitive elements/regulated elements</strong></td>
</tr>
<tr>
<td>– retailers</td>
<td>Competition in generation</td>
</tr>
<tr>
<td>– some combined distribution and retail companies, with ring-fenced retail operations</td>
<td>Limited attempts at competition in networks</td>
</tr>
<tr>
<td>– Government owned independent market and system operator (NEMMCO)</td>
<td>– transmission interconnectors (debates around market processes or central planning model)</td>
</tr>
<tr>
<td><strong>Ownership structure</strong></td>
<td>– separation of transmission planning and asset ownership</td>
</tr>
<tr>
<td>In Victoria the industry is privatised. Other states have a mixture of government and private ownership. There is some vertical integration (common ownership across different sectors of the industry) where competition criteria are satisfied.</td>
<td>– distribution (eg. embedded generation as alternative to network investment)</td>
</tr>
<tr>
<td><strong>Competitive elements/regulated elements</strong></td>
<td>Regulation of network access and prices (distribution and transmission)</td>
</tr>
<tr>
<td>Competition in generation</td>
<td>Retail price regulation – (until effective competition, may be extended)</td>
</tr>
<tr>
<td>Limited attempts at competition in networks</td>
<td>Full retail competition, and therefore increasing commercial contracts, limited obligation to supply (transitional safety net), reliance on statutory deemed contract</td>
</tr>
<tr>
<td>– transmission interconnectors (debates around market processes or central planning model)</td>
<td><strong>Regulatory design</strong></td>
</tr>
<tr>
<td>– separation of transmission planning and asset ownership</td>
<td>Focus on an efficient and economic system</td>
</tr>
<tr>
<td>– distribution (eg. embedded generation as alternative to network investment)</td>
<td>– Protect the interests of consumers</td>
</tr>
<tr>
<td></td>
<td>– Balancing flexibility (evolving market) with regulatory certainty</td>
</tr>
<tr>
<td><strong>Regulatory design</strong></td>
<td>Transmission regulated by Federal regulator (ACCC); distribution and retail by State regulator (ESC)</td>
</tr>
<tr>
<td>Focus on an efficient and economic system</td>
<td><strong>Victorian Legislation</strong></td>
</tr>
<tr>
<td>– Protect the interests of consumers</td>
<td>– Reflects needs/responsibilities in our state/federal system</td>
</tr>
<tr>
<td>– Balancing flexibility (evolving market) with regulatory certainty</td>
<td>– Establishes regulatory framework</td>
</tr>
<tr>
<td></td>
<td>– New rights and obligations for private electricity companies</td>
</tr>
<tr>
<td></td>
<td>– Supports national wholesale electricity market and laws</td>
</tr>
</tbody>
</table>
Diagram No. 3: Key features of electricity market arrangements and industry structure
Victorian Electricity Regulatory Regime

- **Minister**
  - Direction
  - VENCop
  - Plan & direct Elect. Transmission System

- **Electricity Industry Act 2000**
  - Governor in Council
  - Order in Council

- **Essential Services Commission Act 2001**
  - ESC
  - Jurisdictional regulator

- **Other Reg. Powers**
  - Licensing

- **3 Local Retailers**
  - 16 Independent
  - Further regulated by: Energy Retail Code

- **5 Distributors**
  - Further regulated by: Electricity Distribution Code

- **3 Transmission companies**
  - Further regulated by: System Code

- **26 Generators**
  - Other pricing regulators:
    - Transmission: ACCC
    - Retail: reserve powers of Vic government

**Diagrams**:
- Diagram No 4: Victorian regulatory instruments
3.4  Gas

3.4.1  National context and drivers

See section 3.3.1 above

3.4.2  Market arrangements and industry structure

The box below and diagram 5 summarise the key features of the gas market arrangements and the gas industry structure, focusing on Victoria’s principal transmission system.

<table>
<thead>
<tr>
<th>Gas Market Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry structure</td>
</tr>
<tr>
<td>Disaggregated industry:</td>
</tr>
<tr>
<td>– producers</td>
</tr>
<tr>
<td>– underground storage operators</td>
</tr>
<tr>
<td>– transmission companies</td>
</tr>
<tr>
<td>– distribution companies</td>
</tr>
<tr>
<td>– retailers</td>
</tr>
<tr>
<td>– independent market and system operator for principal transmission system</td>
</tr>
</tbody>
</table>

Ownership structure

In Victoria, industry is privately owned, other than the Government owned independent market and system operator (VENCorp). There is some vertical integration (common ownership across different sectors of the industry) where competition criteria are satisfied.

National market?

Nationally, gas market has been dominated by long-term take or pay supply contracts. As these expire, there is evidence of strong competition to meet growing supply demand, and to replace declining/depleted fields.

However, there is no national liquid transparent market for setting wholesale gas prices. (Victoria has a wholesale market, but it is not yet very liquid)

A national pipeline third party access code applies in all states and territories, which regulates the terms on which many distribution and transmission companies must make gas pipeline services available to users.

Competitive/regulated elements

- Competition in production
- Regulation of pipeline access and prices distribution and transmission
- Retail price regulation – (until effective competition, may be extended)
- Full retail competition, and therefore increasing commercial contracts, limited obligation to supply (transitional safety net), reliance on statutory deemed contract

Regulatory design

- Focus on an efficient and economic system
- Protect the interests of consumers
- Balancing flexibility (evolving market) with regulatory certainty
- Transmission regulated by Federal regulator (ACCC); distribution and retail by State regulator (ESC)

Victorian legislation

- Reflects needs/responsibilities in our state/federal system
- Establishes regulatory framework
- New rights and obligations for private gas companies
- Supports national third party access regime
- Establishes limited wholesale market

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30 Other gas transmission pipeline systems delivery gas between Victoria and New South Wales, and into South Australia. These pipelines operate outside the VENCorp gas market arrangements.
Diagram No. 5: Key features of gas market arrangements and industry structure
Diagram No 6: Victorian regulatory instruments - gas

Victorian Gas Regulatory Regime

- VENCorp
- Gas Industry Act 2001
- Governor in Council
- Gas Pipelines Access (Victoria) Act 1998
- National Third Party Access Code for Natural Gas Pipeline Systems
- ESC
- Licensing
- Approval of Access Arrangements
- 8 Retailers
  - Further regulated by: Energy Retail Code
  - Code of Conduct for Marketing Retail Gas in Victoria
- 4 Distributors
  - Further regulated by: Victorian Gas Distribution System Code
- 4 current Access Arrangements

- Other Reg. Powers
- MSO Rules
- Retail Market Rules
3.5 Water

3.5.1 National context and drivers

Diagram No 7 illustrates the current regulatory arrangements for the Victorian water industry within the national context and drivers for that industry.

The water industry is undergoing ongoing reform. In particular, economic regulatory reform introduced in January 2004 has expanded the role of the ESC in the Victorian water industry which will regulate prices and standards throughout the industry by 1 July 2005.

Further significant reform processes are being undertaken:

- at the Victorian level, focusing on issues of sustainability\(^{31}\); and

- at the national level, focusing on water entitlements and trading arrangements\(^{32}\).

\(^{31}\) For further information see www.ourwater.vic.gov.au

\(^{32}\) For further information see www.pmc.gov.au/docs/national_water_progress.cfm
3.5.2 Market arrangements and industry structure

The box below and diagram 8 summarise key features of the water market arrangements and the water industry structure.

<table>
<thead>
<tr>
<th>Water market features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry structure</td>
</tr>
<tr>
<td>- State based system with national reform drivers for cost reflective pricing.</td>
</tr>
<tr>
<td>- In Victoria, Minister for Water has general oversight for management of water resources and allocation.</td>
</tr>
<tr>
<td>- The ESC has a recently expanded role in price regulation.</td>
</tr>
<tr>
<td>- Metropolitan sector – disaggregated</td>
</tr>
<tr>
<td>- Melbourne Water: Wholesale collection, storage and supply of bulk water to retailers, sewerage treatment and drainage.</td>
</tr>
<tr>
<td>- Retailers: 3 retailers in geographically defined areas, supply water to customers.</td>
</tr>
<tr>
<td>- Regional urban retailers: 15 authorities, supply of water and waste services to regional Victoria</td>
</tr>
<tr>
<td>- Rural sector: 5 authorities, supply wholesale water to regional urban retailers</td>
</tr>
<tr>
<td>- Catchment Management Authorities (CMAs) – 10 regions, CMAs responsible for land and water management in the region.</td>
</tr>
<tr>
<td>- Environment Protection Authority – responsible for licensing and pollution control.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ownership structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry is government owned. Metropolitan sector includes State owned companies operating under the Corporations Law. Regional and rural water authorities act as delegates to the Minister and are governed by the provisions of the Water Act 1989.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>National market?</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is currently no national market in water. COAG has agreed to develop a National Water Initiative to, amongst other things, encourage the expansion of trading across water districts and State borders.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Competitive elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>- There is no competition in supply but there is competition in the metropolitan region for services offered to customers. There is no competition in the regional or rural sectors.</td>
</tr>
<tr>
<td>- Regulated monopoly prices.</td>
</tr>
<tr>
<td>- Price regulation by Department of Sustainability and Environment (DSE) until first price determination released by ESC to take effect from 1 July 2005.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regulatory design</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Role of Minister for Water and DSE</td>
</tr>
<tr>
<td>- focus on water allocation and environmental sustainability</td>
</tr>
<tr>
<td>- Role of ESC</td>
</tr>
<tr>
<td>- expanded role from 1 January 2004</td>
</tr>
<tr>
<td>- functions and powers in relation to price regulation; standards and conditions of service</td>
</tr>
<tr>
<td>- focus on any differences between regulated entities</td>
</tr>
<tr>
<td>- focus on ensuring regulatory decision making has regard to health, safety, environmental sustainability and social obligations.</td>
</tr>
</tbody>
</table>

3.5.3 Victorian regulatory instruments

Diagram 9 provides a summary of the Victorian regulatory instruments that will be applicable in the water industry following the transition to the new economic regulatory regime between 1 January 2004 and 1 July 2005.
Diagram No 8: Market Structure

Metropolitan:
- Melbourne Water
  - Supply
  - Customers
- City West Water
- South-East Water
- Yarra Valley Water

Regional Urban: (RUWAs)
- Barwon Water
- Central Highlands Water
- Coliban Water
- East Gippsland
- Gippsland Water
- Glenelg Region Water Authority
- Goulburn Valley Water
- Grampians Region Water Authority
- Lower Murray Water
- North East Water
- Portland Coast Water
- South West Water Authority
- Western Water
- Westernport Region Water Authority
- South Gippsland Water

Rural:
- Goulburn Murray Water
- Southern Rural Water
- Sunraysia Rural Water Authority
- Wimmera-Mallee Water
- First Mildura Irrigation Trust

CMAs: Environmental Management responsibilities

Essential Services Commission Price, service standards regulation and market conduct

Supply to RUWAs

CUSTOMERS
Diagram No. 9: Victorian regulatory instruments - water

- **Water Industry Act**
- **ESC Act**
- **Governor in Council**
- **WIRO**
- **Minister**

- **Other regulatory powers**
- **Water Industry Codes**
- **Price regulation**
- **Statement of Obligations (inc Water Plan)**
- **Licensing**

- **Water Act 1989**

- **Regional Urban Industry**
- **Rural Industry**
- **Metropolitan Industry**

- **15 Water Authorities**
- **5 Rural Water Authorities**
- **Melbourne Water Corporation**
- **3 Retailers**

**Melbourne Metropolitan Board of Works Act 1958**
**Melbourne Water Corporation Act 1992**
Chapter 4
Consumer protection

This section provides an overview of the consumer protection regulation that applies generally to all the utility industries.

4.1 Common aspects of utility regulatory frameworks – overview

Diagram No 10 depicts the utility regulatory frameworks within the broader context of social welfare and consumer protection measures. Diagram No 11 shows common aspects of the Victorian utility regulatory regimes in relation to consumer protection.
DEBT SPIRAL STUDY REPORTS

Committee for Melbourne

108

ESC regulates retailer-customer contracts
Consumer safety net pending effective retail competition:
- pricing power (Minister, on advice from ESC)
- deemed/default contracts
- standing offers

Note: EWOV is an ESC-approved voluntary industry scheme for dispute resolution
Diagram No 11: Common characteristics for water, electricity and gas

### ROLES

**Government**
- sets policy (shaped by national drivers)
- develops and funds relief schemes

**Independent regulator(s)**
- economic regulation
- protect long term interests of customers
- monitoring & reporting regime
- development and enforcement of retail standards

**Service providers**
- meet obligations & restrictions on customer interaction
- dispute resolution (ombudsman scheme)
- follow hardship policy (may develop own hardship policies)

**Customers**
- have rights and obligations under contract and/or regulations

### CATEGORIES OF CUSTOMER PAYMENT ISSUES*

<table>
<thead>
<tr>
<th>Issue</th>
<th>Response/Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unable to pay a bill at all</td>
<td>Emergency relief, targeted debt write-off, URGS</td>
</tr>
<tr>
<td>Not willing to pay</td>
<td>Disconnection process, debt recovery</td>
</tr>
<tr>
<td>Unable to pay bill when due</td>
<td>Billing &amp; collection schemes, including adjusted payment terms</td>
</tr>
</tbody>
</table>

**Industry schemes**
- EWOV (dispute resolution, information & reporting to industry, government, ESC/regulators)

*Note:*
There may be a further category of people who may not be able to pay for, or secure, essential services at all.
4.2 General consumer protection laws

Particularly relevant to electricity and gas customers (where there is full retail competition, and the industry is privatised), general consumer protection laws affect the contractual relationship between retailers and their customers.

4.2.1 Goods and Services legislation

General state and federal consumer protection laws strengthen the position of consumers in dealings with suppliers of goods and services, by prohibiting unfair practices such as:

- misleading and deceptive conduct;
- false representations;
- misleading statements;
- harassment and coercion, debt collection;
- bait advertising;
- referral selling; and
- pyramid selling.

In addition, consumer transactions may automatically attract warranty protection, whether or not suppliers give their own warranties or guarantees. This protection includes the right to a refund if goods are defective, not fit for the purpose, do not match the sample shown or are not of merchantable quality.

These general consumer protection laws apply to the retailing of electricity, gas and water to customers, as ‘goods’ within the meaning of those acts.\(^{33}\)

The key relevant provisions are:

- Parts 2 and 4 of the Victorian Fair Trading Act 1999 (the FTA). Part 2 largely deals with unconscionable conduct and consumer protections covered in Part IVA and V of the TPA, and Part 4 deals with off-business-premises and other sales, and specifically, cooling off periods.
- The Goods Act may also imply statutory warranties as to fitness for purpose into utility supply contracts.\(^{34}\)

Application – the TPA applies only to corporations; the FTA applies to all persons, including corporations. All States and Territories have their own fair trading laws, which mirror or partly mirror the provisions of Part V of the TPA.

\(^{33}\) See the definitions of ‘goods’ in section 4 Trade Practices Act 1974 (Cth); and section 3 of the Fair Trading Act 1999 (Vic) which defines ‘goods’ to include gas, electricity, water, sewerage and telecommunications.

\(^{34}\) The implied warranties set out in Part IV of the Goods Act are to be incorporated into the new Part 2A of the FTA. The new FTA provisions will come into force on 1 July 2004, unless proclaimed earlier.
4.2.2 Privacy legislation

Personal information is a valuable asset in a commercial context, in particular it is often used as a marketing tool. The free flow of personal information has caused real concerns about how the information is used and shared. These concerns are even stronger where the information is sensitive or very personal. Commonwealth and State legislation has been introduced in order to regulate the use of this information. The legislation aims to balance the competing objectives of recognising an individual's right to protection of privacy against the need for a free flow of information.

Privacy Act 1988 (Cth)

When initially introduced, the Privacy Act 1988 (Cth) (Privacy Act) stipulated privacy safeguards and National Privacy Principles for Commonwealth and ACT government agencies in collecting, storing, using and disclosing personal information. Amendments to the Privacy Act, effective from December 2001, now oblige most of the private sector to comply with the privacy legislation. In particular, the amendments resulted in the National Privacy Principles (NPP), which set out the minimum standards for the handling of personal information.

The NPPs cover:

- collection of personal information;
- use and disclosure of personal information;
- accuracy of personal information;
- security of personal information;
- openness in relation to the organisation's practices;
- access and correction rights;
- use of government identifiers;
- anonymity
- restrictions on trans-border data flows; and
- special provisions for sensitive personal information.

Information Privacy Act 2000(Vic)

Victoria also has a privacy regime with respect to the Victorian public sector. The Information Privacy Act 2000 (IPA) governs the handling of personal information (other than health information) by the Victorian public sector. Similar to the national privacy regime, this legislation gives force to 10 Information Privacy Principles (IPP).

The IPPs cover substantially the same areas as the NPPs discussed above.

- Health Records Act 2001 (Vic)

The Health Records Act 2001 (Vic) (HRA) further protects the handling of health information both by the Victorian public sector and private organisations. This legislation is relevant to utilities because there are instances where a retailer holds information about a disability or illness such as where an electricity consumer is dependent on the supply of electricity for life support purposes.
For further detail on the application of the privacy legislation to the various participants in the utility industries, see Appendix 5.

4.3 Utility industry consumer protections

Regulations in each industry impose additional consumer protections as well as clarifying or expanding the application of privacy and goods and services legislation (for example ESC energy Guideline No. 10 Confidentiality and Explicit Informed Consent in respect of privacy, and the new Energy Retail Code provisions relating to cooling off periods and cancellation of contracts). Generally, industry specific consumer protections relate to:

- Price;
- cooling off;
- billing;
- disconnections;
- refundable advances;
- dispute resolution;
- confidentiality and privacy;
- reliability;
- safety;
- special needs customers (community service obligations);
- quality of supply; and
- obligations for energy efficiency audits.

For each industry, consumer protection provisions can be found either directly in relevant legislation or in licences, codes, guidelines and other instruments issued or approved by the relevant regulator (usually the ESC). In carrying out its functions and exercising powers, the ESC must act in accordance with the objectives in the Essential Services Commission Act 2001 (Vic), as well as those in the relevant industry act.

4.3.1 Essential Services Commission

As the independent economic regulator for all Victorian utilities, the principles on which the ESC regulates the industries are fundamental to the consumer protection measures that bind utility retailers. While each industry act confers its own set of functions, powers and objectives on the ESC, the Essential Services Commission Act 2001 establishes general objectives for the ESC. Consumer protection is the ESC's primary objective (see section 8(1)), while section 8(2) includes facilitating objectives which also focus on consumers, especially sub-sections (d) and (f).
Section 8. Objectives of the Commission

(1) In performing its functions and exercising its powers, the primary objective of the Commission is to protect the long term interests of Victorian consumers with regard to the price, quality and reliability of essential services.

(2) In seeking to achieve its primary objective, the Commission must have regard to the following facilitating objectives:
   d) to facilitate effective competition and promote competitive market conduct;
   f) to ensure that users and consumers (including low-income or vulnerable customers) benefit from the gains from competition and efficiency; …

4.3.2 Retail price regulation

Retail prices for domestic and small business customers are currently regulated in some form for all utilities under industry legislation. Price caps continue to apply for small customers in the electricity and gas industries notwithstanding full retail competition at least until 31 December 2004. The forms of price regulation are described in more detail in Appendices 3 and 4.

4.3.3 Customer interface

Other aspects of the customer interface and terms of supply, such as billing, disconnection, refundable advances, disputes and confidentiality are governed in each industry by a number of different regulatory instruments, as well as the general legislation discussed in section 4.2. The key aspects of the retailer – customer relationship are discussed in section 5.

4.3.4 EWOV scheme

All electricity, gas and water retailers are required to participate in an approved dispute resolution scheme.

All Victorian retailers marketing utilities to domestic and small business customers have joined the ESC-approved Energy and Water Ombudsman (Victoria). More detailed information about the scheme is provided in Appendix 3.
Chapter 5
Retailer – customer relationships

This section provides detail on key aspects of the retailer – customer relationship and communication in relation to utility debt, including:

- contract formation;
- the billing and collection process leading to disconnection;
- information collated and referrals made during that process;
- individual retailer hardship policies.

5.1 Electricity and Gas

5.1.1 Energy retailer-customer regulation

Diagram No 12 sets out the key regulatory instruments governing retailer-customer relationships in electricity and gas for small customers.

There are some market contracts between retailers and domestic customers. However, for all small customers, the key terms of both market and deemed (or 'standing offer') contracts are regulated primarily by the Electricity and Gas Retail Codes. Those Codes will be replaced by a single Energy Retail Code from 1 January 2005. As the ESC has already issued its final decision on the Energy Retail Code, no substantial changes are expected and this section therefore reflects the position under the new Code from 1 January 2005. Any material differences between electricity and gas are noted. Dual fuel contracts are increasingly being offered to domestic customers, and additional protections may apply to these contracts.
Regulatory framework for Victorian energy retailer – customer relationships

Essential Services Commission Act

Electricity Industry Act / Gas Industry Act

ESC Licences

Retail Licence

Approved dispute resolution scheme (EWOV)

Requires compliance with:
- specified codes, guidelines, standards and tariffs
- CSO agreements (DHS – Retailer agreement)

ESC Codes

Marketing

Retail

Distribution

Customer Transfer

Customer Metering

ESC Guidelines

Credit management/ assessment

Confidentiality & explicit informed consent

Metering reversion & contract termination

Greenhouse gas disclosure

Retail Contracts

(ESC approved or monitored under licence/codes etc)

Deemed (standing offer contracts)

Customer charters

Market contracts

Diagram No. 12: Energy retailer-customer instruments
5.1.2 Contract formation

Standing offer and market contracts

Most domestic customers still have deemed, or 'standing offer', contracts with their local retailer. This means that they have either not chosen to enter into an individual contract ('market contract') with a retailer, or they have accepted a contract on the retailer's standard terms, conditions and tariffs. Local retailers are required under the relevant industry legislation to publish the terms and conditions of their standing offer contracts in the Victorian Government Gazette. Maximum standing offer prices are also currently regulated (until at least 31 December 2004).

Customers may enter into market contracts with retailers. The customer may initiate the enquiry or the retailer may do so by a direct marketing campaign. The key terms of market contracts with domestic customers (including most of those relating to billing and information) must not be inconsistent with the Energy Retail Code.

The Energy Retail Code requires retailers to provide the following information to their customers.

<table>
<thead>
<tr>
<th>All customers</th>
<th>Customer charter, including information on:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• summary of rights and obligations;</td>
</tr>
<tr>
<td></td>
<td>• payment options and late payment</td>
</tr>
<tr>
<td></td>
<td>• energy efficiency</td>
</tr>
<tr>
<td></td>
<td>• concessions</td>
</tr>
<tr>
<td></td>
<td>• disconnection</td>
</tr>
<tr>
<td></td>
<td>• complaint and dispute resolution procedure</td>
</tr>
</tbody>
</table>

| Customers entering new contracts | Within 2 business days after the contract is made, a copy of all terms and conditions, including the tariff and any other charges or fees and notice of the customer's right to cancel the contract. |

Customer charters

For most domestic customers, the retailer's customer charter will be the only document they receive which dearly summarises their contractual rights and obligations in one place. Customer charters include information for customers on what to do if they are experiencing payment difficulties (in accordance with the retailer's obligations under the Retail Code), and information on complaint handling and dispute resolution.

5.1.3 Billing and disconnection process

Once a contract is established, key points of contact in relation to bill payment (on a normal collection cycle) between the retailer and domestic customers who may be experiencing financial difficulties are set out in the tables below. The tables reflect the requirements of the Energy Retail Code – retailers may provide additional advice or assistance in accordance with their individual hardship policies (see section 5.3).

---

35 The 'normal collection cycle' relates to customers who have not agreed a different cycle with their retailer, or been placed on a shorter cycle following repeated late payment or failure to pay.
### Retailer initiated contact

<table>
<thead>
<tr>
<th>Retailer Contact</th>
<th>Options/ information provided to customers</th>
<th>Time before further action</th>
<th>Next step</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill (Quarterly for electricity, bi-monthly for gas)</td>
<td>Bill includes: Pay-by date (minimum 12 business days*), summary of payment methods and payment arrangement options, number for billing and payment enquiries, graphs showing consumption patterns and comparisons, details of concessions. Note that any previously undercharged amounts must be separately identified and retailer must offer time to pay at least equal to the period of undercharging.</td>
<td>14 business days* – Reminder notice</td>
<td>Reminder notice</td>
</tr>
<tr>
<td>Reminder notice</td>
<td>Includes new payment date (minimum 20 days*) and contact details for retailer’s complaint handling processes</td>
<td>22 business days* – Disconnection warning.</td>
<td>Disconnection warning</td>
</tr>
<tr>
<td>Disconnection warning</td>
<td>Includes new payment date (minimum 28 days*) and warning that retailer may disconnect no sooner than 7 business days after date of receipt of disconnection warning. May also state that a late fee may be payable if customer does not contact retailer and agree an instalment plan or other arrangement within 5 business days. Includes number for payment assistance enquiries.</td>
<td>Further 5 business days, late fee may be charged Further 7 business days, disconnection (and/or debt recovery proceedings), subject to pre-disconnection steps. (A longer period applies to electricity sold under dual fuel contracts to ensure no simultaneous disconnection.)</td>
<td>Pre-disconnection steps</td>
</tr>
<tr>
<td>Pre-disconnection steps</td>
<td>Retailer must normally offer an instalment plan either if contacted by a customer and a new payment arrangement is not agreed, or if retailer believes customer is experiencing repeated payment difficulties or requires payment assistance (in these circumstances retailer must use best endeavours to contact the customer in person or by telephone). Prior to disconnection retailer must also comply with obligations to provide advice on financial assistance, concessions and counselling, and on energy efficiency. Retailer must not disconnect if the unpaid amount is less than a minimum set by the ESC, if there is an unresolved complaint about the bill with EWOV, or if customer has an outstanding application for a Utility Relief Grant.</td>
<td>New payment arrangement/ instalment plan or Disconnection and/or debt recovery proceedings.</td>
<td></td>
</tr>
<tr>
<td>Instalment plan</td>
<td>Within 5 business days after receipt of disconnection warning, retailer and customer may agree a new payment arrangement or instalment plan. When offering an instalment plan, retailer must offer payments in advance or in arrears. The instalments and duration must reflect customer’s capacity to pay, and be monitored and adjusted if appropriate. No legal proceedings or disconnection while customer makes agreed payments.</td>
<td>Immediately if customer fails to make payment under an arrangement other than an instalment plan or after the pre-disconnection steps for the 2nd or subsequent instalment plan (disconnection not permitted on default under 1st plan).</td>
<td>Disconnection and/or debt recovery proceedings.</td>
</tr>
</tbody>
</table>

* time from dispatch of original bill.
### Customer – initiated contact

<table>
<thead>
<tr>
<th><strong>Timing</strong></th>
<th><strong>Contact Type</strong></th>
<th><strong>Retailer response</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>If customer cannot pay by the pay by date</td>
<td>A customer must contact a retailer if the customer anticipates that payment of the bill by the pay by date may not be possible.</td>
<td>Assess capacity to pay, offer instalment plan and other financial and energy efficiency advice</td>
</tr>
<tr>
<td>Any time</td>
<td>Request for advice on available tariffs</td>
<td>Must respond with reasonable information within 10 business days.</td>
</tr>
<tr>
<td>Following disconnection</td>
<td>Request for reconnection</td>
<td>Must reconnect if, within 10 business days of disconnection, customer has either paid bill, agreed to a payment arrangement or (if eligible) applied for a Utility Relief Grant.</td>
</tr>
<tr>
<td>Any time</td>
<td>Complaint</td>
<td>Respond to the complaint, including notice that customer may raise complaint to a higher level within the retailer’s management and, if still not satisfied, refer the dispute to EWOV.</td>
</tr>
</tbody>
</table>

*Customer contact with a retailer is dependent on the customer ‘initiating’ the contact.

### 5.2 Water

#### 5.2.1 Water retailer-customer regulation

Diagram 14 sets out the key regulatory instruments governing retailer-customer relationships in water.
Diagram No. 13: Water-retailer customer instruments

- Essential Services Commission Act
- Water Industry Act
  - Water Industry Regulatory Order
  - ESC Codes
  - Retail licences
  - Statement of obligations
    - Customer Service Code
    - Customer Charters
    - Guidelines
    - Dispute resolution scheme (EWOV)
5.2.2 Contract formation

Most domestic customers have implied contracts with their local water retailer on the terms set out in the retailer's licence, although retailers may enter into individual contracts consistent with the licence and relevant regulatory instruments.

Customer charters

A benchmark customer charter has been developed by the ESC and water industry stakeholders. Most water retailers have developed their own customer charters, originally based on this benchmark, which are sent to all customers and summarise their rights and obligations, including information for customers experiencing payment difficulties.

5.2.3 Billing and disconnection process

Key points of contact in relation to bill payment (on a normal collection cycle) between the retailer and customers who may be experiencing financial difficulties are set out in the tables below, but note that these processes are for the Melbourne metropolitan area only. The tables reflect minimum regulatory requirements – retailers have individual hardship policies (see section 5.3).

Retailer – initiated contact

<table>
<thead>
<tr>
<th>Retailer Contact</th>
<th>Options for contact/ information provided to customers</th>
<th>Time before further action</th>
<th>Next step</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarterly bill</td>
<td>Bill includes: Payment methods and payment arrangement options, number for billing and payment enquiries, and for domestic customers concessions details.</td>
<td>12 working days*</td>
<td>Reminder notice</td>
</tr>
<tr>
<td>Reminder notice</td>
<td>If amount is not paid by due date a second notice is sent out. Must provide information on assistance available to customer</td>
<td>5 working days</td>
<td>Restriction warning</td>
</tr>
<tr>
<td>Restriction warning</td>
<td>If a customer fails to pay within 5 working days of receipt of the reminder notice, a further notice will be sent which: specifies the assistance which is available; advises that the bill is overdue and must be paid for the customer to avoid legal or restriction action; and cautions that, if legal or restriction action is taken, a customer may incur additional costs relating to the fixing of a restricting device to the property or in connection with the legal actions taken.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior to restriction.</td>
<td>Domestic customers – retailer must use best endeavours to contact the customer in person or by telephone, assess their capacity to pay, and offer an instalment plan. There is a minimum amount owing ($100) below which the retailer must not restrict. Cannot restrict supply if customer has special health need.</td>
<td>At least 28 working days must have elapsed from the first bill before a restriction can occur. The three metropolitan water retailers generally grant significantly longer timeframe before applying restrictions.</td>
<td>Restriction ** or Legal action</td>
</tr>
</tbody>
</table>

* Time from date of original bill

** In 2002-03, 199 domestic customers had their supply restricted.
Customer-initiated contact

<table>
<thead>
<tr>
<th>Contact Initiator</th>
<th>Contact Type</th>
<th>Timing of contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer</td>
<td>Request for reconnection</td>
<td>Following restriction</td>
</tr>
</tbody>
</table>

*Notes:
Customer contact with a retailer is dependent on the customer 'initiating' the contact. There are no shortened billing collection cycles in water.

5.3 Individual retailer hardship policies

Several energy retailers and all three Metropolitan water retailers have hardship or customer support policies in place, some of which may supplement the minimum regulatory requirements and protections for customers experiencing genuine financial difficulties.

A few such policies are set out in or clearly referred to in customer charters, but in most cases customers will need to contact the retailer for details of the additional assistance or options provided under that policy.

Retailers' hardship policies may offer options over and above regulatory requirements in a number of areas, including:

- Additional payment options.
- Budget plans.
- Free referral to independent financial adviser.
- Extra assistance for special needs customers.
- Extended periods prior to water restriction.
Chapter 6
Limitations created by Victorian/ national regulation

This section describes potential limitations on the range of measures that may be implemented by Victorian regulators and utilities to address issues for disadvantaged customers.

6.1 Privacy restrictions

As discussed in chapter 4, privacy law forms part of the regulation of the utility industry. The main sources of privacy law in this context are:

- the Privacy Act, together with the amendments that came into force in December 2001 which introduced the 10 NPPs;
- privacy regimes in the individual states such as the Victorian Information Privacy Act 2000 which governs the handling of personal information by the Victoria public sector; and the Health Records Act 2001 (Vic) protecting the handling of health information both by the Victorian public sector and private organisations;
- privacy guidelines such as those issued by the ESC; and
- representations and statement that may be made by an organisation about the ways in which it will use and disclose personal information.

One of the principal sources of information that regulators and utilities can access to demonstrate whether a person is struggling to pay their utility debts is billing information. This personal information will originally have been collected for a different purpose such as to provide electricity, gas or water related services, or to resolve disputes or complaints. The NPPs prohibit the use or disclosure of personal information for a purpose other than the purpose for which the information was collected unless:

- the secondary purpose is related to the primary purpose of collection and is a purpose which the individual would reasonably expect; or
- the relevant individual consents to the use of his or her personal information for the secondary purpose; or
- the use or disclosure is otherwise required or authorised by law.

The NPPs have a much more limited application to de-identified data, whereby the identity of the person cannot be 'reasonably ascertained' from the information. Therefore, where research is done by researchers outside the organisation that collected the information it is more likely that access to the information will be allowed. This could, for example, be useful for determining the extent of the effect of utility debt on users. However, it may be that in implementing policies to reduce the debt burden, the people affected would have to be identified.
One way to avoid this concern in the future is to obtain the consent from the customer at the time the information is provided to the retailer to use personal information for research purposes. However this may not be practical and furthermore, will only affect new customers and the issue will continue with regard to existing customers.

There are also some exceptions to the privacy principles which are relevant and may be useful. For example the IPPs set out in the Victorian IPA provide exceptions to the general principle that information cannot be disclosed without consent other than for the primary purpose. However one of the requirements is that it would be impracticable to seek the individual's consent which goes beyond more than just mere inconvenience or involving some expense, such as where a complete sample is essential to the integrity and success of the research. 36

For more detail on this issue see Appendix 5.

6.2 Jurisdictional issues

The retail regime is a state-based one and while this Project is piloted for Victorian application only, extending the Project nationally will not be seamless. The states have differing objectives and priorities in relation to the supply of essential services to households and the various measures that could be adopted may need to be adapted depending on the state that it is being implemented in. Further, other legislation governing some of the points raised in this chapter such as exceptions to privacy principles and safety and health considerations is also state based. While a solution may be adequate in one state, the legislation or regulations in another state may not allow it.

6.3 National co-operative regimes that limit powers

National co-operative regimes such as the National Electricity Code and the Gas Code and the corresponding intergovernmental agreement also place limitations on the type of measures that can be implemented. Individual states as parties to the co-operative regime have little flexibility to make changes or implement policies relating to the areas covered by these Codes.

For example a pipeline covered by the Gas Code will have an Access Arrangement allowing access to third parties under terms set out or approved by the Regulator. In order to reduce utility debt a state may wish to subsidise the access tariff which would undermine the national co-operative regime and its objective to promote a competitive market. The Victorian Government does have reserve powers to review and amend published prices charged to customers if it considers that adequate competition has not developed and that prices are being set at unreasonable levels. This power however does not include reducing prices to aid debt prevention if, in general, the prices that are set are not unreasonable.

36 Noted in a footnote to the Statutory Guidelines on Research issued by the Victorian Health Services Commissioner.
6.4 Financial constraints

There is a cost to retailers in implementing debt prevention policies, especially policies that require some sort of debt relief or postponed payment options. Generally, these will be a cost of business, recovered in the long term through retail tariffs. The ability to recover such costs will depend on whether or not retail price caps apply, and if so, whether they are set at a level to allow such cost recovery.

6.5 Safety and health constraints

Utilities cannot fund schemes, offset costs, or seek more affordable options by offering services of a lesser standard, where standards are regulated under health or safety legislation.

Safety parameters for supply (including the distribution services) are monitored and enforced in Victoria by independent safety regulators under separate statutes and regulations. Safety policies and laws preclude reductions in standards below regulated levels.

Similarly, in the water industry if a cheap low quality water supply were developed (such as recycled water), theoretically it could be used as a substitute for potable water currently used for watering gardens, showering and washing clothes. Water quality regulations may preclude this.\(^3\)

6.6 National Competition Policy

There are various ways in which governments and industry may seek to deliver services to provide payment assistance to disadvantaged groups, including:

1. An obligation on utility retailers to supply disadvantaged groups:
   - at cost reflective tariffs; or
   - at uniform tariffs (i.e. crops subsidised by other customer groups)

2. Subsidised payment assistance options and schemes funded by:
   - government; or
   - industry levies; and administered by either a central government agency or industry on behalf of government.

3. Establishing a ‘fall back’ retailer scheme (eg a scheme funded or subsidised by all retailers, with an ‘auction’ or placement process).

Binding national competition policies promote cost reflective pricing and the removal of hidden cross subsidies in utilities. Accordingly, any solutions that seek to assist ‘at risk’ customers through cross subsidies will require a conscious policy decision on the part of government, and a transparent mechanism to give effect to the subsidy.

\(^3\) See for example, the Victorian Health Act 1958 and Food (Amendment) Act 2001. At present, the Department of Human Services has classified Class A recycled water as safe for use only on irrigation or food crops.
6.7 Business drivers

There is also a legal issue with respect to directors' obligations to act in the company's best interest. To favour customers over shareholders by allowing debt relief or delayed payment could leave the directors of the private utilities exposed under the Corporations Act and common law regimes relating to directors' duties.

There are different drivers again for the publicly owned water entities. For example, a possible solution to utility debt is to provide subsidised rates to disadvantaged customers. However a water shortage concern (as currently faced in Victoria) could in fact encourage water suppliers to charge higher rates for water usage to discourage users from excessive water consumption. On the other hand, a concerted effort by the water suppliers to educate about how to reduce unnecessary water consumption would have dual benefits – reduction in excessive water use as well as reducing the total cost of water to households.
Chapter 7
Conclusions – characteristics of effective regimes and processes

The existence of effective consumer protections and economic regulation do not, of themselves, ensure that acceptable social outcomes are achieved, or that there is timely:

- identification of emerging issues; and
- development of programs to meet community needs.

Nevertheless, the Victorian utility experience suggests that a sound economic regulatory regime – together with sound utility practices, procedures and protocols – can achieve a great deal to ameliorate the impact of utility bills as a direct cause, or exacerbating factor in personal debt spirals and the poverty trap.

This section firstly summarises key findings from the Victorian utility regulation case study, and then draws on these findings to extract the characteristics of effective regimes and processes to identify and assist those at risk.

These characteristics reflect the particular circumstances and environment present in Australia. Before considering applying these conclusions elsewhere, it is imperative that further analysis first be undertaken to identify the variables that drive social policies and utility reform in other jurisdictions. An initial list of some such variables is set out in section 8 of this paper.

7.1 Summary of key findings

Drivers for utility regulation

The nature of Victorian utility regulation is driven to a large extent by:

- disaggregated industry structures;
- market arrangements;
- policy roles and accountabilities; and
- environmental issues.

Energy is just one of many essential services

Government policies are directed at all basic needs, including energy, food, housing and health.

Energy (particularly electricity) is in unique position because it touches every household, is a regulated service, and enables early detection of emerging problems or trends through regular billing.

Social policy is set by central government

It is the role of elected governments to determine social policy, and to put in place institutions and arrangements to fund and implement those policies.
State and federal government departments have been established to implement social policies. The mission of the Victorian Department of Human Services is to enhance and protect the health and wellbeing of all Victorians, emphasising vulnerable groups and those most in need.

Characteristics of social policy

At any point in time, there may be significant variation in:

- the characteristics (and location) of groups at risk;
- the needs of different ‘at risk’ groups;
- the priority issues governments wish to address; and
- society’s capacity and willingness to fund support schemes for those at risk.

This dictates that bodies administering and implementing social policy initiatives require flexible structures and systems, so that elected governments can respond to changing issues, and use various bodies to implement their social policy initiatives as developed from time to time.

Summary of obligations on utility retailers

It is the role of electricity, gas and water retailers to provide efficient, effective and compassionate resources and systems to:

- provide appropriate debt management advice and assistance;
- refer customers to other available sources of help;
- implement government’s social policy schemes and initiatives as in force from time to time;
- encourage energy efficiency;
- provide energy infrastructure and products; and
- help inform government social policy debates.

ESC role in social policy

As economic regulator of energy and water industries, the ESC supports government social policy by:

- pursuing its statutory objectives in exercising its powers (including promoting competition);
- monitoring and informing government of emerging trends and issues that impact on social policy;
- advising government on impacts of proposed policies for particular vulnerable customer groups; and
- ensuring that regulated businesses have in place systems, procedures and incentives to deliver the required outcomes.
7.2 Characteristics of effective regimes

This section first summarises accepted concepts for good regulatory design that apply in Victoria.

### Conclusion

An effective regime will reflect:
- considered analysis of the problems and available solutions to address them; and
- best practice regulation.

7.2.1 Best practice regulation

In designing and administering regulatory regimes, government policy-makers and regulators should draw on best regulatory practice.

The OECD endorses as principles of good regulation:

- transparency;
- accountability;
- targeted regulation;
- consistency; and
- proportionate regulation.\(^{38}\)

The Australian Utility Regulators Forum identified the following nine principles as characteristics of best practice regulatory behaviour:

- **Communication** (information to stakeholders on a timely and accessible basis);
- **Consultation** (participation of stakeholders in meetings);
- **Consistency** (across market participants and over time);
- **Predictability** (a reputation that facilitates planning by suppliers and customers);
- **Flexibility** (by using appropriate instruments in response to changing conditions);
- **Independence** (autonomy, freedom from undue political influence);
- **Effectiveness and Efficiency** (cost-effectiveness emphasised in data collection and policies);
- **Accountability** (clearly defined processes and rationales for decisions, with appeals); and
- **Transparency** (openness of the process).

These are high-level principles; it takes considerable effort to translate them into practical decisions on detailed regulatory policy, design and instruments. Section 7.2.2 below expands on this concept.

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7.2.2 Regulation or other processes?

Regulation will not always provide the best outcome. Often, alternatives processes (formal and informal) can best address issues of concern. This is particularly relevant in giving effect to social initiatives, where government and non-government agencies perform important roles.

The following extract is taken from the Victorian Government’s Principles of Good Regulation.

---

Making regulation firstly requires there is a real and substantial problem with the current situation and secondly, the situation is best dealt with by government action, in the form of regulatory action.

Given the efficiencies generally associated with unregulated markets, the circumstances which justify government action are not without limit. Externalities, inefficient markets and social objectives such as consumer protection, health and safety, law and order should be given due consideration.

However, simply identifying a form of market failure or legitimate need for intervention, does not presuppose that regulation is appropriate. Rather, a whole range of feasible regulatory and non-regulatory options should be considered and their costs and benefits fully assessed, in order to determine the proposal with the highest net benefit. Such a proposal represents the best policy option.

What distinguishes a regulation from most alternatives is that they have the force of law which can impose penalties for non-compliance. Consequently, they represent significant restrictions on the freedom of individuals and firms to act in the manner they see fit.

Thus, where the regulatory path proves to be the best approach available, the level of action should be kept to a socially acceptable level, consistent with efficiency and equity considerations. A number of regulatory design principles have been discussed, in an effort to provide some guidance as to how this is to be achieved.

Ensuring regulations are well-designed will minimise distortions in markets and enable social welfare to be maximised subject to those restrictions on economic freedom are deemed necessary for the proper functioning of society.

---

Section 3 of the Victorian Government paper describes a methodology to break down high level concepts into some very specific questions that should be asked in respect of regulatory proposals. For example, the Victorian paper includes a general statement that:

The Government’s regulatory reform policy is based on the premise that government should not use regulation unless it has clear evidence that:

1. a problem exists;
2. government action is justified; and
3. regulation is the best alternative open to government.

To test whether or not a material problem exists, the Victorian paper then requires evaluation of the need for government action:

The paper also offers strategies and questions in relation to:

- clearly identifying objectives;
- considering alternatives before regulation;

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40 Principles of Good Regulation, Victorian Office of Regulation Reform, at p4.
41 Ibid at section 3.2, page 12.
• decision-making criteria based on cost benefit analysis;
• using performance-based regulations;
• reasonable compliance burdens; and
• effective and cost efficient enforcement regimes.

For an effective regime to deliver social policies to assist those at risk, each of these questions should be addressed in developing the proposed regime.

7.2.3 Clear roles and accountabilities

**Conclusion:**
Designers of regimes must understand:
1. The separate roles of:
   • regulators;
   • service providers; and
   • customers.
2. Any constitutional, statutory, technical or practical limitations that affect these entities.

Effective regimes avoid duplication of roles and responsibilities, and inconsistent approaches by stakeholders.

The Victorian case study indicates the following roles and accountabilities in relation to delivering social policies for utility customers.

**Utility retailers**

Utility retailers:
• provide essential services
• provide information/ data
• assist/ administer approved schemes

As set out above, it is the role of retailers in the Victorian utility regimes, to provide efficient, effective, compassionate and responsive resources and systems to:
• provide appropriate debt management advice and assistance to households;
• actively refer customers to other available sources of help;
• assist in the implementation of government’s social policy schemes and initiatives (as in force from time to time);
• encourage and advise on energy efficiency as a strategy to reduce high bills;
• provide energy infrastructure and energy products; and
• help inform government social policy debates.
**Policy makers (may be independent bodies advising Government):**

<table>
<thead>
<tr>
<th>State and federal policy makers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• determine social policy</td>
</tr>
<tr>
<td>• assess trends, and determine when changes are needed</td>
</tr>
<tr>
<td>• meet/ fund (or develop schemes to meet/ fund) community welfare expectations and needs</td>
</tr>
</tbody>
</table>

In Victoria, central government has primary responsibility for social policy; government meets its responsibilities using a range of mechanisms (regulatory, contractual, informal), and through a combination of government and non-government agencies and organisations. In the Victorian utility context, it is generally accepted that there is a clear role for government in protecting the vulnerable people in society, and that access to services such as water, sewerage, electricity and gas is necessary to maintain a basic standard of living for these vulnerable groups.

**Regulators**

<table>
<thead>
<tr>
<th>State and federal regulators protect consumers in relation to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• health</td>
</tr>
<tr>
<td>• safety</td>
</tr>
<tr>
<td>• privacy</td>
</tr>
<tr>
<td>• environmental protection</td>
</tr>
<tr>
<td>• anti-competitive behaviour</td>
</tr>
<tr>
<td>A utility economic regulator:</td>
</tr>
<tr>
<td>• enforces retailer obligations</td>
</tr>
<tr>
<td>• allows service providers to recover reasonable costs</td>
</tr>
<tr>
<td>• provides information/ data to inform social policy debates</td>
</tr>
</tbody>
</table>

Various Victorian and federal regulators and agencies are responsible for consumer protection, competition, privacy, health, safety, and environmental protection.

As set out above, the Victorian ESC, as the economic regulator of energy and water industries, supports social policy by:

- pursuing its statutory objectives in exercising its powers (including by promoting competition);
- monitoring and informing government of emerging trends and issues that impact on social policy;
- advising government on impacts of proposed policies for particular vulnerable customer groups; and
- ensuring that regulated businesses have in place systems, procedures and incentives to deliver the required outcomes described above i.e. assistance, referrals, implementation of schemes and initiatives, energy efficiency and information.

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43 The ESC’s reporting framework is designed to provide insights into affordability outcomes, and the retailer performance in influencing these outcomes. (See Draft Report to the Essential Services Commission (Victoria): Disconnection and Financial Hardship: Performance Indicators, The Allen Consulting Group, 11 November 2003, at section 1.1.)
The regulator should ensure that the systems and processes it uses to meet these obligations (and those adopted by the service providers they regulate) support social welfare policy and initiatives as in force from time to time; they must not be static and inflexible.

**Customers**

Utility customers have:

- rights and obligations under  
  - i) contracts; and  
  - ii) statute/ regulations  
- a broader social contract and expectations

The Victorian utility regulation regime also includes a requirement – imposed as a condition of retail licences issued by the ESC – that it participate in an ombudsman scheme. In Victoria, each utility retailer is a member of the Energy and Water Ombudsman (Victoria), an independent, industry-based dispute resolution scheme.

### 7.3 Effective Victorian Characteristics

The case study of the Victorian utility regulatory regime suggests that the following characteristics or objectives are effective to assist those at risk.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Characteristics</th>
</tr>
</thead>
</table>
| Central government          | Overall responsibility for determining social policy and funding arrangements  
                            | Ensure accessibility of protections and assistance available  
| Referral bodies             | Independent, adequately resourced, efficient, accountable  
                            | Effective communication and referrals between agencies  
| Support schemes             | Dynamic, targeted, efficient (in administrative costs, timeliness), transparent, compassionate, responsive  
                            | Efficient interface/ interaction with practical/ operational issues (eg. postal, welfare payment timing, etc)  
| Regulatory obligations      | Dynamic/ flexible (to accommodate changes in community expectations, needs, economic climate, etc, over time)  
                            | Regulatory design should ensure enforceable principles (as distinct from detail); the process should be regulated, rather than the outcome  
                            | Deals transparently with costs  
                            | Does not distort competitive markets or market objectives  
| Retailer-customer interface | Effective products, realistic payment options, accessible/ understandable by special needs groups, early contact encouraged, information and referrals, retailer staff training/ approach, efficient administration of support schemes/ subsidies  
                            | Creates incentives and opportunities for affected customers and interested welfare groups to participate in debates and development of regulations, processes, protocols and contracts that affect them  
                            | Ready access to effective internal and external dispute resolution options  
| Flexible structures and systems | Structures and systems (and supporting regulatory frameworks) should be flexible to meet changing needs, given that at any point in time, there may be significant variation in:  
                            | – the characteristics (and location) of groups at risk  
                            | – the needs of different ‘at risk’ groups  
                            | – the priority issues governments wish to address  
                            | – society’s capacity and willingness to fund support schemes for those at risk  

Chapter 8
Variables

Before considering applying the Victorian utility regime elsewhere, a further body of work would be required to determine, based on international experience, the characteristics of an effective regime to assist those at risk.

Below is an indicative list of variables that will affect the community priorities, and therefore, affect the utility regime design and efficacy.

| Customer profile | Who are the main users of the services (eg. domestic customers, or large industrials)?
| Weather          | Is failure to access energy for heating/cooling life threatening?
| Political framework | Is there stability, policy leadership, corruption? What are the priorities of government?
| Infrastructure    | Network and generation/production/storage asset construction status, condition, constraints
| Competition       | Which, if any, aspects of the utility services and market arrangements are competitive?
| Market structure  | What are the key players and institutions?
| Regulation        | Is there independent regulation? Of which components?
| Utility ownership | Private or public? Or combination? If public, what degree of government control is exercised over the utility?
| Socio-economic status | Is the country categorised as first, second or third world?

For example: is the community and infrastructure well-established; is it rolling out infrastructure; undergoing economic expansion; or recovering from a major upheaval such as war or natural disaster?
Appendix 1

Hardship terminology

Both in Australia and internationally, many different terms are used to convey concepts of poverty or hardship. The principal terms used in Victoria include44:

<table>
<thead>
<tr>
<th>Term/ concept</th>
<th>Usage / limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordability</td>
<td>A definition of affordability is whether a person has the ability to pay for a good or service. That is, if the cost of consuming a particular item does not exceed an individual's income threshold (or their ability to meet debt payments), then that good or service is considered to be affordable. Energy affordability relates to levels of energy use, domestic energy prices and household income. It will differ depending on household type. This is only a narrow definition of affordability and it does not take into account the opportunity cost of consumption and the consequent financial hardship that may arise. A wider definition of affordability would consider whether consumption of a good or service would have serious detriment on the consumer's ability to consume other goods. For example, paying for energy to heat the house at the expense of food.</td>
</tr>
<tr>
<td>Disadvantaged</td>
<td>This is a practical term often used by people dealing with social policy and utility debt. It is a useful term in that it recognises a broad range of social, environmental and geographical constraints that may restrict normal access to essential services and assistance. Circumstances or attributes leading to disadvantage include: • Exclusion from a fair share of economic wealth and activity – income and employment status; • Exclusion from the norms of social activity and basic services and facilities – mental capacity, health status and geographical location; • Exclusion from power including a fair share in decision making, participation in the life of the community and civil rights – educational attainment, language proficiency, age and race or ethnicity. Note that these factors also contribute to poverty.</td>
</tr>
<tr>
<td>Fuel poverty</td>
<td>A fuel poor household is one needing to spend more than a determined percentage of income in order to maintain an adequate standard of heating and/or cooling. In Australia that percentage is 5.2% of income45 (almost 100% above the Australian average household income). This definition allows for the inclusion of a combination of factors that directly cause fuel poverty including: • Poor energy efficiency in the home; • Fuel prices; • Household income; • Dwelling size; • Housing stock.</td>
</tr>
</tbody>
</table>

44 This list is a collation of terms arising from the Regulatory Framework Working Group. More comprehensive definitions will be developed through other work streams in the Project.
45 This is generally defined as 21°C in the living room, and 18°C in other rooms.
46 Suggestion by SVDP – UK definition uses 10% (it is greater in the UK due to different climatic conditions)
<table>
<thead>
<tr>
<th>Term/ concept</th>
<th>Usage / limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardship</td>
<td>Victorian utilities are encouraged through dispute resolution (EWOV) and the regulatory framework to develop ‘hardship policies’. The term is not defined, and involves subjective judgments. Generally, a customer experiencing financial hardship is someone who desires to pay, but due to financial difficulties is unable to pay within the timeframe set out in the company’s payment terms. There are two types of customers experiencing financial hardship: permanent and temporary. The two classes of customers experiencing financial hardship will have different characteristics, and will require different types of assistance. Permanent or chronic customers experiencing financial hardship are generally those with low or fixed incomes, and may require ongoing assistance. Temporary or vulnerable customers experiencing financial hardship may be regarded as those that have experienced a sudden change in living circumstances such as ill health, unemployment, separation, a death in the family, a loss arising from an accident, or some other temporary financial difficulty. These customers generally require flexibility and temporary assistance such as an extension of time to pay, a one off grant, or an instalment payment plan.</td>
</tr>
<tr>
<td>Household income</td>
<td>There are various ways to define household income: • gross income (ignores the impact of taxation) versus disposable income; • equivalent income taking account of household size and household needs, such as dependent children; and • including or excluding assistance received (whether tied to particular expenditure or household income).</td>
</tr>
<tr>
<td>Low income</td>
<td>Express references are included in Victorian utility statutes and regulatory instruments to protections for ‘low income’ customers. The term is not defined in the statutes, and involves subjective judgments. Social welfare agencies do not consider ‘low income’ to be an effective/meaningful indicator of risk of utility debt and disconnection.</td>
</tr>
<tr>
<td>Poverty</td>
<td>There are numerous definitions of poverty. Almost without exception, each has two elements: • Economic conditions of the individual or household (financial stress); • Community expectations and norms (inequality of opportunity). A definition of poverty provided by The Smith Family is: ‘… a state of deprivation, a situation where one’s standard of living has fallen below some acceptable minimum level.’ In practice this is problematic as an ‘acceptable minimum’ standard of living needs to be identified. The UN meaning of poverty is an income of less than $1 US per day. This is inadequate in the Australian context as it reflects absolute poverty rather than relative poverty. Absolute poverty is where an individual or family does not have enough income to subsist, which includes not enough money to fund the bare essentials of life such as food, water and shelter. This concept is rarely discussed in developed countries as individuals usually have enough income to achieve basic subsistence (either through work or public welfare payments). Relative poverty involves comparing a family’s income with that of a ‘typical’ family. The standard of living of a ‘typical’ family in Australia would include the consumption of discretionary items such as holidays, motor vehicles and internet access. Thus, poverty arises when a family is considered to be ‘relatively poorer’ than a ‘typical’ family. The proportion of the population in poverty depends on where and how a poverty line in relation to the ‘typical’ family is drawn. The Australian Bureau of Statistics sets the poverty line at half the median income, but other organisations have different methods. Although interrelated, the difference between poverty and affordability is that poverty is related to income levels in general, whereas affordability is related to the price and consumption of particular goods and services relative to income.</td>
</tr>
<tr>
<td>Vulnerability</td>
<td>Express references are included in Victorian utility statutes and regulatory instruments to protections for ‘vulnerable customers’. The term is not defined in the statutes. Its generally accepted meaning is the concept of ‘disadvantage’, whether through social, geographic or financial constraints. Disadvantaged consumers are by definition vulnerable consumers. However not all vulnerable consumers will be disadvantaged – some consumers will be vulnerable only because of either temporary personal circumstances that adversely affect their consumption, adverse market, product or transaction characteristics specific to a particular purchase, rather than their purchases generally. Consumer vulnerability: exposure to the risk of detriment in consumption (harm or injury, not limited to physical but also economic). This can be due to the interaction of market, product and supply characteristics as well as personal attributes and circumstances. The main cause is inadequate information, poor access to information or the deterrence of complaints or pursuit of redress by a consumer. A vulnerable consumer: is a person who is capable of readily or quickly suffering detriment in the process of consumption. Consumer disadvantage is a persisting susceptibility to detriment in consumption.</td>
</tr>
</tbody>
</table>
Appendix 2

Regulatory Framework Working Group members

- Anna Collyer, Allens Arthur Robinson
- Mark Ducksbury, TXU
- Gavin Dufty, St Vincent de Paul Society Victoria
- Wendy Heath, Essential Services Commission
- Fiona McLeod, Energy and Water Ombudsman (Victoria)
- Linda McMillan, Farrier Swier Consulting,
- Anna Stewart, Consumer Law Centre Victoria
- David Teller, Committee for Melbourne
- Jodie Weedon, Allens Arthur Robinson
Appendix 3
Electricity & Gas Regulatory Regimes

3.1 Industry context

Each of the electricity and gas industries in Victoria has been disaggregated and privatised. The industries comprise participants at the following functional levels:

(a) generation (electricity)/production (gas) – in the electricity industry there are multiple privately owned generators; while the gas industry is open to competition at this level, the bulk of Victoria's gas continues to be supplied by Esso/BHP from the Gippsland Basin;

(b) a single private sector transmission company (SPI PowerNet in electricity and GasNet in gas) which owns the network assets, together with VENCorp, a statutory corporation, which has transmission network planning functions;

(c) multiple private sector distribution companies each with a de facto monopoly area (five in electricity and three in gas); and

(d) multiple private sector retailers, with a designated 'local retailer' allocated to each distribution area (or equivalent) and responsible for the delivery of the safety net regime in that area (see section 3.5 below).

In each industry, there is competition in the wholesale and retail markets, while the transmission and distribution businesses operate as regulated monopolies. Regulation in each industry operates at two levels: there is a 'national' regime, comprising co-operative State legislation enacted by each participating State; and then a further State based regime.

In the electricity industry the participating jurisdictions (Victoria, New South Wales, Queensland, Australian Capital Territory, South Australia and Tasmania) have established a wholesale market, referred to as the 'National Electricity Market' (NEM). The NEM is administered by the National Energy Market Management Company (NEMMCO), which also has the roles of ensuring adequate supply and reliability of supply. The market operates under a National Electricity Code (NEC). The National Electricity Code Administrator (NECA) is responsible for the administration of the NEC, including managing changes to the NEC (with further oversight through the Australian Competition and Consumer Commission [ACCC]) and enforcement. A National Electricity Tribunal has also been established with a role in enforcing the NEC and a limited review role of the decisions of NEMMCO and NECA.

The NEC also regulates the transmission and distribution access regime, with the ACCC responsible for transmission regulation, and the jurisdictional regulator in each State responsible for distribution regulation in that State.

In the gas industry, the wholesale sale of gas occurs primarily through bi-lateral contracts, although a limited market for wholesale trade has been established in Victoria and is administered by VENCorp.

In addition, a number of other companies own transmission interconnectors to/from other States – including Directlink, Murraylink, Basslink and Eastern Gas Pipeline.
The transmission and distribution access regime operates in each State under the National Third Party Access Code for natural gas pipelines. NGPAC has been established with responsibility for managing changes to the Third Party Access Code, with further oversight by the Ministers in each State. The National Competition Council (NCC), together with the relevant Ministers, determines which pipelines are subject to regulation under the Third Party Access Code. As for electricity, the ACCC is the transmission regulator and the local regulator in each State in the regulation for distribution pipelines in that State.

In both the electricity and gas industries, State regulation focuses on the distribution and retail functional levels, which creates a degree of overlap (particularly in relation to distribution), and interaction (for example, between the wholesale and retail markets in electricity) with the 'national regime'.

Both industries are the subject of ongoing reform processes. A review of the industries undertaken in 2002, culminating in the report 'Towards a Truly National and Efficient Energy Market' (the Parer Report), has precipitated further reform under the guidance of the Ministerial Council on Energy. One of the first issues to be addressed is the institutional and governance arrangements in both industries.

The following sections describe the current regime as it operates in Victoria, with particular emphasis on the retail regulatory regime administered by the ESC.

3.2 Statutes

(a) Co-operative legislation

The 'national' electricity and gas regulatory regimes are incorporated into Victorian law through:

- National Electricity (Victoria) Act 1997 (pursuant to which the NEC is implemented); and

(b) Essential Services Commission Act 2001 (Vic) (ESC Act)

The ESC Act establishes the ESC (previously known as the Office of the Regulator-General) as an independent economic industry regulator with general functions and powers in any 'regulated industry' including:

- the power to make price determinations;
- the power to issue licences and otherwise regulate terms and conditions on which services are provided in the regulated industry; and
- undertaking inquiries referred to it by the Minister responsible for a regulated industry.

The role of the ESC in a particular industry is established and defined by 'relevant legislation' in that industry.

Under the ESC Act, the primary objective of the ESC is:

- to protect the long term interests of Victorian consumers with regard to the price quality and reliability of essential services.
In seeking to achieve this objective, the ESC is to have regard to a number of facilitating objectives, which include:

- to facilitate effective competition and promote competitive market conduct; and
- to ensure that users and consumers (including low-income or vulnerable customers) benefit from the gains from competition and efficiency.

(c) Electricity Industry Act 2000 (EIA) and Gas Industry Act 2001 (GIA)

The EIA and GIA are relevant legislation and make the electricity and gas industries regulated industries for the purposes of the ESC Act. The EIA and GIA provide some additional objectives for the ESC in the electricity and gas industries which are:

- to the extent it is efficient and practicable to do so, to promote a consistent regulatory approach between the industries; and
- to promote the development of full retail competition.

The major roles of the ESC under the EIA and GIA include:

- licensing and industry regulation through codes and guidelines (see sections 3.3 and 3.4);
- regulation of distribution pricing (which supplements the role of the ESC as the jurisdictional regulator under the NEC and the local regulator under the Third Party Access Code); and
- administration of the 'customer safety net' which has facilitated the introduction of full retail competition in these industries (see section 3.5).

3.3 Licences

Under the EIA, a person may not generate, transmit, distribute or sell electricity unless it holds a licence or is exempt from the requirement to hold a licence.

The GIA contains a similar prohibition, although it is limited to the activities of the distribution and sale of gas.

The ESC is responsible for issuing licences under both the EIA and the GIA. The legislation prescribes certain conditions that must be included in the licences but otherwise the ESC has a broad discretion as to licence conditions. In particular:

- local retailers are subject to a licence condition obliging them to offer to supply 'domestic and small business customers' (currently defined to be customers consuming less than 160MWh per annum) in their area (see section 3.5 below);
- the licences are conditional on the licensee complying with industry codes and guidelines promulgated by the ESC; and
- distribution and retail licences must be subject to a condition that the licensee enter into a customer dispute resolution scheme approved by the ESC (see section 3.6 below).

Licences are enforced through the ESC Act and can ultimately be revoked in the case of non-compliance.
3.4 Other regulatory instruments

(a) Introduction

As noted above, the ESC further regulates the electricity and gas incentives through industry codes and guidelines. A list of the codes and guidelines that have been issued in each industry is set out below.

**Codes**

<table>
<thead>
<tr>
<th>Electricity</th>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity Retail Code (to be replaced by the Energy Retail Code)</td>
<td>Gas Retail Code (to be replaced by the Energy Retail Code)</td>
</tr>
<tr>
<td>Electricity Distribution Code</td>
<td>Victoria Gas Distribution System Code</td>
</tr>
<tr>
<td>Code of Conduct for Marketing Retail Electricity in Victoria</td>
<td>Code of Conduct for Marketing Retail Gas in Victoria</td>
</tr>
<tr>
<td>Electricity Customer Metering Code</td>
<td></td>
</tr>
<tr>
<td>Electricity Customer Transfer Code</td>
<td></td>
</tr>
<tr>
<td>Public Lighting Code</td>
<td></td>
</tr>
<tr>
<td>Electricity System Code</td>
<td></td>
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</tbody>
</table>

**Guidelines**

<table>
<thead>
<tr>
<th>Electricity</th>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory Accounting Information Requirements</td>
<td>Provision of Gas to Areas not serviced by an Existing Distributor</td>
</tr>
<tr>
<td>Credit Assessment</td>
<td>Credit Management</td>
</tr>
<tr>
<td>Connection and Use of System Agreements</td>
<td>Gas Distribution Pipeline Access Disputes</td>
</tr>
<tr>
<td>Regulatory Information Requirements</td>
<td>Key Performance Indicators</td>
</tr>
<tr>
<td>Regulatory Audits of Retail Businesses</td>
<td>Operational and Compliance Audits (Retail Businesses)</td>
</tr>
<tr>
<td>Confidentiality and Explicit Informed Consent</td>
<td>Confidentiality and Explicit Informed Consent</td>
</tr>
<tr>
<td>Voltage Variation Compensation</td>
<td></td>
</tr>
<tr>
<td>Metering Reversion and Contract Termination</td>
<td>Development of Retail Gas Market Rules</td>
</tr>
<tr>
<td>Greenhouse Gas Disclosure on Electricity Customer's Bills</td>
<td></td>
</tr>
<tr>
<td>Provision of Services by Electricity Distributors</td>
<td></td>
</tr>
<tr>
<td>Connection of Embedded Generation</td>
<td></td>
</tr>
<tr>
<td>Regulatory Audits of Distribution Businesses</td>
<td>Regulatory Audits of Distribution Businesses</td>
</tr>
</tbody>
</table>

The most relevant codes in the context of the Project are the new Energy Retail Code (which will replace the separate Electricity and Gas Retail Codes from 1 January 2005) and the Marketing Code of Conduct in each industry. These Codes are described briefly in paragraphs (b) and (c) below.
(b) Energy Retail Code

Similar to its predecessors, the Energy Retail Code sets out the minimum standards which apply to the supply and sale of electricity and gas by retailers to ‘relevant customers’ (currently defined as customers consuming less than 160 MWh per annum).

Specific clauses outline the retailers’ obligations in respect of:

- Connection and provision of energy services to customers;
- Providing a prescribed bill format;
- Requirements for calculating the bill on verified consumption (meter readings);
- Review of a bill, payment methods and availability of payment in advance.

In relation to terms of payment and debt issues the Energy Retail Code has four major considerations:

- **Connections**
  A retailer must commence to connect a customer the next business day after the application is made or the energy contract commences to be effective (whichever occurs last).

- **Billing**
  A retailer must prepare a bill so that a customer can easily verify that the bill conforms to their contract.

- **Credit Management**
  Credit management policies and practices are subject to ESC oversight.

- **Collections and Disconnection**
  Part 4 of the Energy Retail Code stipulates the grounds for disconnection for non-payment.

A retailer may only disconnect a customer under limited circumstances. No disconnection for non-payment can be made where:

- the amount owed is less than a certain dollar threshold;
- the bill is in dispute and subject to action before EWOV;
- the customer has sought assistance in the form of a Utility Relief Grant; or
- the only charge outstanding is not for the supply or sale of electricity or gas.

There are also restrictions on the day of the week and time that a disconnection can be made, as well as limitations on disconnection where the supply address is registered as a life support machine supply address (in the case of electricity), or a medical exemption supply address (in the case of gas).
The major differences in the Energy Retail Code from the previous Retail Codes impacting on hardship and debt issues are that the Energy Retail Code:

- addresses consequences of dual fuel contracts such as synchronised billing (hence the integration of the Electricity and Gas Retail Codes into one);
- provides for exemption from late payment fees for those having genuine difficulty paying their bills (a distinction is made between these customers experiencing financial hardship and those who can afford to pay on time but do not). The distinction is based on the model implemented in NSW by the Independent Pricing and Regulatory Tribunal (IPART) and takes into account factors such as where customers:
  - have arranged payments by instalments;
  - disputed a bill with the EWOV; or
  - contacted a welfare agency for assistance;
- tightens the period for which a company may prepare and forward a delayed bill (from 12 months to 9 months in the case where the delayed bill is due to a failure of the retailer's own billing systems); and
- achieves greater consistency across jurisdictions (most notably in the bill format).

As stated above, these new obligations will take effect from 1 January 2005.

**3.5 Retail prices and contracts – the customer ‘safety net’**

The customer safety net implemented through the EIA and the GIA currently applies to customers consuming less than 160 MWh per annum and comprises:

- an obligation imposed on each local retailer to offer to supply all such customers in its area;

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[c] In May 2004, the Government foreshadowed its intention to prevent late payment fees being imposed on small customers.
• the ability of government to regulate retail prices (which in practice is based on advice provided by the ESC), which has been used to negotiate acceptable published standing offer tariffs with retailers;

• the regulation of the terms and conditions of the sale of electricity by the ESC through the Electricity and Gas Retail Codes and, with effect from 1 January 2005, the Energy Retail Code described in section 3.4 above; and

• a framework for deemed contracts to exist in certain circumstances where customers do not otherwise enter into a retail contract.

The safety net regime is currently expressed, in each of the EIA and the GIA, to expire on 31 December 2004.

The regime and the effectiveness of retail competition is being reviewed by the ESC. It is likely that legislation will be introduced to extend the scheme, although possibly in a modified form, beyond the end of 2004.

3.6 Dispute resolution – EW0V Scheme

Victorian participants in the electricity and gas industries have satisfied licence and equivalent obligations in respect of dispute resolution procedures by establishing the EW0V scheme.49

The scheme is established through EW0V Limited, a company limited by guarantee, the members of which are the industry participants. EW0V’s costs are borne in full by the scheme members – customers and the general community bear no costs in relation to EW0V operations.

EW0V considers that it has two roles: the first is to investigate and resolve individual complaints from customers, and the second is to identify and redress systemic and trend issues, working with industry to improve customer service policies and practices.

(a) Dispute resolution

The Ombudsman has power to receive, to investigate and to facilitate the resolution of:

• complaints as to the provision or supply of (or the failure to provide or supply) electricity, gas or water services by a member to a customer as required by a Licence or agreement or under legislation;

• billing disputes;

• the administration of credit and payment services in the circumstances of a particular customer;

• disconnection, restriction and refundable advance complaints;

• complaints from owners or occupiers of land or other property about the way in which a member has exercised its statutory powers in relation to that particular land or other property or in relation to neighbouring land or other property;

49 In addition to retailers and distributors, electricity transmission companies are also participants in the EW0V scheme. A full list of the scheme participants can be found at www.ewov.com.au/html/members.html.
complaints referred by the ESC in relation to the conduct of a member’s electricity, gas or water services business; and

such other complaints as may by agreement with the Ombudsman and the complainant, be referred to the Ombudsman by a member.

The Ombudsman’s functions do not extend to complaints relating to:

- the setting of prices or tariffs or determining price structures;
- commercial activities which are outside the scope of the member’s licence and in the case of water industry members who do not hold licences, commercial activities which are not within or closely related to the core water services provided by those members; or
- the content of Government policies (as opposed to commercial policies of government-owned or government-controlled members), legislation, licences and codes; or
- complaints which are specifically under consideration by any court or tribunal, or which have been considered by any of those bodies previously. Participants are encouraged not to initiate legal proceedings whilst a matter is being actively considered by the Ombudsman; or
- any matter specifically required by legislation (including subordinate legislation, rules or, in the case of a gas company, any matter authorised pursuant to an approved safety case), codes, licences, and orders made in accordance with the law, or any matter which, under an agreed working procedure with the Essential Services Commission or another relevant government authority, is to be handled by the Essential Services Commission or another government authority as the case may be; or
- customer contributions to the cost of capital works; or
- events beyond the reasonable control of a member and their consequences, bearing in mind current law and reasonable and relevant industry practice; or
- actions taken by a member and their consequences, in execution of a direction, notice or other like instrument received by the member in relation to facilitating the reliability of the supply of water services, gas or electricity, facilitating the security of a water services, gas or electricity system, a water services, gas or electricity emergency or a matter of water services, gas or electricity safety and issued by a person or entity having regulatory or administrative power to issue the direction, notice or instrument.

The EWOV may make a determination or direction involving payment of compensation up to $20,000 or, with the consent of all parties, up to $50,000.

The majority of EWOV cases concern retail issues such as billing, payment and disconnection associated with debt.
(b) Reporting function

Under the EWOV Charter, the Ombudsman also has the power to report to a member and to the ESC where, in the Ombudsman's opinion, the general electricity policy, water services policy or gas policy or commercial practices of a member:

- have contributed to a complaint; or
- have been identified as the source of a number of similar complaints; or
- have impeded the investigation or handling of a particular complaint.

In this context, EWOV has undertaken an important role in raising government, business and community awareness of hardship issues, policies and impacts.

3.7 Customer charters and hardship policies

Under the Retail Codes and the new Energy Retail Code, retailers must provide customers with a customer charter, which outlines all rights, entitlements and obligations of retailers and customers under the Code and other applicable laws.

The charters provide information to customers in relation to matters such as:

- payment options;
- managing bill payments, for example, instalment options or financial counselling advice;
- energy efficiency advice;
- the availability of government funded concessions; and
- complaint handling and dispute resolution options.

In addition, many companies have developed hardship policies or customer support plans. The industry recognises that due to financial hardship – sustained or intermittent, some domestic customers have a genuine inability to pay accounts. A hardship policy assists customers in such circumstances. It is not a process to simply 'write-off' debt, but to extend a helping hand and assist the customer in re-establishing themselves and managing their energy expenses.

Company hardship policies are discussed in greater detail in Part D of the Project.
Appendix 4

Water Regulatory regime

4.1 Industry context

The Minister for Water has general oversight of the management of water resources in Victoria and allocates water in accordance with the Water Act 1989 (Vic). Water is allocated by way of bulk entitlements to the respective water businesses for distribution to customers on an operational basis. The provision of water services is divided into metropolitan, rural and regional urban sectors.

The metropolitan sector was disaggregated on 1 January 1995 into four businesses in accordance with the State Owned Enterprises Act 1992 (Vic). Melbourne Water Corporation (*Melbourne Water*) is a statutory corporation, whilst the three retailers are State owned companies operating under the Corporations Law. The metropolitan sector comprises of:

(a) Melbourne Water, which is responsible for the collection, storage and wholesale sale of Melbourne's water (including the supply of bulk water to retailers), sewage treatment and the operation of Melbourne's drainage system; and

(b) three retailers, each of which supplies water and sewage services to metropolitan Melbourne according to a defined geographical area:

   (i) City West Water;

   (ii) South East Water; and

   (iii) Yarra Valley Water.

The rural sector provides wholesale supply of water to regional urban retailers, farm water supply, river and groundwater diversions, irrigation, and stock and domestic supply. The rural water authorities have been appointed as delegates of the Minister for Water to grant groundwater licences and take and use licences from streams. The rural sector comprises 3 authorities, Goulburn-Murray Water, Southern Rural Water and First Mildura Irrigation Trust. Each authority derives its powers from the Water Act 1989 (Vic) and must report to the Minister for Water.

The Regional Urban Sector supplies water and waste services to regional Victoria. It overlaps the same geographic area as the rural sector, but provides different services. The regional urban sector has recently undergone a restructure, as small authorities amalgamated and water delivery and wastewater services were removed from the responsibility of local governments. There are currently 13 Regional Urban Water Authorities (examples include Barwon Water and Western Water). Unlike metropolitan retailers, the majority of urban water authorities purchase their bulk water from rural suppliers, own or operate significant storages of their own or source ground water supplies (metropolitan retailers purchase their bulk water from Melbourne Water Corporation). Each Regional Urban Water Authority is governed by the provisions of the Water Act 1989 (Vic) and must report to the Minister.
Following its announcement in the Government’s June 2004 White Paper, *Our Water Our Future*, two additional combined rural/regional water authorities have been established through mergers – the Grampians Wimmera Mallee Water Authority and the Lower Murray Urban and Rural Water Authority.

The Victorian Government has recently released a Green Paper titled *Securing Our Water Future*. The paper sets out broad policy proposals for achieving the sustainable management and use of Victoria's water resources. It will be followed by a White Paper expected to be issued in mid 2004 that will outline its policy framework including any proposed legislative amendments.

On 1 January 2004 the Essential Services Commission (ESC) became responsible for the economic regulation of the water sector. The regulation of prices will remain the responsibility of the Department of Sustainability and Environment (DSE) until the ESC issues its first price determination expected to take effect on 1 July 2005.

The following sections describe the new economic regulatory regime administered by the ESC.

4.2 Statutes

(a) **Essential Services Commission Act 2001 (Vic)**

See section 3.1.2(b) in appendix 3.

(b) **Water Industry Act 1994 (Vic) (WIA)**

This Act establishes the economic regulatory framework for water, and makes the water industry a regulated industry for the purposes of the ESC Act. The WIA gives the ESC additional objectives to complement those it has under the ESC Act. This includes ensuring that the costs of regulation do not exceed the benefits, and ensuring that regulatory decision making has regard to health, safety, environmental sustainability and the social obligations of regulated entities.

The WIA provides for the Minister to grant licences to water retailers, and for the variation and revocation of such licences. The Minister may also issue 'Statements of Obligations' to licensees and to the other regulated entities (which include Melbourne Water Corporation, the Regional Urban Water Authorities and the Rural Water Authorities).

The WIA gives various powers to the ESC, including the power to regulate:

- prices of prescribed goods and services;
- standards and conditions of service and supply of declared goods and services.

The functions of the ESC are defined pursuant to (and are subject to) Water Industry Regulatory Orders (WIRO), which may be issued by the Governor in Council under of the WIA.

(c) **Water Act 1989 (Vic)**

The Water Act provides for the allocation of water by the Minister for Water through a system of bulk entitlements and licences. It also confers functions, powers and obligations on an 'Authority', which includes the Regional Urban Water Authorities and the Rural Water Authorities.
The MWC Act provides that the former Melbourne and Metropolitan Board of Works (MMBW) continues in existence as Melbourne Water. The MWC Act also provides that Melbourne Water has all the functions conferred on the MMBW under the MMBW Act. In addition, a number of other Melbourne Water powers and functions are specified under the MWC Act. The MMBW Act provides that Melbourne Water does not have a function or power in relation to an area or areas within the metropolis if that function or power has been conferred on a retail licensee.

4.3. Water industry licences and Statements of Obligations

(a) Retail licences

The WIA vests in the Minister the power to issue a licence for the resale of water to a specific area. Licences may only be granted to a Victorian body corporate or statutory corporation. The Minister may specify licence conditions. A licence may be issued subject to a condition requiring the licensee to enter into a customer dispute resolution scheme approved by the ESC (section 9).

The unlicensed reselling of water is not prohibited. Instead, the benefit of holding a licence is that the WIA confers various functions and powers upon licensees. At present, only the three metropolitan retailers have been issued with licences.

(b) Statement of Obligations

In addition to imposing licence conditions, the Minister is empowered to issue Statements of Obligations both to licensees and other regulated entities.

A Statement of Obligations has the elements of a licence in that it may impose obligations upon a regulated entity, for example, in relation to governance, quality and performance standards and customer and community consultations.

In particular, the Statements of Obligations oblige the regulated entities to prepare a 'Water Plan', which must set out what the regulated entity intended to achieve during the regulatory period to which the Water Plan relates, and how it intends to achieve its stated outcomes. The first 'regulatory period' is the period of three years commencing 1 July 2005.

The Water Plan interacts with the WIRO (described below) in that the regulated entity must specify its proposed revenue requirement and prices for prescribed goods and services in its Water Plan, which must be submitted to the ESC for approval under the WIRO.

4.4 Other regulatory instruments

(a) Water Industry Regulatory Orders (WIRO)

As noted above, the Governor in Council may issue a WIRO under the WIA. The WIRO is the key instrument in defining the role of the ESC in the regulated water industry. The initial WIRO was issued on 18 December 2003 and came into effect on 1 January 2004.
Under the WIA, the WIRO prescribes the goods or services with respect to which the ESC may regulate price, and places limitations upon the ESC's powers to do so. In addition, the WIRO declares goods or services in respect of which the ESC has the power to regulate standards and conditions of service and supply.

The WIRO confers a range of other specific functions on the ESC, including:

- auditing performance and compliance with Codes and Statements of Obligations;
- monitoring and reporting publicly on the performance of the regulated water industry; and
- resolution of disputes between regulated entities in relation to standards and conditions of service and supply, and prices for services (but only with the agreement of the customer or person).

(b) Codes

Separately to the WIRO, the WIA gives the ESC a specific power to make codes in respect of the regulated water industry.

Under the WIA, a code may:

- require regulated entities to develop issue and comply with customer related standards, procedures, policies and practices;
- specify minimum customer related standards, procedures, policies and practices to be included in a customer charter of a regulated entity;
- require regulated entities to enter into agreements with each other to ensure that customer related standards can be met and specify principles for negotiation of such agreements; and
- require regulated entities to maintain specified accounting records and prepare accounts in accordance with specified principles.

In particular, the ESC is preparing, and has commenced public consultation on, a Customer Service Code which will set out the obligations that the metropolitan and regional water businesses must meet with respect to the supply of various water and sewerage services to their customers. It is envisaged that the Code will deal with similar matters to the Energy Retail Code (see section 3.1.4(b) in appendix 3) including connections, billing, payment, collections, action for non-payment and disconnection.

4.5 Retail prices and contracts

(a) Current regime

Retail prices in the metropolitan water sector are currently regulated pursuant to Orders made by the Governor in Council under section 21A of the WIA.
Section 19 of the WIA previously established a deemed contract arrangement between the metropolitan retailers and each of their customers. The ESC developed a Benchmark Customer Contract as a model for the retailers, which specified the circumstances in which water and sewerage services may be restricted or disconnected. The metropolitan retailers were also required to develop and implement procedures for consulting with customers in relation to their retail contacts, and each retailer has established a customer advisory committee for this purpose.

While the regional urban water authorities were not subject to similar obligations, many voluntarily developed customer charters and established customer consultative committees.

Each of the rural water authorities has a customer service committee, appointed under section 108 of the Water Act. These committees have played an important role in setting prices and determining price and service levels.

(b) New regime

Sections 19 and 21 A of the WIA are to be repealed and retail prices and contracts, for all water businesses, will be regulated by the ESC with effect from 1 July 2005.

As discussed, above:

- under the WIRO, the ESC will regulate the prices for prescribed goods and services in the water industry, which includes the prices for retail water and sewerage services; and
- the ESC is preparing a Customer Service Code which will regulate matters to be addressed in customer contracts.

Under the new regime, regulation is extended from the metropolitan retailers to also include (as applicable) the regional urban water authorities and the rural water authorities.

4.6 Dispute resolution

(a) ESC role

As noted above, under the WIRO, the ESC is given specific dispute resolution functions with respect to the standards and conditions of service and supply of bulk water services.

(b) Energy and Water Ombudsman (Victoria) (EWOV)

The EWOV scheme is described in section 3.1.6 in appendix 3.

The EWOV has jurisdiction in relation to complaints and disputes between EWOV members and consumers of water and sewerage services in Victoria. All regulated entities (including the metropolitan retailers, MWC, the regional urban water authorities and the regional water authorities) are currently EWOV members.

(c) Victorian Civil and Administrative Tribunal (VCAT)

VCAT also has jurisdiction in relation to a range of matters in the water industry. In particular, VCAT has jurisdiction to review decisions made by VCAT in relation to tariffs and charges under the Water Act and the MMBW Act, and may review decisions made in respect of the provision of services.
Potential overlap between the jurisdiction of the EWOV and VCAT is addressed by the carve out from the EWOV's jurisdiction of matters which are under consideration by, or have previously been considered by, a Tribunal.

(d) State Ombudsman

Finally, the State Ombudsman also has jurisdiction to investigate administrative action taken by the regulated entities in the water industry, to the extent that those entities are government departments or Public Statutory Bodies. However, given the existence of EWOV as a specialised industry Ombudsman, the role of the State Ombudsman is, in practice, limited.

4.7 Customer charter and company policies

Currently, the metropolitan retailers are required to have a customer charter, based on a Benchmark Customer Charter developed by the ESC and, as noted above, many of the regional urban water authorities have also voluntarily established customer charters.

Similarly to the electricity and gas industries, the charters address matters such as payment options, managing bill payments, water efficiency, government assistance and complaint handling and dispute resolution, and some of the retailers also have separate hardship policies which provide, for example, for possible renegotiation of payment, alternative payment systems, access to interpreter services and waiver of debt recovery costs.

It is proposed that, under the new Customer Services Code, all businesses will be required to develop and consult with customers on customer charters and to submit them to the ESC for approval.
Appendix 5
Utility Debt Project and Privacy

5.1 Introduction

Federal and State privacy legislation has expanded over the last few years to ensure that the collection and handling of personal information by both private organisations and government bodies is protected. In the utility industries, personal information is collected from a number of different entities and due to the diverse nature of each entity, different legislation applies depending on the entity involved. This paper examines the privacy legislation in the context of information collected by:

- Victorian electricity and gas retailers and water companies and authorities;
- Victorian government departments such as the Department of Human Services and statutory corporations such as the Essential Services Commission; and
- other bodies interested in the Project such as the City of Melbourne and the Energy and Water Ombudsman (Victoria).

This paper:

- outlines the different sources of privacy laws that are likely to apply to the kinds of bodies listed above; and
- highlights (in general terms) the provisions of those sources of privacy law that are likely to be most relevant to the use and disclosure of personal information in the context of the Project.

5.2 Summary

Customers’ personal information is generally collected for a purpose such as the provision of electricity, gas, water or related services, or the resolution of complaints or disputes. Generally, the relevant privacy principles prohibit the use or disclosure of personal information for a purpose other than the purpose for which the information was collected unless:

(i) the secondary purpose is related to the primary purpose of collection and is a purpose which the individual would reasonably expect; or

(ii) the relevant individual consents to the use of his or her personal information for the secondary purpose; or

(iii) the use or disclosure is otherwise required or authorised by law.

In the context of the Project, in terms of condition (i) it is unlikely that a secondary purpose of collecting customer information for provision of electricity will be to research the predicament of disadvantaged customers.
On the other hand, in relation to condition (iii), organisations that are bound by the Information Privacy Principles under the Victorian Information Privacy Act 2000 may be able to take advantage of an exception for the use and disclosure of personal information for research purposes. However this will depend in each case on certain conditions being met, including that it is 'impracticable' to seek the relevant individuals' consent before the use or disclosure. Where the private sector provisions of the Commonwealth Privacy Act 1988 or the Victorian Health Records Act 2001 apply, the relevant exception for research is of little assistance because it is limited to the use or disclosure of health information.

However, if only de-identified (or aggregate) data is used or disclosed for research purposes, the general privacy principles will have a much more limited application. ‘Personal information’ for the purposes of the relevant legislation is information from which the identity of the person can be ‘reasonably ascertained’. Hence if the information to be used or disclosed for research is properly 'de-identified' or aggregated it is not ‘personal information’ for the purposes of the general privacy principles.

To be properly 'de-identified' for these purposes however, the relevant organisation cannot be in a position to 're-identify' the individuals to whom the information relates. Hence while personal information remains in the hands of an organisation that has the capacity to identify the individuals to whom the information relates, it cannot be used for research by that organisation (without satisfying the relevant privacy principles discussed above). But if the organisation that had collected the information provided the de-identified or aggregated information to a researcher outside the organisation, then the information would not be ‘personal information’ for privacy law purposes in the hands of the research organisation.

However an organisation considering providing such information in a de-identified form to another organisation should check first that it is not prevented from doing so by the terms of any privacy representations or privacy collection statements it has previously issued in relation to that that personal information.

5.3 Sources of privacy laws and other regulations

The main sources of privacy laws in this context are:

- the private sector provisions of the Commonwealth Privacy Act 1988 (or Privacy Act), which came into force in December 2001, and which oblige most of the private sector organisations subject to it to comply with the 10 National Privacy Principles (or NPPs)50;

- the Victorian Health Records Act 2001 (Vic) (HRA), which applies the 11 Health Privacy Principles (or HPPs) to the handling of personal health information in Victoria, both by Victorian public sector and private organisations in Victoria. In the context of the Project, 'health information' would include information about a consumer's disability or illness (for example, the fact that an electricity consumer might be dependent on the supply of electricity for life support purposes);

50 Other sources of privacy obligations under the Privacy Act 1988 that are not discussed in this Note are: a) the public sector Information Privacy Principles which generally bind Commonwealth public sector bodies, but may also bind private sector organisations to the extent that they collect personal information under contracts with the Commonwealth government, and (b) the provisions of Part IIIA of the Privacy Act that regulate (among other things) the disclosure of information in consumer credit reports.
• the Victorian Information Privacy Act 2000 (or IPA) which governs the handling of personal information (other than health information) by the Victorian public sector bodies through the 10 Information Privacy Principles (IPPs);

• the Victorian Essential Services Commission's Guideline No. 10 Confidentiality and Informed Consent (or Guideline No 10) which applies to licensed electricity and gas retailers in Victoria; and

• representations and statements that may be made by each organisation (for example, in its privacy statements and policies) about the ways in which it will use and disclose personal information (or particular classes of personal information), that may bind the organisation to observe additional obligations.

Determining the exact scope of the application of each of these sources of privacy laws can be complex and more than one source of privacy obligations can apply to any particular organisation. It also needs to be kept in mind that the privacy statements and policies of each organisation (including those that form part of their customer terms and conditions), and the context in which they are issued, should be checked before confirming the scope of each organisation's privacy obligations in relation to any particular database.

However, the following comments can be made about how the sources of privacy obligations listed above apply to some examples of organisations involved in the utility industries.

(a) Victorian water companies

Victorian water companies that are incorporated under the Commonwealth Corporations Act are subject to the 10 NPPs under the private sector provisions of the Privacy Act. To the extent that they handle health information, they are also regulated by the HPPs under the Victorian HRA. To the extent that they handle any personal information (other than health information) under the terms of a contract with the Victorian government, they are bound by the IPPs of the Victorian IPA. Finally, each Victorian water company's representations about how it handles personal information which may be binding and create additional obligations (eg, privacy statements of South East Water available at http://www.southeastwater.com.au and City West Water available at http://www.citywestwater.com.au).

The Victorian rural and regional water authorities (which are incorporated businesses) are subject to the Victorian IPA.

(b) Victorian gas and electricity retailers

Licensed electricity and gas retailers in Victoria are bound by Guideline No 10 through the provisions of the Energy Retail Code51 and electricity retailers are also bound to observe Guideline No 10 under their retail licences. Generally, Guideline No 10 reflects the NPPs52 and the Federal Privacy Commissioner's Guidelines to the NPPs but also extends the application of some NPPs (eg, NPP2.1 relating to the use and disclosure of personal information) to personal information collected by a retailer prior to December 2001.

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51 The Energy Retail Code has recently replaced the individual gas and electricity Retail Codes and will take effect from 1 January 2005. The former Retail Codes also required retailers to comply with any guidelines in relation to privacy.

52 Many retailers would also be bound by the NPPs independently.
As with Victorian water companies, Victorian electricity and gas retailers are also bound by the HPPs in relation to health information, by the IPPs to the extent required by any contract with the Victorian government, and may also be bound by the terms of any additional representations they make about privacy practices (e.g., the privacy statement of Origin Energy available at http://www.originenergy.com.au).

(c) Victorian government departments

Victorian government departments such as the Department of Human Services are bound by the HPPs in relation to health information and the IPPs in relation to any other personal information (and may be bound by any additional obligations which are adopted through privacy statements).

(d) Victorian statutory corporations

Victorian public sector bodies that are established or appointed for a public purpose under a Victorian Act (or by the Governor in Council or a Minister otherwise than under an Act) are in the same position as Victorian government departments. They are bound by the HPPs in relation to health information and the IPPs in relation to any other personal information and may also be bound by the terms of any additional representations they make about privacy. An example is the Essential Services Commission (see also the ESC’s privacy statement in relation to personal information collected through the ESC’s website at http://www.esc.vic.gov.au).

(e) City of Melbourne

As a local council, the City of Melbourne is also bound by the HPPs in relation to health information and the IPPs in relation to any other personal information and may also be bound by the terms of any additional representations about privacy.

(f) Energy and Water Ombudsman (Victoria)

As the EWOV is a company limited by guarantee under the Corporations Act (and has a budget of over $3 million per annum so it is not entitled to the small business exemption under the Privacy Act), it is bound by the NPPs as well as the HPPS under the Victorian HRA (to the extent it handles any health information). It may also be bound by the terms of any additional representations it makes about privacy policies (e.g., the privacy statement at http://www.ewov.com.au/html/EWOV%20Policies_Privacy.htm)

5.4 Provisions of privacy laws and other regulations relevant to the use of personal information for research

Relevant general privacy principles

The general privacy principles that apply to the use and disclosure of personal information under each of the legislative sources of privacy law mentioned above are similar in the context of using personal information for research.

(a) Permitted use and disclosure of personal information

NPP2, IPP2 and HPP2 each govern the use and disclosure of personal information by the entities to which they apply. In the context of using personal information for research, the relevant terms of NPP2.1, IPP2.1 and HPP2.2 are similar (and, as noted above, Guideline No 10 also extends NPP2.1 to apply to personal information collected prior to December 2001 by Victorian electricity and gas
Generally each of these privacy principles prohibits the use or disclosure of personal information for a purpose other than the primary purpose for which the information was collected (the secondary purpose) unless:

(i) the secondary purpose is related (or in the case of sensitive or health information, directly related) to the primary purpose of collection and is a purpose which the individual would reasonably expect; or

(ii) the relevant individual consents to the use of his or her personal information for the secondary purpose; or

(iii) the use or disclosure is otherwise required or authorised by law.

As most of the organisations listed in section 2 above collect personal information in the context of the providing particular products and services (ranging from utilities to the resolution of disputes) it seems likely that, in most cases, the use or disclosure of such personal information for a (secondary) purpose of research would not be ‘related’ (or ‘directed related’) to the primary purpose of providing those products or services.

It is also unlikely that the consent of individuals to the use of their personal information for research purposes will have been obtained (although of course, this could be changed as a matter of practice in future).

In relation to the third alternative, each of NPP2, IPP2 and HPP2 provide specific exceptions for the use and disclosure of personal information for certain kinds of research. However the scope of these exceptions is limited, as discussed in section 3(e) below.

(b) De-identifying the data before disclosure for research purposes

The possibility of using or disclosing only de-identified (or aggregate) data for the research purposes should also be considered. ‘Personal information’ for the purposes of the Privacy Act, the IPA and the HRA is any information or opinion about a natural person (whether or not true) from which the identity of the person can be ‘reasonably ascertained’. The definition of customer information for the purposes of Guideline No 10 is also linked to the Privacy Act definition of ‘personal information’.

Hence if the information to be used for research is 'de-identified' it is not ‘personal information’ for the purposes of the Privacy Act, IPA, the HRA or Guideline No 10.

However personal information would not be ‘de-identified’ for this purpose unless the organisation holding the information does not have the capacity, (whether through any of its employees or agents or otherwise), to identify (or re-identify) the individual or individuals to whom the personal information relates. For example, if

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53 This ignores a number of exceptions that are not relevant in this context and also specific provisions under the Privacy Act that govern particular categories of personal information (eg, Part IIIA, which governs the use and disclosure of information in consumer credit reports).

54 'Sensitive information' for the purposes of the NPPs includes information or an opinion about an individual's racial or ethnic origins, political opinions, membership of a political association, religious beliefs or affiliations, philosophical beliefs, membership of a professional or trade association, membership of a trade union, sexual preferences or practices or criminal record, as well as health information. For the purposes of the IPPs, it includes these kinds of personal information but not health information, which is covered by the HPPs in Victoria. As mentioned in note 1 above, personal information in a consumer credit report is regulated also by Part IIIA of the Privacy Act, which is not discussed in this note.
one employee of an organisation separated the names of the individuals from the information associated with them and stored the identifying information separately (however securely), the associated information would not be ‘de-identified’ in the hands of other employees of that organisation who might be using the information for research purposes. Such information would still be ‘personal information’ for the purposes of the relevant legislation and Guideline No 10. Hence while personal information remains in the hands of an organisation that has the capacity to identify the individuals to whom the information relates, it cannot be used for research by that organisation unless one of the three conditions described in section 3(a) above is met.

On the other hand, if the organisation that had collected the information provided the associated information to a researcher outside the organisation without any identifying elements, then the associated information would not be ‘personal information’ for privacy law purposes in the hands of the researcher. In this context it should be remembered that removing the names of individuals may not be sufficient to ‘de-identify’ the information: the information would still be ‘personal information’ if there was sufficient material in the information for the researcher to ‘reasonably ascertain’ (perhaps using other information in the hands of the researcher) the identity of the relevant individuals.

However an organisation considering providing such information in a de-identified form should check first that it is not prevented from doing so by the terms of any privacy representations or privacy collection statements (see section 3(c) below) it has previously issued in relation to that relevant personal information, eg, a statement to the effect that the information collected will never be disclosed in any form or for any purpose other than the particular provision of a product or service.

(c) Collection statement obligations and privacy representations

Each of NPP1.3 (which applies under the Privacy Act and also to Victorian electricity and gas retailers through Guideline No 10), IPP1.3 and HPP1.4 provides that at or about the time an organisation collects personal information about an individual, the organisation must take reasonable steps to ensure that the individual is aware of certain matters (often referred to as the collection statement information), that include the identity of the organisation and how to contact it, the purposes for which the information is collected, to whom it is usually disclosed, and the fact that the individual is able to gain access to it.

Thus an organisation that collected personal information to provide certain products or services but also wishing to use it for research purposes has an obligation to disclose these purposes at the point of collection. If the organisation knows at the time of collection that it is likely to disclose the personal information to another body for research purposes (even if only in an unidentified form) it may also have an obligation to disclose this at that point (since the disclosure of the information is arguably a ‘use’ of it).

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Under NPP2.1, IPP2.1 and HPP2.2 it is also likely that the organisation would need to seek consent to the use of personal information for research at this point (unless one of the exceptions discussed in section 3(e) applied).
In any case, it is at least important to check that the terms of any collection statements do not prevent subsequent planned use or disclosure for research. For example, statements that:

- All collection, use and disclosure of personal information by the Ombudsman will be done for the purpose of complaint investigation and resolution.

or

- We will only use your personal information to provide you with energy, related services and promotions for associated offers which may be of value to you.

may (depending of course on the full context of the document) be read as implying that the personal information collected will not be used for research even where this is authorised by exceptions in the relevant legislation.

Finally, it should be noted in this context that if an organisation entrusted with a research function collects personal information (in an identifiable form) either from another organisation or directly from individuals, it will have an independent obligation to take reasonable steps to provide collection statements to those individuals (assuming the researcher is bound by the NPPs, the IPPs or the HPPs in relation to the information collected).

(d) Requirement for consent for collection of health and other sensitive information

It is also worth keeping in mind that generally, 'sensitive' and 'health' information cannot be collected without the consent of the relevant individual. Thus, for example, information (from which the identity of an individual could be identified) about a person's disability or racial or ethnic origins could not be collected by a researcher from another organisation even if the original collection of that information by that organisation had been consented to. However there are also some exceptions to this in the context of research, as noted in section 3(e) below.

Relevant statutory research exceptions

There are marked differences in the scope of the research exceptions under each of the legislative schemes discussed above.

(e) Exceptions to the privacy principles for research purposes

Research exceptions under the IPPs

The broadest exception is available where an organisation is bound by the IPPs.

IPP 2.1(c) provides an exception to the general requirements of IPP2 that personal (non health) information cannot be used for research without the consent of the individual where it has been collected for a different, unrelated purpose.

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56 Note that in 2002 the ACCC entered into a Memorandum of Understanding with the Federal Privacy Commissioner under which they will help enforce each other's legislation. At the time, the ACCC announced that it would be focussing on whether organisations make any statements in their privacy policies and statements which might be misleading and if so, whether there may be breaches of section 52 of the Trade Practices Act as a result.


59 See note 5 above.
This exception applies where:

- the use or disclosure of the information is necessary for research or the compilation or analysis of statistics is 'in the public interest'; and

- the research, compilation or analysis will be not be in a form that identifies any particular individual; and

- it is impracticable to seek the individual's consent before the use or disclosure; and

- (in the case of disclosure) the organisation reasonably believes that the recipient of the personal information will not disclose the information.

This exception is particularly useful in the context of the Project because it applies:

- to all categories of non-health personal information (unlike the exceptions under the HPPs and NPPs which apply only to health information); and

- in relation to all categories of research, including social research, where health information is not involved.

However this exception does not apply except where it is 'impracticable' to contact the individual concerned and seek his or her consent to the use or disclosure of their information for research.

The Guidelines to the IPPs published by the Victorian Privacy Commissioner state:

> Impracticality must be assessed in context, but generally it means more than mere inconvenience, and some cost and effort for a public sector organisation.

A footnote to the Statutory Guidelines on Research issued by the Victorian Health Services Commissioner (although these of course relate to the notion of 'impracticality' under the equivalent HPP) notes that:

> Assessing whether it is 'impracticable' to seek consent requires consideration of what is impracticable in any particular set of circumstances. It may refer to physical impracticability in gaining consent; the age or the volume of the information may be such that it may not be practicable to track down all the individuals and seek their consent. This would need to amount to more than mere inconvenience or involving some expense. It may also refer to the impracticability of obtaining consent in terms of the nature of the research or statistical analysis or compilation or analysis proposed; a complete sample may be essential to the integrity and success of some research and so the research would not be possible if any of the subjects refused to allow their information to be used.

Hence where any organisation is bound by the IPPs and wishes to consider using this exception as a basis for using personal information for research or providing personal information (in an identified form) to a researcher, the threshold question of whether it is 'impractical' to obtain the consent of the individuals concerned must first be considered.
It is also relevant to note that if any of the information that may be provided on this basis is 'sensitive' information, there is an exception in IPP10.2 to the general principle that the researcher cannot collect this sensitive information without the consent of the individual. This exception applies where:

- it is necessary for research, or the compilation or analysis of statistics, relevant to government funded targeted welfare or educational services; and
- there is no reasonably practicable alternative to collecting that information; and
- it is impracticable for the organisation to seek the individual's consent to the collection.

Note that the conditions for the research exception to the need to obtain consent to the collection of sensitive information are considerably stricter than the conditions for the exception for the use or disclosure of personal information for research, eg, under IPP10.2 there is a need for the research to be 'relevant to government funded targeted welfare or educational services'.

**Research exceptions under the HPPs and NPPs**

NPP 2.1(d) and HPP 2.1(g) each provide that health information may be used or disclosed without consent in special circumstances where the use or disclosure is necessary for research or the compilation or analysis of statistics in the public interest. These are subject to a range of stricter conditions than the exception in IPP2.1(c) and are relevant only to the use and disclosure of health information, so they are not likely to be of assistance in relation to research in the context of the Project.

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NPP10.3 and HPP1.1(e) also contain research exceptions to the general rule that health information cannot be collected without the consent of the individual.
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) on behalf of the Committee for Melbourne_
Introduction

Purpose

This paper analyses the current responses of governments and energy and water providers to customers who are experiencing financial hardship, either temporary or chronic. It sets out a model for best practice in this area.

More specifically, this paper:

- outlines current government programs that are designed to assist low income and vulnerable energy and water customers in Victoria;
- briefly outlines the level of financial assistance that non-government organisations provide to low income and vulnerable energy and water customers in Victoria;
- summarises the regulatory obligations of energy and water providers in Victoria in relation to affordability issues;
- analyses the policies and procedures that some energy and water providers in Victoria have developed for responding to customers who are experiencing financial hardship, either temporary or chronic;
- outlines interstate and overseas responses to the issue of energy and water customers who are experiencing financial hardship; and
- drawing primarily on Victorian experience, sets out the features of a best practice model for responding to energy and water customers who are experiencing financial hardship.

This paper articulates a number of elements relevant to the issue of hardship ranging from social policy through to non-government programs and everything in between. The paper recognises that ‘customers in hardship’ is not a static category. People move in and out of hardship and it is imperative that government, industry or community sector programs are structured so that they provide assistance to different types of people who move in and out of different circumstances during their life time.

This paper sets out a range of elements in the Victorian context which may be useful in a universal model and may be able to be applied across the board.

This paper recognises that changes in income, government/social policy changes, and/or factors affecting livelihood (for example, drought and unemployment) will have an impact on utility customers from time to time. Given that these factors shift, as does the range of customers being impacted, any strategies to deal with the issue need to be multi-pronged and to incorporate:

- government / social policy;
- regulation and legislation to give effect to government policy;
- industry based programs; and
- non-government programs.
This paper primarily covers the first three of these areas. It recommends that any strategies adopted through the UN Global Compact recognise the need to be able to address issues over time, as issues change. Each of the sectors named above may need to change their policies and practices to address a changing landscape.

Terminology

This paper uses the phrase ‘customers experiencing financial hardship, either temporary or chronic’ to describe customers who are unable to (either fully or in part) pay their energy and/or water bill or bills, either at a particular time or regularly. Many other phrases, such as ‘customers in hardship’, ‘customers with an incapacity to pay’, ‘low income and vulnerable customers’ (the term used in the Victorian regulatory and legislative framework), ‘disadvantaged customers’, ‘fuel poverty’ and ‘energy affordability’ are also in common use.


Chapter 1

Current government programs that are designed to assist low income and vulnerable energy and water customers in Victoria

1.1 Department of Human Services

Energy concessions

Descriptions

The Concessions Unit of the Victorian Department of Human Services (DHS) administers a range of energy concessions for eligible concession cardholders, including:

- the Winter Energy Concession, which provides a discount of 17.5 per cent off two mains electricity bills and three mains gas bills issued between mid-May and mid-November each year;

- the Multiple Sclerosis Electricity Concession, which provides a discount of 17.5 per cent on the final quarterly summer electricity bill for households where a household member has Multiple Sclerosis or a condition with similar symptoms;

- the Life Support Electricity Concession, which provides a concession on the cost of the electricity associated with the operation of certain life support machines;

- the Non-Mains Winter Energy Concession, which provides a rebate of $79.00 for (1) people who use $120.00 or more of liquefied petroleum gas, (2) electricity users who are individually metered but pay a caravan park owner or accommodation owner for their electricity and (3) people who use an alternative fuel such as diesel, petrol or heating oil as their main domestic energy source;

- the Service to Property Charge Electricity Concession, whereby if the cost of the electricity used is less than the service to property charge, then the service to property charge is reduced to the same price as the electricity usage cost;

- the Electricity Transfer Fee Waiver Concession, which provides a waiver of the connection fee charge on change in occupancy in existing premises;

- the Off-peak Electricity Concession, which provides a 13 per cent reduction on off-peak tariff rates.

The above concessions are available to concession cardholders with a Pensioner Concession Card, a Health Care Card (except Child Disability and Foster Care cards) or a Veterans’ Affairs Gold Card (except Dependant). A concession can only be claimed if the energy account is in the name of the concession cardholder.
Numbers of customers assisted and expenditure

DHS estimates that in 2002/2003, 717,384 Victorian households received a mains electricity concession. This equates to approximately 37 per cent of Victorian households on mains electricity. In 2002/2003, expenditure was as follows:

<table>
<thead>
<tr>
<th>Concession</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mains Electricity Winter Energy Concession</td>
<td>46,447,253</td>
</tr>
<tr>
<td>Life Support Concession</td>
<td>781,539</td>
</tr>
<tr>
<td>Multiple Sclerosis Concession</td>
<td>71,264</td>
</tr>
<tr>
<td>Service to Property Concession</td>
<td>1,507,696</td>
</tr>
<tr>
<td>Electricity Transfer Fee Waiver</td>
<td>1,352,345</td>
</tr>
<tr>
<td>Off Peak Electricity Concession</td>
<td>3,644,298</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>53,804,395</strong></td>
</tr>
</tbody>
</table>

DHS estimates that in 2002/2003, 512,000 Victorian households received the mains gas Winter Energy Concession. This equates to approximately 34 per cent of Victorian households on mains gas. Expenditure on the mains gas Winter Energy Concession was $31,696,310.


For further details of these and other DHS energy concessions and eligibility criteria, please refer to DHS' website.

Water concessions and hardship assistance

Water concessions

DHS similarly administers water and sewerage concessions for eligible concession cardholders, namely:

- a mains water concession of 50 per cent off water service and usage charges or water usage charges, up to a maximum of $67.50 per year;
- a sewerage concession of 50 per cent off sewerage service and sewage disposal charges or sewage disposal charges, up to a maximum of $67.50 each year.

The above concessions are available to homeowners with a Pensioner Concession Card, Veterans’ Affairs Gold Card (War Widow or TPI cards), and to tenants or homeowners with a Pensioner Concession Card, Health Care Card or Veterans’ Affairs Gold Card (except Dependant).

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61 Information received from the Concessions Unit of the Victorian Department of Human Services.
62 In 2002, there were 1,960,868 residential customers on mains electricity in Victoria: Essential Services Commission Electricity Distribution Businesses – Comparative Performance Report for the Calendar Year 2002 (June 2003) p. 69.
63 In 2002, there were 1,497,806 residential natural gas customers in Victoria: Essential Services Commission Gas Industry Comparative Performance Report 2002 (June 2003) p. 44.
DHS estimates that in 2002/2003, 520,940 Victorian households received a mains water and sewerage concession\(^{66}\). This equates to approximately 28 per cent of Victorian households on mains water\(^{67}\). Expenditure on mains water and sewerage concessions in 2002/2003 was approximately $62.4 million.

DHS also administers a Life Support Machines water concession, which provides a concession on the water usage charge associated with the operation of haemodialysis machines. Figures for 2003/2004 are not yet available.

In April 2003, DHS implemented a Carted Water Rebate, also known as the Non-Mains Water Concession. From April to June 2003, DHS provided 585 rebates, with expenditure of $46,215.

**Hardship assistance**

DHS funds a Smart Homes Program to assist concession households in financial hardship with the replacement costs of inefficient or defective fixtures that are causing high water bills. In 2002/2003, DHS assisted 84 households, with expenditure of $15,190.

DHS also runs a hardship relief grant scheme specifically relating to the costs of sewerage connection. The scheme assists eligible customers who are experiencing financial hardship with a once-off grant towards the cost of connecting to a compulsory water and sewerage connection scheme. In 2002/2003, DHS provided 324 grants, with expenditure of $1,242,701.

For further details on DHS’ water concessions and hardship assistance programs, please refer to DHS’ website\(^{68}\).

**Utility Relief Grant**

DHS administers the Utility Relief Grants Scheme (URGS), which provides generally once off assistance to eligible customers who are experiencing a temporary financial crisis and who are at risk of disconnection or restriction of their electricity, gas and/or water supply. In summary, applicants must have an eligible concession card and must demonstrate one of the following three criteria: a substantial increase in consumption that has resulted in high utility bills, unexpected expenses on essential items or a decrease in their income.

In 2002/2003, DHS approved 8,051 Utility Relief Grant applications\(^{69}\), as follows:

<table>
<thead>
<tr>
<th>Utility Type</th>
<th>2002-03 approved applications</th>
<th>2002-03 expenditure ($)</th>
<th>2002-03 average grant ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>4,722</td>
<td>1,680,886</td>
<td>356</td>
</tr>
<tr>
<td>Gas</td>
<td>2,328</td>
<td>706,267</td>
<td>303</td>
</tr>
<tr>
<td>Metropolitan Water</td>
<td>686</td>
<td>186,227</td>
<td>271</td>
</tr>
<tr>
<td>Rural Water</td>
<td>315</td>
<td>85,668</td>
<td>272</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,051</strong></td>
<td><strong>2,659,048</strong></td>
<td><strong>330</strong></td>
</tr>
</tbody>
</table>

\(^{66}\) Information received from the Concessions Unit of the Victorian Department of Human Services.

\(^{67}\) According to information from the Victorian Water Industry Association (VicWater), in 2002/2003, there were 1,856,904 residential customers on mains water.


\(^{69}\) Information received from the Concessions Unit of the Victorian Department of Human Services.
For further details of the Utility Relief Grant scheme and the Non-Mains Utility Relief Grant scheme, please refer to DHS’ website. 

**Capital Relief Grant**

DHS administers the Capital Grants Scheme, which can provide once-off assistance to people in an emergency situation by repairing or replacing essential water, gas or electrical appliances (including water pipes) for households who otherwise could not afford to do so, due to financial hardship.

In addition to the criteria applied by the Utility Relief Grant Scheme, the applicant must show that faulty or defective appliances have caused very high bills, and/or that an emergency situation exists.

In 2002/2003, DHS provided 170 Capital Grants, with a total expenditure of $177,637.

1.2 **Sustainable Energy Authority of Victoria**

**Energy Task Force project**

The Energy Task Force project is run by the Sustainable Energy Authority of Victoria (SEAV), in partnership with Neighbourhood Renewal at the Department of Human Services. The project was funded by the Victorian government under the Victorian Greenhouse Strategy. The Energy Task Force project aims to improve comfort and reduce energy bills in low income houses. The project involves the retrofitting of homes by sealing off drafts, improving home insulation and installing energy and water efficient fixtures.

Pilot projects in Geelong, Bendigo and Broadmeadows have resulted in the retrofitting of 274 houses. SEAV is monitoring the energy savings that have resulted from this retrofitting work. SEAV has also been surveying household members, including as to whether the work has made their homes more comfortable. A report will be released shortly.

SEAV’s Energy Task Force project is to be expanded to 16 locations over the next four years. The locations for the project for the year ahead are currently being finalised.

For further details on the Energy Task Force, please refer to SEAV’s website.

1.3 **Department of Sustainability and Environment**

**Water Conservation Assistance Pilot Program**

From November 2003 until June 2005, the Victorian Department of Sustainability and Environment is running a Water Conservation Assistance Pilot Program. The aim of the pilot program is to assist homeowners on low incomes to make their homes more water efficient.

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The program provides up to $500 towards the cost of assessing, repairing, maintaining and replacing water related plumbing fixtures in the homes of eligible customers. To be eligible, a customer must live in their own home in one of six designated ‘high need’ local government areas. The customer’s home must have a reticulated water supply. The customer must also be an eligible concession cardholder, with a Pensioner Concession Card, Health Care Card or Veteran Affairs concession card.

1.4 Centrelink’s Centrepay

Centrelink is a Federal Government agency that delivers a range of services to the Australian community, including social security payments. Centrelink describes Centrepay to customers as follows:

Centrepay is a free direct bill paying service offered to customers receiving Centrelink payments. Through Centrepay you can choose to have regular money for rent, electricity, gas, water and other services deducted from your payment.

By using Centrepay, customers can have money deducted directly and automatically from their social security payment to their electricity, gas or water provider. Centrepay assists some customers to maintain their payment plans. Centrepay overcomes the problems that can arise when direct debits are taken from a customer’s bank account. In particular, customers using Centrepay are not subject to direct debit dishonour fees that result when there are insufficient funds in a customer’s bank account.

Not all Victorian electricity, gas or water providers currently offer Centrepay as a payment option to their customers. There is currently no regulatory obligation on Victorian electricity, gas and water providers to offer Centrepay, however, this is under review.

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73 The customer must live in a metropolitan area governed by the Glen Eira City Council, Knox City Council or Yarra City Council, or a non-metropolitan area governed by the Baw Baw Shire Council, Central Goldfields Shire Council or Swan Hill Rural City Council.

74 For more information, see http://www.ourwater.vic.gov.au/ourwater/pilotprogram.htm.


76 The Essential Services Commission (discussed in section 3.1 of this paper) has advised that it intends to explore whether Centrepay should be mandated as a payment method for electricity and gas retailers in its 2004 Review of the Effectiveness of Retail Competition and Consumer Safety Net for Gas and Electricity: http://www.esc.vic.gov.au/apps/page/user/pdf/Final%20Draft%20Decision_January_04_Public.pdf.
Chapter 2
Emergency relief assistance provided by the community sector to energy and water customers in Victoria

In addition to the government programs outlined in section 1 of this paper, the community sector provides a substantial amount of assistance to energy and water customers in Victoria, in the form of emergency relief.

Emergency relief (ER) has been defined by the Australian Council of Social Service as follows:

ER is the provision of financial assistance to those persons who find themselves in financial crisis. ER can be for a ‘one off’ episode, or an ongoing financial problem.

This assistance is usually provided in the following ways.

1. The provision of financial and/or material aid to meet an immediate need. For example this could include food vouchers, cash assistance, assistance with utility bills, food parcels, clothing or household goods.

2. The provision of a service which assists people to identify the options available to them in response to their needs, and which may advocate on their behalf or provide links to specialist community services to address the cause of their problems.

Emergency relief is funded by a range of sources, as follows:

- donations of funds, food, clothing and furniture, by individuals, businesses and charitable trusts;
- the Commonwealth Department of Family and Community Services (FaCS) – in the 2003-04 financial year, through its Emergency Relief Program, will provide $28.9 million of funding to approximately 900 organisations throughout Australia;
- the Victorian Government provides funding for the Victorian Relief Committee which, in conjunction with FoodBank Victoria, provides Victorian emergency relief agencies with a central collection, warehousing and distribution service for emergency relief foods and material aid;
- Court funds;
- Local Government funding; and
- specialist service funding.

It is difficult to establish how much money the community sector spends on payment or part payment of customer’s utility bills, and in particular energy and water bills. In any case, it is important to note that all emergency relief assistance

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with other commitments (food, clothing, etc) may have a follow on effect of improving a customer’s capacity to pay, or part pay, their utility bills.

In a 1999 study, it was estimated that Victorian emergency relief agencies provided $23-25 million in direct assistance in the form of bill payments.\(^80\)

By way of a more recent example, in 2002/03, the Victorian ‘conferences’ of the St Vincent de Paul Society provided assistance to the monetary value of $4,991,428. Of this, 3.10% or $154,734 was provided in the form of part payments towards utility bills. The vast majority of emergency relief assistance provided by St Vincent de Paul in Victoria in 2002/2003 was in the form of food vouchers, donated food and purchased food.\(^81\)

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\(^80\) Information provided by Gavin Dufty, St Vincent de Paul Society (formerly with the Victorian Council of Social Service).

Chapter 3
The regulatory obligations of energy and water providers in Victoria in relation to affordability issues

3.1 Energy retailers

Victorian electricity and gas retailers are licensed by an independent economic regulator, the Essential Services Commission (ESC). The primary objective of the ESC is to protect the long-term interests of Victorian consumers with regard to the price, quality and reliability of essential services. In seeking to achieve its primary objective, the ESC must have regard to the following objectives:

- to facilitate efficiency in regulated industries and the incentive for efficient long-term investment;
- to facilitate the financial viability of regulated industries;
- to ensure that the misuse of monopoly or non-transitory market power is prevented;
- to facilitate effective competition and promote competitive market conduct;
- to ensure that regulatory decision making has regard to the relevant health, safety, environmental and social legislation applying to the regulated industry;
- to ensure that users and consumers (including low-income or vulnerable customers) benefit from the gains from competition and efficiency; and
- to promote consistency in regulation between States and on a national basis.

There are three ‘local retailers’, AGL, Origin and TXU. Victorian customers can choose their preferred electricity and gas retailer or can stay with their ‘local retailer’. There are currently seven electricity retailers and four gas retailers (including the local retailers) who are marketing to Victorian residential customers.

3.1.1 Current ESC laws and codes

At present, the ESC’s licence conditions, codes and guidelines do not contain any specific references or requirements relating to ‘hardship codes’ or ‘hardship policies’. Instead, electricity and gas retailers are required to comply with a number of ESC codes and guidelines containing provisions that are relevant to affordability issues. Key provisions are set out and explained below.

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Electricity Retail Code and Gas Retail Code

These Codes have been under review and will be replaced on 1 January 2005 by an Energy Retail Code (see section 3.1.2 of this paper for further details).

Clause 11.1 Capacity to pay
A customer must contact a retailer if the customer anticipates that payment of a bill by the pay by date may not be possible.

Clause 11.2 Assessment and assistance to domestic customers

If:

(a) a domestic customer so contacts a retailer and they do not agree on an alternative payment arrangement; or
(b) the retailer otherwise believes the customer is experiencing repeated difficulties in paying the customer’s bill or requires payment assistance,

the retailer must:

(1) assess in a timely way whatever information the customer provides or the retailer otherwise has concerning the customer’s capacity to pay, taking into account advice from an independent financial counsellor if the retailer is unable to adequately make that assessment;
(2) on request, make available to the customer documentary evidence of the retailer’s assessment;
(3) unless the customer has in the previous 12 months failed to comply with two instalment plans and does not provide a reasonable assurance to the retailer that the customer is willing to meet payment obligations under a further instalment plan, offer the customer an instalment plan; and
(4) provide the customer with details on concessions including the Utility Relief Grant Scheme, telephone information about energy efficiency and advice on the availability of an independent financial counsellor.

Clause 11.3 Energy efficiency field audits
A retailer must consider conducting an energy efficiency field audit to assist a domestic customer to address the difficulties the customer may have paying the retailer’s bills. The retailer need only conduct such an audit if the retailer and the domestic customer reach an agreement to that effect. To avoid doubt, any charge the retailer imposes for conducting the audit is not an additional retail charge.

Clause 11.4 Debt collection
A retailer:

(a) may not commence legal proceedings for recovery of a debt from a domestic customer unless and until the retailer has complied with all applicable requirements of clause 11.2;
(b) may not commence legal proceedings for recovery of a debt while a customer continues to make payments according to an agreed payment arrangement; and
(c) must comply with guidelines on debt collection issued by the Australian Competition and Consumer Commission concerning section 60 of the Trade Practices Act 1974 (Cth).

Clause 12.2 Requirements for an instalment plans (summary)
A retailer offering an instalment plan must:

(a) specify the period of the plan and the amount of the instalments (which must reflect the customer’s consumption needs and capacity to pay), the number of instalments and how the amount of them is calculated, the amount of the instalments which will pay the customer’s arrears (if any) and estimated consumption during the period of the plan;
(b) make provision for re-calculating the amount of the instalments where the difference between the customer’s estimated consumption and actual consumption may result in the customer being significantly in credit or debit at the end of the period of the plan;
(c) undertake to monitor the customer’s consumption while on the plan and to have in place fair and reasonable procedures to address payment difficulties a customer may face while on the plan; and

Clause 13.1 Grounds for disconnection – Non-payment of a bill
A retailer may only disconnect a customer who fails to pay the retailer by the relevant pay by date if:
(a) the failure does not relate to an instalment under the customer’s first instalment plan with the retailer;
(b) the retailer has given the customer:

• a reminder notice not less than 14 business days from the date of dispatch of the bill. The reminder notice must include a new pay by date which is not less than 20 business days from the date of dispatch of the bill. No reminder notice is required if the customer is on a shortened collection cycle under clause 9.1; and

• a disconnection warning:

(a) if the customer is on a shortened collection cycle under clause 9.1, not less than [14 business days for electricity, 16 business days for gas] from the date of dispatch of the bill. The disconnection warning must include a new pay by date which is not less than 20 business days from the date of dispatch of the bill; or

(b) otherwise, not less than 22 business days from the date of dispatch of the bill. The disconnection warning must include a new pay by date which is not less than 28 business days from the date of dispatch of the bill;

(c) the retailer has included in the disconnection warning:

• a statement that the retailer may disconnect the customer on a day no sooner than seven business days after the date of receipt of the disconnection warning; and

• a telephone number for payment assistance enquiries; and

(d) if the customer has called that telephone number, the retailer has responded to the customer’s enquiry and has provided advice on financial assistance,

and, before disconnection, the customer:

(1) does not provide a reasonable assurance to the retailer that the customer is willing to pay the retailer’s bills; or

(2) does so, but then:

• does not pay the retailer the amount payable by the pay by date on the relevant disconnection warning. This does not apply if the retailer and the customer have agreed to a new payment arrangement;

• does not agree to a new payment arrangement within five business days after the date of receipt of the disconnection warning; or

• does not make payments under such a new payment arrangement.

To avoid doubt, if the customer does not agree to such a new payment arrangement or does not so make payments under such a new payment arrangement, the retailer may disconnect the customer without again having to observe this clause 13.1.

Clause 13.2 Domestic customers without sufficient income
Despite clause 13.1, a retailer must not disconnect a domestic customer if the failure to pay the retailer’s bill occurs through lack of sufficient income of the customer until the retailer has also complied with clause 11.2, using its best endeavours to contact the customer in person or by telephone, and the customer has not accepted an instalment plan within five business days of the retailer’s offer.

Clause 14(a) No disconnection – for non-payment of a bill
Despite clause 13, a retailer must not disconnect a customer for non-payment of a bill:

• where the amount payable is less than any amount approved by the [ESC] for this purpose in a relevant electricity guideline;

• if the customer has made a complaint directly related to the non-payment of the bill, to the Energy and Water Ombudsman Victoria or another external dispute resolution body and the complaint remains unresolved;

• if the customer has formally applied for a Utility Relief Grant and a decision on the application has not been made; or

• if the only charge the customer has not paid is a charge not for the supply or sale of electricity.

Clause 15.1(a) Customer’s right of reconnection – after payment of an account
If a retailer has disconnected a customer as a result of non-payment of a bill, and within 10 business days of disconnection the customer pays the bill or agrees to a payment arrangement, on request, but subject to other applicable laws and codes and the customer paying any reconnection charge, the retailer must reconnect the customer.
Clause 26.6 Energy efficiency advice
On request, a retailer must provide energy efficiency advice to a customer.

Clause 28.2 Complaints and Dispute Resolution – Advice on customer’s rights
When a retailer responds to a customer’s complaint, the retailer must inform the customer: (a) that the customer has a right to raise the complaint to a higher level within the retailer’s management structure; and (b) if, after raising the complaint to a higher level the customer is still not satisfied with the retailer’s response, the customer has a right to refer the complaint to the Energy and Water Ombudsman Victoria or other relevant external dispute resolution body. This information must be given in writing.

Clause 28.3 Complaints and Dispute Resolution – Energy and Water Ombudsman Victoria
A retailer must include information about the Energy and Water Ombudsman Victoria on any disconnection warning.

Electricity Industry Guideline No. 4: Credit Assessment and Gas Industry Guideline No. 1: Credit Assessment.

In summary, the ESC’s Credit Assessment Guidelines:

- limit the type of information that an electricity or gas retailer can provide to a credit reporting agency in relation to domestic customers (clause 6);
- further define the circumstances in which an electricity or gas retailer may seek a refundable advance from a customer (clauses 2 and 3);
- set a confidential amount, below which a gas or electricity retailer may not disconnect a customer for non-payment (clause 8, Schedule).

3.1.2 Forthcoming ESC laws and codes

On 14 May 2004, the ESC released its final decision in relation to its review of the current Electricity and Gas Retail Codes. From 1 January 2005, these codes will be replaced by an Energy Retail Code.

The ESC has indicated that under guidelines to the Code, Victorian energy retailers would be allowed to charge customers late payment fees only if (amongst other things) they have implemented ‘best practice hardship policies and procedures … based on the Yarra Valley Water model’, and have published their hardship policies and procedures on their website.

Upon the release of the revised Code, the Minister for Energy Industries commented that the Government’s preferred approach would be for retailers to introduce discounts for timely payments, rather than charge late payment fees to customers who could afford to pay on time, but chose not to. The Government subsequently foreshadowed its intention to prevent late payment fees being imposed on small customers. But in any event, the Commission announced, in its report, Energy Disconnections and Capacity to Pay – Report on Energy Retailers’ Performance released on 7 October 2004, that it will establish a licence obligation

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requiring retailers to implement best practice hardship policies that meet specified objectives and principles. The objectives and principles will be developed in a project by the ESC, in consultation with retailers, consumer representatives and other stakeholders. The ESC also intends to co-ordinate this work with current initiatives and hardship policies – including consideration of both the Yarra Valley Water model and the generic ‘best practice model’ proposed by the Committee for Melbourne (and set out in Chapter 6 of Part D of this report).

The key draft provision from the Draft Energy Retail Code (as published by the ESC in May 2004) relating to hardship issues and late payment fees is set out below. This wording is subject to change prior to 1 January 2005.

**Draft Energy Retail Code (effective 1 January 2005)**

The following wording from the Draft Energy Retail Code is subject to change prior to 1 January 2005.

7.4 Late payment fees

(a) A retailer must not impose a late payment fee on any customer unless and until, having regard to any guideline on late payment fees, the Commission has given the retailer its approval for the retailer to do so.

(b) In connection with a customer having breached the customer's obligation to pay an amount due on or before the pay by date on a retailer's initial bill, a retailer may not impose a late payment fee unless:

- the fee is imposed by the retailer on a disconnection warning given to the customer;
- the retailer includes on the disconnection warning a statement that a late payment fee may be payable by the customer unless the customer contacts the retailer and they agree to a new instalment plan or other payment arrangement, designed to assist the customer with the customer's payment difficulties, within five business days of the date of receipt of the disconnection warning; and
- by then the customer and the retailer have not agreed to such a new instalment plan or other payment arrangement.

(c) Despite clauses 7.4(a) and (b), a retailer must not impose a late payment fee on a customer:

- for so long as the customer has met all of its payment obligations under such a new instalment plan or other payment arrangement;
- if the customer has made a complaint directly related to the non-payment of the retailer’s bill to the retailer or to the Energy and Water Ombudsman Victoria and the complaint remains unresolved; or
- in other circumstances as identified in any guideline on late payment fees.

(d) A retailer must waive a late payment fee imposed on a customer if:

- the customer has contacted a welfare agency or support service for payment assistance;
- the customer pays the retailer’s bills in whole or partly by a Utility Relief Grant; or
- the retailer or the Energy and Water Ombudsman Victoria considers that it would be appropriate for the retailer to waive the late payment fee.

(e) The amount of any late payment fee must be fair and reasonable having regard to related costs incurred by the retailer.
3.1.3 **Comparative performance reports**

The ESC requires electricity and gas retailers to report to it on a range of performance indicators. Based on the information received from retailers and from other sources including DHS and the Energy and Water Ombudsman (Victoria) (EWOV), the ESC produces comparative performance reports. These reports contain information on a range of affordability performance indicators, including the numbers of disconnections for non-payment, reconnections in the same name, instalment plans, direct debit arrangements, customers with concessions and complaints about affordability and other issues. The reports also include information on the number of customer complaints received directly by local electricity and gas retailers and by EWOV. The reports illustrate the continuing prevalence of affordability issues in the matters raised with EWOV by customers.

The ESC is currently reviewing its performance indicators relating to disconnection and financial hardship. The ESC is seeking ‘to develop a set of indicators that better captures the number of customers who are being disconnected because of a genuine inability to pay their accounts’. In November 2003, the ESC released a draft report written by The Allen Consulting Group. The draft report recommends some additional indicators. For example, it recommends that disconnection and reconnection information should be cross-referenced with information on the number of disconnections in the same name and at the same address within the last 24 months. The draft report suggests that this would provide greater insight into the experiences of customers in chronic or ongoing financial hardship. The ESC has indicated that it will be releasing its final decision on its review of performance indicators in mid-June 2004. The ESC has indicated its decision will include future public reporting on the impact of energy retailers’ hardship policies.

3.1.4 **Regulatory audits**

In addition to the ESC’s comparative performance reports, energy retailers may be subject to independent audits of their compliance with the ESC’s licence conditions, codes and guidelines.

3.2 **Water providers**

Victoria’s water industry includes three Metropolitan Water Retailers, a Metropolitan Water Wholesaler, 13 Regional Urban Water Authorities and three Rural Water Authorities.

In January 2004, the ESC became the economic regulator of the Victorian water industry (prior to January 2004, the ESC only regulated non-pricing issues relating to the metropolitan water retailers). During 2004, the ESC is developing and consulting on new customer service standards for the Regional Urban Water Authorities and Rural Water Authorities, as well as for the Metropolitan Water Authority.

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94 For further details, including a copy of the draft report, please see http://www.esc.vic.gov.au/electricity309.html#UndertakingReview.
95 The ESC will place its final decision on its website: www.esc.vic.gov.au.
Retailers. The current status of these developments is discussed in section 3.2.2 of this paper. The Victorian Government has stated that the ESC is responsible for making sure that water prices are easy to understand and are accompanied by separate arrangements that provide appropriate support for low income or vulnerable customers, including hardship policies. As such, 2004 is a transitional year for the regulation of the Victorian water industry.

3.2.1 Current laws and codes

Metropolitan water retailers

Metropolitan Water Retailers are currently required to comply with a Benchmark Customer Contract. This document does not contain any specific references or requirements relating to ‘hardship codes’ or ‘hardship policies’. However, it does contain provisions that are relevant to affordability issues. A Benchmark Customer Charter contains a summary of the Benchmark Customer Contract. Some key provisions are noted below. The Benchmark Customer Contract and Charter will be replaced by an ESC urban water Customer Service Code on 1 July 2005 (see section 3.2.2 of this paper for more details).

Benchmark Customer Contract

Clause 8.4 Payment difficulties

8.4.1 Licensee Name [that is, the Metropolitan Water Retailer] will provide information to customers on programs which are available to help people having payment difficulties.

8.4.2 A brochure with this information will be provided to customers during their collection cycle where there is evidence of hardship, or on request.

8.4.3 The brochure will include information on programs to:
- establish an alternative payment arrangement, including an arrangement to:
  - pay an agreed amount by instalments as set out in clause 8.5;
  - pay the bill in instalments directly from a bank account (see clause 8.6);
  - defer the payment date for some or all of the amount owed; or
  - re-direct the bill to another person for payment, provided that person agrees in writing and Licensee Name agrees;
- provide once-off government-funded financial assistance in case of illness or other hardship, following an assessment of needs, under the Water Rates and Charges Relief Grants Scheme;
- grant government-funded concessions to eligible customers (see clause 8.3); or
- refer the customer to a no-cost and independent financial counsellor; and will also include information enabling the use of interpreter services at no cost to the customers.

Clause 8.5 Paying by instalments

8.5.1 Customers may tell Licensee Name that they wish to pay their bills by instalments, if they are having difficulties paying their bills, or are in arrears.

8.5.2 Licensee Name may ask a customer who is in arrears to pay by instalments.

8.5.3 In either case, Licensee Name will offer the customer an instalment plan which is consistent with the customer’s capacity to pay.

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8.5.4 A Licensee Name is not required to offer a customer an instalment plan if:
• the customer has, in the previous 12 months, had 2 instalment plans cancelled due to non-payment. In such a case, the Licensee Name is required to offer another instalment plan only if the customer provides reasonable assurance to the Licensee Name that the customer will comply with the plan; or
• the customer has the capacity to pay their bills and any arrears without an instalment plan.

8.5.5 Under an instalment plan, the customer pays an amount each instalment period (usually fortnightly).

8.5.6 Licensee Name’s will confirm the offer in writing and will:
• state a period over which the customer will pay by instalments;
• specify an instalment amount which will fully pay the customer’s estimated and/or arrears amounts over that period (even though the customer will be in credit or debt for some of that time because of seasonal changes in water consumption); and
• state how the amount of the instalments is calculated.

8.5.7 Licensee Name will compare the actual bills of a customer who is paying by instalments with the estimated bills on which the instalment amounts are based.

8.5.8 If the differences between the actual and estimated bills mean the customer will be significantly in credit or debt at the end of the plan, then Licensee Name will offer the customer options which should ensure that the customer’s account is in balance at the end of the plan. These options may include a:
• refund;
• one-off extra payment by the customer; or
• changed instalment amount.

Clause 8.7 Collection cycle

8.7.1 All reasonable efforts will be taken by Licensee Name to provide assistance to customers with payment difficulties during the collection cycle.

8.7.2 If a customer fails to pay by the date set out in the bill (refer clause 7.7.2), Licensee Name or an authorised agent working on behalf of Licensee Name will send a second bill or notice which will state information on assistance available as set out in clause 8.4.

8.7.3 If a customer fails to pay within 5 working days of receipt of this second bill or notice, a further notice will be sent which:
• specifies the assistance which is available;
• advises that the bill is overdue and must be paid for the customer to avoid legal or restriction action; and
• cautions that, if legal or restriction action is taken, a customer may incur additional costs relating to the fixing of a restricting device to the property or in connection with the legal actions taken.

8.7.4 Restriction of the water supply or legal action will not occur unless:
• at least 28 working days have elapsed since the issue of the first bill referred to in clause 7.7.2 has been sent;
• the customer has been sent a brochure with information on programs that are available to help people with payment difficulties (refer clause 8.4); and
• someone, on behalf of Licensee Name, has attempted to make further contact with the customer about the non-payment by means of a visit, telephone call or mail and, in the case of restriction, been notified of the date of the proposed restriction; and
• the customer has been offered an instalment plan or other alternative payment arrangement consistent with the customer’s capacity to pay as set out in clause 8.5, and has failed to respond or refused to agree to it; or
• the customer has agreed to an instalment plan or other alternative payment arrangement consistent with the customer’s capacity to pay, but has failed to comply with the arrangement and failed to pay the amount owed.
8.7.5 For the purposes of this clause, customers are deemed to receive a brochure, bill or notice 2 working days after it is sent by Licensee Name in accordance with clause 7.5.1.

Clause 9.1 Restriction or disconnection for non-payment

9.1.1 If a customer does not pay an amount owed to Licensee Name, then Licensee Name may restrict the supply of water to the customer.

9.1.2 Licensee Name must not take action to restrict the supply of water unless it has taken the steps detailed in 8.7.

9.1.3 Exceptions

Licensee Name will not apply a restriction to a customer’s water supply if:

- the amount owed by the customer is less than $100;
- the customer has registered with Licensee Name as requiring a supply of water, and the registration is for health reasons, as set out in clause 4.9;
- it is a Friday, a weekend, a public holiday, or the day before a public holiday, or after 3.00 pm on a weekday;
- the customer is eligible and has lodged a claim for a Government-funded concession, but has not yet been granted the concession;
- the customer has applied for a Water Rates and Charges Relief Grant and the claim has not yet been decided;
- there is a dispute between the customer and Licensee Name about the amount unpaid which has not been resolved as set out in clauses 15.5 and 15.6. However restriction may result if the customer does not pay any amount which is not in dispute;
- the customer is a tenant and the amount unpaid is owed by the property owner; or
- the customer is a tenant and has lodged, and provided proof to Licensee Name of, a claim with the Residential Tenancies Tribunal against the landlord for the amount unpaid, and the claim has not been decided.

Clause 15.4 Complaints review

15.4.1 If a customer is not satisfied with Licensee Name’s response to a complaint, they may have the complaint referred to an appropriate manager for review.

15.4.2 If the customer is still not satisfied with the response, the complaint will be reviewed by a senior manager of Licensee Name. That manager will ensure that the complaint has been properly investigated and that the final decision has taken into account the customer’s rights and obligations.

15.4.3 A review of a complaint will be handled according to the procedure for enquiries, as set out in clauses 15.1 and 15.2. In its reply, Licensee Name will inform the customer of:

- Licensee Name’s conclusions and the reasons for those conclusions, including details as to the legislative or policy basis for the conclusions, if appropriate; and
- any external dispute resolution forum through which the customer can pursue the complaint, such as the Office of Fair Trading and Business Affairs, the Small Claims Tribunal, the Administrative Appeals Tribunal, the Environment Protection Authority, or the courts.

**Regional Urban Water Authorities and Rural Water Authorities**

There are no specific references or requirements relating to ‘hardship codes’ or ‘hardship policies’ in the laws and codes that currently apply to Regional Urban Water Authorities and Rural Water Authorities.

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99 The Benchmark Customer Contract does not mention the Energy and Water Ombudsman (Victoria) (EWOV) as it was written in 1998, whereas EWOV began receiving water complaints in April 2001.
Water authorities currently have a broad legislative power under the *Water Act 1989 (Vic)* to restrict or discontinue the supply of water to any person.\(^{100}\)

Most Regional Urban Water Authorities have voluntarily developed their own Customer Charters. These documents contain different customer service standards relating to affordability issues. Some of these Charters are based on the Metropolitan Benchmark Customer Contract and set out, for example, standards relating to the restriction and disconnection of supply.\(^{101}\) Other Regional Urban Water Authority Charters contain less information about affordability issues and disconnection or restriction processes.

As noted above, in 2004 the ESC is developing new customer service standards for the Victorian water industry. The status of these developments is noted in section 3.2.2 of this paper.

### 3.2.2 Forthcoming ESC laws and codes

**Metropolitan Water Retailers and Regional Urban Water Authorities**

The ESC is currently developing an urban water Customer Service Code. It will apply to Metropolitan Water Retailers and Regional Urban Water Authorities from 1 July 2005. In May 2004, the ESC released a draft version of the code for public comment.\(^{102}\) The draft code includes a requirement for urban water providers to have a hardship policy that complies with a list of features that are set out in the code. The relevant extract of the draft code is set out below.

**Draft urban water Customer Service Code**

5.6 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 criteria 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’ policies and procedures and to ensure customers in hardship are treated with sensitivity and without making value judgements;

(c) protect customers in hardship from supply restriction, legal action, interest payments and additional debt recovery costs while payments are made to a water business according to an agreed instalment plan or other payment schedule;

(d) offer a range of payment options in accordance with the customer’s capacity to pay;

(e) provide for written confirmation of any alternative payment method to be sent to customers within 10 business days of an agreement being reached;

(f) offer information and referral to government assistance programs (including the Utility Grant Relief Scheme) and no-cost independent financial counsellors;

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\(^{103}\) The draft code states that, ‘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 URG Scheme, a customer’s previous payment history, and appropriate self-assessment by the customer’.
(g) offer information about the water business’ dispute resolution policy, and the customer’s right to lodge a complaint with an external dispute resolution forum if their hardship claim is not resolved to their satisfaction by the water business;

(h) detail the circumstances in which the policy will cease to apply to customers; and

(i) provide for a review mechanism of the policy and its associated procedures.

**Rural Water Authorities**

The ESC is separately developing a rural water Customer Service Code, which will apply to Victorian Rural Water Authorities. As at 11 June 2004, the ESC has not yet released a draft version of this code for comment.\(^{104}\)

### 3.2.3 Comparative performance reporting

**Metropolitan water retailers**

As with electricity and gas retailers, the ESC licenses Metropolitan Water Retailers and requires them to report to it on a range of performance indicators. This information, together with information from DHS and EWOV, is compiled in comparative performance reports.\(^{105}\)

These reports contain a range of affordability performance indicators relating to each Metropolitan Water Retailer, including trend data on the average water bill, the number of instalment plans, Utility Relief Grant data, concession data, the number of restrictions for non-payment of bills (per 1,000 customers) and the number of legal actions (per 1,000 customers). The reports also include information on the number of customer complaints received directly by the water businesses and by EWOV, including the issues involved. The 2002 / 2003 report showed that affordability issues continue to be the most common reason for metropolitan water customers to contact EWOV.\(^{106}\)

Apart from the ESC’s performance reports, the Victorian Water Industry Association (VicWater) publishes reports that include information on affordability indicators, including in relation to Metropolitan Water Retailers. These are discussed below.

**Regional Urban Water Authorities and Rural Water Authorities**

To date, there has been limited comparative performance reporting of the affordability indicators of Victorian Regional Urban Water Authorities and Rural Water Authorities. The Victorian Water Industry Association (VicWater) has produced annual publications that have included some data on affordability indicators. The reports to 2001/2002 covered only urban water businesses (that is, the Metropolitan Water Retailers and the Regional Urban Water Authorities). The 2002/2003 report was expanded to include Rural Water Authorities.

VicWater’s 2002/2003 report contained more information about affordability indicators than the previous two reports, as follows:

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\(^{105}\) For copies, please see http://www.esc.vic.gov.au/water106.html.

VicWater’s 2000/2001 report:

- the residential prices of each Metropolitan Water Retailer and Regional Urban Water Authority;
- the percentage of metropolitan and regional urban water customers on instalment plans – de-identified and averaged;
- the number of restrictions and legal actions ‘for non-payment’ – de-identified and averaged;
- the number of complaints received directly by each Metropolitan Water Retailer and Regional Urban Water Authority per 1,000 customers and by issue (including affordability).

VicWater’s 2001/2002 report:

- the residential prices of each Metropolitan Water Retailer and Regional Urban Water Authority;
- the number of complaints received directly by each Metropolitan Water Retailer and Regional Urban Water Authority per 1,000 customers and by issue (including affordability), but
- no data on restrictions and legal actions.

VicWater’s 2002/2003 report:

- the residential prices of each Metropolitan Water Retailer and Regional Urban Water Authority;
- the number of complaints received directly by each Metropolitan Water Retailer and Regional Urban Water Authority per 1,000 customers and by issue (including affordability)
- the number of Enquiries and Cases for Investigation received by EWOV in relation to each Metropolitan Water Retailer, Regional Urban Water Authority and Rural Water Authority;
- for each Metropolitan Water Retailer and Regional Urban Water Authority, the percentage of customers on instalment plans, restricted for non-payment and subject to legal action for non-payment;
- for each Metropolitan Water Retailer and Regional Urban Water Authority, the number of residential customers receiving concessions and Utility Relief Grants (per 1,000 customers).

Forthcoming ESC performance reporting

In May 2004, the ESC released a consultation paper, setting out a draft performance reporting framework that will apply to the Metropolitan Water Retailers and Regional Urban Water Providers. The ESC has proposed that the framework should include comparative performance reporting on the rates of instalment plans, restrictions for non-payment, legal actions for non-payment and

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hardship grants, as well as reporting on the duration of restrictions for non-payment and the debt levels of customers subject to restriction or legal action.

The ESC is separately developing a performance reporting framework that will apply to Victorian Rural Water Authorities. As at 11 June 2004, the ESC has not yet released a consultation paper about this framework.

3.2.4 Regulatory Audits

As with electricity and gas retailers, the ESC may currently require the Metropolitan Water Retailers to undertake independent audits on the accuracy of their performance indicator data and on their compliance with the Benchmark Customer Contract.

In the future, the ESC’s auditing will extend to monitoring compliance with the urban water Customer Service Code and rural water Customer Service Code (once those codes are finalised).
Chapter 4
Policies and procedures developed by energy and water providers in Victoria for responding to customers who are experiencing financial hardship

4.1 Water providers

Melbourne's Metropolitan Water Retailers (City West Water, South East Water and Yarra Valley Water) and Rural Urban Water Authority Western Water have taken a lead role in developing hardship programs. This has contributed to the development of customer hardship programs by electricity and gas retailers, including AGL, Origin Energy and TXU.

4.1.1 Metropolitan water retailers

City West Water

City West Water has approximately 285,000 customers. It provides water supply and sewerage services to people who live and work in the central business district and western suburbs of Melbourne.

City West Water was the first Victorian utility to develop and implement a hardship policy, in 1998. Its policy has been used by many other utilities as a benchmark document. City West Water’s hardship policy focuses on the early identification of customers facing genuine hardship. The policy states that there are various options for the resolution of outstanding debt, including various payment arrangements, rate relief and part payments.

City West Water’s other initiatives include:

- providing its Credit Officers with greater opportunity to identify and help customers who ‘can’t pay’;
- holding regular meetings and forming strategic alliances with local financial counsellors;
- managing legal action in-house so that customers can more directly explain their circumstances; and
- encouraging visits to customers to better understand the reasons for account non-payment.

In addition to its hardship policy and the initiatives outlined above, City West Water has also been developing a Special Needs Strategy.

The first part of City West Water’s Special Needs Strategy involves identifying and working with institutions and organisations in its licence area that are responsible for the care and welfare of special needs customers. Examples include child care centres, schools, retirement villages and nursing homes. Special needs customers and their carers have a higher degree of reliance on the continuity of water and

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sewerage services than the average customer. City West Water is consulting with these parties and is developing plans to reduce the inconvenience experienced by the loss or partial loss of water and sewage services. For example, City West Water may provide these institutions and organisations with a direct contact person so that, in the event of a fault, they can quickly report their situation. City West Water is also considering its capacity to provide temporary water or sewage services to those institutions and organisations that would otherwise face particular difficulties.

The second part of City West Water’s Special Needs Strategy involves assistance to individual customers. From time to time, City West Water identifies or is informed of customers who are experiencing a partial or total loss of water or sewerage services due to failure of internal property plumbing, which the customer is financially unable to get repaired. In approved circumstances where a customer is facing particular difficulties, City West Water will organise and pay for a licensed plumber to rectify the internal plumbing at no cost to the customer, or will assist with repayment options. These arrangements are often made in conjunction with a local supplier, community group or welfare agency. Under its Special Needs Strategy, City West Water provided practical assistance to the value of $4,650 in 2002/2003. From July 2003 to January 2004, assistance to the value of $12,600 was provided.

South East Water

South East Water has approximately 570,000 customers. It provides water supply and sewerage services to the inner bayside and south eastern suburbs of Melbourne, as well as to the Mornington Peninsula.

In May 2000, South East Water and Yarra Valley Water produced an industry based Financial Hardship Code of Practice. Unlike many other hardship policies, this Code of Practice is on South East Water's website. A copy is included at Appendix 1 of this paper.

South East Water's Code of Practice includes a list of indicators for its staff to use to identify those customers who are experiencing financial hardship on a temporary or permanent basis. The Code sets out the rights of these customers and includes specific guidance in relation to credit management processes. For example, the Code provides for the suspension of legal action, supply restriction and additional debt recovery costs and for the reintroduction of these measures in defined circumstances (clause 3.6). The Code states that payment suspension, reduced payment instalments and waiver of all of a customer's debt shall be at the discretion of the company.

In addition, South East Water has a partnership agreement with a financial counselling agency, Good Shepherd Youth and Family Service. In return for some funding, Good Shepherd provides financial counselling services to South East Water's customers and assists South East Water with its staff training and policy development.

Yarra Valley Water

Yarra Valley Water has approximately 615,000 customers. It provides water supply and sewerage services to people who live and work in the Yarra River catchment area of Melbourne.\(^{113}\)

Yarra Valley Water established its hardship policy in December 1999. The policy articulates Yarra Valley Water’s approach to supporting customers experiencing either temporary or permanent hardship. It states that all customers requiring additional support are to be treated individually with respect and sensitivity. Under the policy, customers are shielded from further recovery action (that is, from restriction of water supply or legal action) and are informed of the government support available to them. A copy of Yarra Valley Water’s hardship policy is included at Appendix 2 of this paper.

Yarra Valley Water’s hardship policy provides that the payment arrangement for a customer experiencing hardship is to be based on what the customer can reasonably afford to pay. This principle stands whether or not the repayment amount is sufficient to cover the customer’s account. The policy provides that payment arrangements are to be tailored to meet the individual customer’s circumstances. Yarra Valley Water has implemented various hardship initiatives and programs, which are outlined below.

In February 2000, Yarra Valley Water established a Customer Support Team to assist customers experiencing financial hardship. Currently, the Customer Support Team individually case manages approximately 2,100 customers. Each customer has a direct contact person within the Customer Support Team. Customers are referred to the Customer Support Team from Yarra Valley Water’s call centre, debt management division and external debt collection agency. Customers are also referred from external financial counselling and welfare agencies. The Customer Service Team also tries to proactively identify customers who may be experiencing financial difficulties. Customers can contact the Customer Support Team via a freecall phone number. Yarra Valley Water’s Customer Support Team has undertaken a range of training programs in relation to community issues such as depression, domestic violence, gambling addiction, drug and alcohol addiction and cultural diversity.

Yarra Valley Water’s Customer Support Team undertakes site visits to customers that have difficulty leaving their home and to customers who were not otherwise able to be contacted. The site visits provide an opportunity to assist customers to complete concession forms, to explain other programs and to discuss affordable payment options, if appropriate.

Yarra Valley Water has a strong relationship with financial counselling agency Kildonan Child and Family Services. Kildonan has provided extensive training to the staff of Yarra Valley Water and its external debt collection agency on how to identify and provide appropriate support to customers who are experiencing financial hardship.

Yarra Valley Water has established a referral service with Kildonan. This referral service is administered at no cost to customers and includes home visits for customers who require additional support. Kildonan is able to provide advice to customers on a range of issues including budgeting, government assistance schemes, emergency housing, no interest loans, legal advice and general

counselling. Customers who require other specialist assistance are directed towards the appropriate agency.

Kildonan also provides Yarra Valley Water with feedback (directly and via customer focus groups) on current or proposed programs for assisting customers in hardship. This feedback assists Yarra Valley Water to be aware of its customer’s needs. In October 2003, Yarra Valley Water and Kildonan were awarded the ‘Large Business Encouragement Award’ for Victoria as part of the Prime Minister’s Awards for Excellence in Community Business Partnerships.

One of Yarra Valley Water’s key hardship initiatives is the Arrange & Save program. This is a loyalty program that aims to encourage and support customers who have difficulty in paying their water account. For every five payments made on time by a customer on this program, Yarra Valley Water will credit the customer’s account to the value of one payment. This incentive program is designed to assist customers who cannot afford the required minimum repayment amount in reducing the arrears on their account. In July 2002, this program was extended to include a write off of long term debt for customers meeting their payment agreement over a six month period.

In conjunction with Department of Human Services, Yarra Valley Water offers customers who meet the criteria a Smart Homes Water Efficiency Audit. This involves a Yarra Valley Water licensed plumbing contractor conducting a water efficiency audit on the property and replacing inefficient appliances at no cost to the customer. The objective of the program is to reduce the size of the customer’s ongoing water accounts and to promote water conservation. EWOV understands that a customer must be both a home-owner (not a tenant) and a concession card holder to qualify for this program.

Yarra Valley Water conducts an annual financial counselling workshop with all financial counselling agencies in its licensed area and other key stakeholders, including the Department of Human Services. The workshop aims to further develop Yarra Valley Water’s relationship with the financial counselling sector. It provides an opportunity for direct feedback and for ideas and solutions to be identified. Yarra Valley Water then provides the financial counselling sector with updates on the status of these ideas and solutions.

Yarra Valley Water also provides funding for the No Interest Loans Scheme (NILS) program. This program supports those people in financial difficulty that need to borrow money for emergency purposes.

### 4.1.2 Regional Urban Water Authorities and Rural Water Authorities

Regional Urban Water Authorities and Rural Water Authorities have taken a variety of approaches to the development of hardship policies. Two examples follow.

**Western Water**

Western Water is a Regional Urban Water Authority with approximately 47,000 customers. It supplies water and provides wastewater collection and treatment services to approximately 120,000 people in townships to the west of Melbourne, including Bacchus March, Melton, Woodend, and Sunbury.

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Western Water includes its hardship policy within its Collections Policy. Western Water makes its Collections Policy available on request, providing a high level of transparency to customers and financial counsellors. Western Water’s policy notes that various indicators may show that a customer is experiencing financial hardship, including the customer’s concession status, Utility Relief Grant applications and payment history and whether the customer has sought financial counselling assistance. Western Water’s policy states that a customer is also considered to be experiencing financial hardship if they are spending more than 40% and 15% of their income on accommodation and utility bills respectively.

Western Water’s policy canvasses the following options for customers: payment extensions, instalment plans, concessions, Utility Relief Grants and waivers (upon assessment of the merits of an application). Western Water’s Collections Policy sets out that Customer Service Staff have authority to waive up to $135, the Credit Management Facilitator has authority to waive up to $1,000 and applications over $1,000 are referred to the General Manager Customer Relations.

Extracts from Western Water’s Collections Policy – relating to its collections process, hardship policy, policy on doubtful debts and waivers and a summary of its policy thresholds – are included at Appendix 3 of this paper.

**Goulburn-Murray Rural Water Authority**

Goulburn-Murray Water is a Rural Water Authority with approximately 26,000 customers. It provides a range of services, including farm supply, irrigation, stock and domestic supply, and the wholesale supply of water to Regional Urban Water Authorities. Goulburn-Murray Water’s area covers more than 6,000 square kilometres of Victoria 115.

In June 2003, Goulburn-Murray Water published its Hardship Guidelines. A copy of the guidelines is included at Appendix 4 of this paper. The guidelines set out some of the causes of temporary financial hardship in the rural and farming sector.

Goulburn-Murray Water has also at times waived or reduced interest payments for customers experiencing financial hardship as a result of drought.

**4.1.3 Victorian water industry’s Residential Hardship Guide**

Victorian water companies and authorities have recently endorsed a Residential Hardship Guide. The guide was developed by the Customer Service Special Interest Group of the Institute of Water Administrators. It is designed to form a minimum standard that will underpin the debt management policies of each water company and authority. The development of the Residential Hardship Code is most significant for those water authorities that did not previously have in place a substantive hardship policy.

The guide has recently been published on VicWater’s website 116. A copy of the guide is included at Appendix 5 of this paper. It is planned to re-work and simplify the guide into a brochure for customers.

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The Victorian water industry’s Residential Hardship Guide is loosely based on South East Water’s Hardship Code (page 24). It similarly includes a list of indicators for staff to use to identify those customers who are experiencing financial hardship on a temporary or permanent basis. It also similarly sets out the rights of these customers. It sets out minimum standards for water companies and authorities to follow in relation to the management of customers experiencing financial hardship. This includes advising a customer of their right to raise their affordability issue with the Energy and Water Ombudsman (Victoria) if the matter remains unresolved.

Compared to South East Water’s Hardship Code, the Victorian water industry’s Residential Hardship Code contains less specific information on the circumstances in which legal action, restriction of water supply and additional debt recovery actions can be instituted or reinstituted. It also does not mention the option of debt waiver.

It is not yet clear how the Victorian water industry’s Residential Hardship Code will sit in relation to the regulatory framework that the ESC is developing for the Victorian water industry.

4.2 Energy retailers

An outline of the current status of the hardship policies of Victorian local retailers, AGL, Origin Energy and TXU, follows.

AGL

AGL has developed a National Hardship Policy called Staying Connected. The policy was developed in consultation with AGL’s Customer Council which includes consumer representatives from a range of organisations. AGL launched the Staying Connected program in early 2003.

Staying Connected aims to assist customers who genuinely want to pay their account, but may be prevented from doing so due to either ongoing hardship or temporary difficulties. These customers may approach AGL personally or be referred by a financial counsellor.

AGL has established a dedicated Staying Connected team. Customers are likely to be referred to a Staying Connected specialist if they:

- genuinely want to make payments, but find it difficult to do so;
- have a history of debt;
- are unable to meet a repayment through extension to pay or an agreed instalment arrangement; or
- on occasion of illness or death of the primary income earner.

The policy aims to provide support to customers with an opportunity to manage, stabilise and assist them out of a cycle of debt. This is achieved by offering a range of alternatives to best meet their individual needs and situations.

After actively listening to the customer’s particular circumstances, a tailored solution is prepared.

This may include any of the following:

- working with the customer to help reduce their energy consumption and minimise energy costs (for example, an energy consumption audit may be done by phone and an energy savings brochure may be provided);

- an individual negotiated payment plan to reduce outstanding debt (at an amount affordable to the customer);

- the review of extra fees and charges (such as reconnection fees) by AGL in cases where a customer meets the established payment plan;

- the suspension of an outstanding debt whilst the customer gains control of their individual circumstances;

- a referral of the customer to other citizens’ advice programs (where appropriate).

Kildonan Child and Family Services have assisted AGL to develop its Staying Connected policy and have conducted training for the Staying Connected team in areas including:

- sensitive approaches to communicating with disadvantaged customers;

- financial counselling and hardship;

- understanding the issues associated with income security;

- resources available to industry and consumers.

Staying Connected customers are protected from the debt recovery and legal action that is usually taken through AGL’s usual debt collection practices.

A customer may be moved from Staying Connected to AGL’s normal collection cycle if they fail to make agreed payments on more than one occasion. In this instance, customers are provided with at least two reminders or warnings before disconnection of supply.

As at January 2004, AGL had approximately 3.1 million customers in Australia, of which approximately 9,000 customers were being assisted by the Staying Connected program.

A copy of AGL’s Staying Connected policy is included at Appendix 6 of this paper.

Origin Energy

Origin Energy has developed a Power On policy to assist customers who are experiencing financial hardship. Origin Energy introduced the policy in July 2003 for its natural gas and electricity customers and in January 2004 for its liquefied petroleum gas (LPG) customers. The policy applies in Victoria, South Australia and New South Wales.

Origin Energy’s Power On policy is premised on the following actions:

- promptly identifying customers experiencing financial difficulty through its Contact Centres;

- encouraging customer contact by demonstrating an appropriate degree of flexibility with debt recovery;
- using existing customer information to target and manage energy efficiency improvements;
- providing sustainable energy solutions for customers experiencing extreme hardship;
- providing assistance to customers who are unable to manage their own financial affairs;
- minimising billing inaccuracy.

Origin Energy has established a Community Liaison Team to assist customers experiencing financial hardship. Origin Energy is funding a financial counselling service to provide customers who are experiencing financial hardship with home energy auditing and financial counselling advice.

The process followed by Origin Energy depends on the nature of the payment difficulty that the customer is experiencing, as follows:

- For customers experiencing short term payment difficulties, Origin Energy’s Contact Centres focus on payment options, such as an extension of time to pay or a combination instalment plan to cover account arrears and ongoing usage costs.
- Customers who are experiencing short term payment difficulties and are on a limited income may be referred to Origin Energy’s Community Liaison Team. The team will focus on flexible payment options, assistance programs (such as the Utility Relief Grant scheme) and limited debt write-off.
- Customers who are experiencing long term payment difficulties and are on a limited income may be referred to Origin Energy’s Community Liaison Team. The team may offer a free home energy audit and financial counselling, structured debt write-off and customised payments.

Origin Energy has noted that the following options have been successful for some customers:

- a three-way payment match, whereby Origin Energy, the customer and the Utility Relief Grant scheme (administered by the Department of Human Services) each contribute equal funds to clear the customer’s account arrears;
- a 3:1 payment match, an incentive plan whereby Origin Energy pays an instalment amount after the customer has paid three.

A copy of Origin Energy’s Power On policy is included at Appendix 7 of this paper.

**TXU**

TXU has developed a Customer Support Plan to assist customers who are experiencing financial hardship.

TXU’s Customer Support Plan recognises that due to financial hardship – sustained or intermittent – some domestic customers have a genuine inability to pay their accounts. The Customer Support Plan is designed to provide assistance to customers in such circumstances. TXU’s aim is not to simply write off debt but rather to extend a helping hand so as to assist the customer in re-establishing themselves and managing their future energy expenses.
TXU’s Customer Support Plan defines ‘hardship’ as ‘A validated inability to pay energy accounts after all existing conventional payment and assistance programs have been exhausted and/or deemed unsuitable’.

TXU’s Customer Support Plan recognises that hardship may be represented by a bona fide inability to pay due to low income, vulnerability, illness, unemployment or other reasonable cause. Application of hardship provisions should provide both parties with a reasonable expectation of being able to discharge the debt if the terms of repayment were changed.

When it developed its Customer Support Plan, TXU was mindful of the following principles and factors:

- TXU is a business that operates in a competitive environment and provides an essential service that is not free-of-charge.
- The policy is reliant on maintaining strong relationships between the customer, external agencies and TXU.
- The policy may come into operation once all other government assistance programs have been exhausted or are deemed unsuitable.
- Each application under the Customer Support Plan is to be considered on its individual merit.
- Where appropriate, advice from external agencies will be sought by TXU to deliver the best possible outcome for the customer.
- Information obtained through this process is confidential and protected by privacy laws.
- TXU staff receive training to effectively respond to customers’ circumstances and foster the ongoing customer relationship.

Customers (or their financial counsellor) are required to apply to TXU for assistance. Customers are asked to provide TXU with details of the reason for their Customer Support Plan application, including details of their financial status. Suggestions for resolution are also sought. TXU assesses the application over a fourteen day period and has regard to its billing records and to any other relevant material. TXU then makes an informed decision regarding the customer's capacity to pay and the form of assistance to be provided.

When responding to a Customer Support Plan application, TXU explores the following options:

- energy audits;
- placement on a more appropriate tariff for the customer's circumstances;
- energy education;
- exploration of more appropriate payment channels;
- extended payment terms and alternate payment schemes;
- referral to capital improvement schemes.

For a solution to work, it must by accepted by both TXU and the customer.
Chapter 5

Examples of interstate and overseas responses to customers experiencing financial hardship

5.1 Interstate

5.1.2 New South Wales

Energy and water providers’ policies and procedures

As it does in Victoria, energy retailer AGL offers assistance to its NSW customers in line with its National Hardship Policy, Staying Connected. Details of this policy are included on page 32 under Victorian energy retailers and in Appendix 6.

Through its ‘Country Support’ program, Country Energy seeks to provide long term payment solutions. Its dedicated Country Support team works with each customer to tailor a solution to assist them through times of hardship. Any residential or rural residential customer who is experiencing any form of long term or temporary hardship is eligible to apply. Depending on customer needs, the support team can offer:

- advice on the best payment solutions available to make payments manageable – designed to suit a customer’s individual circumstances, these payment solutions include extended and easy payment plans and access to Centrepay facilities provided by Centrelink;
- advice on the relevant concessions available, from pensioner to life support rebates – free referral to registered financial support and community organisations on a voluntary basis as required;
- energy consumption information and advice on ways to make cost savings;
- incentives designed to reduce the repayment amount including fee removal and deposit refunds.

Sydney Water offers customers alternate payment methods to suit their circumstances, taking into consideration the customer’s current and future circumstances and payment history. These may include:

- deferring payment for a short period of time;
- arranging a suitable instalment program to pay the bill;
- provision of a ‘Flexipay’ card which allows the customer to make small ongoing payments to fit in with when they receive their income;
- referral to an accredited community service organisation, where after assessment, the customer may receive payment assistance vouchers for the partial or full payment of their residential bill.

Hunter Water’s Code of Practice for Debt and Disconnection similarly provides for the customer to be offered (depending on their circumstances):

- a short extension of time to pay;
a payment plan to pay the account in regular instalments over an agreed timeframe;

- a budget plan where regular manageable amounts are debited from the customer’s savings accounts;

- access to the voucher system.

It undertakes to help customers identify options and solutions to sort out the bill before the next one is due, so they [customers] can keep debts at a more manageable level. In doing this, it will consider the customer’s current circumstances and payment history.

It is understood that EnergyAustralia and Integral Energy are each planning a formal hardship policy/program, but details are yet to be released.

In addition, all standard electricity and gas providers are required to offer a payment plan to customers who are, in the suppliers’ opinion, experiencing financial difficulty.\(^{118}\)

**Concessions: Energy Accounts Payment Assistance (EAPA)**

EAPA is a NSW Government program designed to help people who are financially disadvantaged and having difficulty paying their home gas and/or electricity bill because of a crisis. It is not intended to be used as ongoing income support, nor is it intended to relieve gas and electricity retailers of their obligations to manage their customers’ debts in a fair and equitable manner. A person who is experiencing genuine difficulty paying their gas and/or electricity bill is expected to first contact their retailer to see if alternative payment arrangements can be negotiated.

While the NSW Ministry of Energy & Utilities (MEU) is responsible for managing the EAPA program, it is delivered by community organisations, meaning that, as far as possible, a person’s needs can be assessed locally and at the time the assistance is required. It also enables community organisations to incorporate EAPA into their broader range of financial counselling services and assistance measures for people in need (eg. cash for bill payment, food vouchers, food or goods in kind, and the Commonwealth Government’s Emergency Relief Program).

Electricity retailers participate in the EAPA program by accepting EAPA vouchers from their customers as bill payment.

The MEU also convenes an EAPA Working Group that meets quarterly to discuss EAPA issues. The group comprises representatives of the MEU, the community organisations, electricity retailers and other consumer representative bodies.

Annually, based upon the NSW Government’s budget allocation for EAPA, the MEU determines the amount of funding to allocate to each community organisation for that financial year. The allocation process is based upon a number of factors, including statistics on low-income persons and their geographic spread and the previous year’s EAPA usage by organisation and region. The MEU also reviews usage and adjusts EAPA allocations from one allocation period to the next, based upon its observations of usage and feedback from organisation workers.

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\(^{118}\) *Electricity Supply (General) Regulation 2001, Clause 6* and *Gas Supply (Natural Gas Retail Competition) Regulation 2001, Clause 6.*
Once the allocation to organisations has been determined, the MEU delivers EAPA to the organisations every two months in the form of voucher books. There are ten $30 vouchers in each book. Each voucher is numbered and they can only be used to pay for gas and electricity bills.

Gas and electricity retailers accept EAPA vouchers as bill payment. Customers must present EAPA vouchers to their retailer (or the retailer’s payment agency, such as Australia Post), along with their gas and/or electricity bills within 14 days of issue by the community organisation.

Other NSW energy concessions

The Pensioner Energy Rebate is paid on each electricity bill, regardless of whether the customer is connected to gas. Pensioners are eligible for the rebate (regardless of the income of other people who may live with them) if they are solely or jointly liable for electricity bills at their principal place of residence and hold a Centrelink or Department of Veterans’ Affairs Pensioner Concession Card, or receive one of a number of Department of Veterans’ Affairs pensions.

The Life Support Rebate is paid on each electricity bill to assist chronically ill people who rely on a range of life support equipment. This rebate is paid at different rates according to the type of equipment used. It is not means tested, or restricted to elderly people, however applicants must provide a doctor’s certificate.

Eligibility details and application forms are available from gas and electricity retailers.

Energy efficiency measures

In 1999, the Public Interest Advocacy Centre in NSW convened a committee, called the Community Home Energy Efficiency Partnership (CHEEP) consisting of representatives from the following non-government, government and statutory authorities: the Council of Social Service of NSW, the Department of Fair Trading, Sustainable Energy Development Authority, the Smith Family, Sydney Water and the Department of Community Services. CHEEP’s aim was to develop funding proposals which would provide energy efficient appliances to all NSW households. This aim was to be achieved through a mix of user-pays and a subsidised service for low-income households. CHEEP formulated and conducted a pilot project to provide free energy efficient appliances to low-income NSW households living in the private rental market or those with a mortgage. In 2000, the consortium received funding from EnergyAustralia for a pilot project to be conducted in the Lower Hunter. Called REFIT, the pilot project provided over 1,200 low-income households with energy efficient appliances.\(^\text{119}\)

Community groups in NSW have also devised ‘no interest loan schemes’ (NILS) to address the problem faced by low income households when they need to buy an essential household item, but do not have savings and cannot get affordable credit. A typical loan is for around $600-$1,000 for a washing machine, fridge or medical appliance. As loans are repaid over 12-15 months, the money is lent out again to other people in the community. These schemes are run by local community groups such as Neighbourhood Centres or charities.\(^\text{120}\)


\(^{120}\) http://www nilssw.org.au/index.htm
5.1.3 Queensland

Energy and water providers’ policies and procedures

ENERGEX addresses customer hardship issues on a case by case basis, with disconnection considered to be a last resort. Where individual customers have difficulty in paying their electricity account, an extension of time is negotiated with them to avoid this occurring. A stricter approach applies if the customer has a history of late payments. Some 18 months ago, ENERGEX made a submission to the Queensland Competition Authority (QCA) for a different regulatory framework that would allow for the implementation of a formal hardship policy (modelled on Victorian arrangements), but these recommendations were not adopted by the QCA.

Ergon Energy has also traditionally considered hardship on an individual basis. Recently, its Service Quality Team under the auspices of the Office of the Customer Advocate within Ergon Energy, put forward a discussion paper to the business to consider the possibility of implementing a Hardship Policy. As a result of this discussion paper, Ergon Energy’s National Contact Centre conducted research on the issues presented by customers relating to management of their electricity bills. Further work is planned to identify a consistent and holistic approach to customer needs, including the identification of resource capability, the engagement of community agencies that could provide a level of support to customers (e.g. financial counselling and emergency relief agencies), the feasibility of different models and possible hardship guidelines and criteria.

Energy concessions

Electricity rebate: a rebate of $9.10 per month ($10.01 inclusive of GST) applies to the cost of electricity supplied to the home of an eligible concession card holder. Card holders must be the registered consumer of an electricity retailer at that premises. It must be their principal place of residence and the only premises for which the rebate is claimed. They must live alone, or share the home with their spouse, other persons who hold an eligible card, other persons wholly dependent on them, other persons who receive an income support payment from Centrelink, Family Assistance Office or DVA who do not pay rent, or other persons who live with the cardholder to provide care and assistance, and who do not pay rent. Applicants must also declare that no other people, except casual visitors, share the residence with them.

Eligible card holders who live in caravan parks or other multi-residential buildings may be eligible for the electricity rebate if electricity is paid on the basis of individually metered consumption and the owner/proprietor is prepared to participate in the rebate scheme.

Electricity life support: a concession of $18.20 per month (paid quarterly) per machine for eligible users of an oxygen concentrator and $12.20 per month (paid quarterly) for eligible users of a kidney dialysis machine are available to assist with meeting electricity costs.
5.1.4 Western Australia

Energy and water providers’ policies and procedures

Gas supplier Alinta and electricity supplier Western Power each provide some funding to the state’s financial counselling services to enable them to provide their services to customers. While each offers customers tailored payment arrangements, neither has a formal hardship program.

The WA Water Corporation’s Debt Recovery Code of Practice provides the following arrangements for customers unable to pay their account:

- deferment of the payment date for a short period, for some or all of the amount due;
- establishment of an arrangement to pay the account in instalments;
- provision of additional assistance if the customer is in financial hardship.

The Corporation undertakes\textsuperscript{121} that customers experiencing genuine financial hardship will be:

- treated sensitively, based upon individual circumstances;
- invited to nominate an amount they can afford to pay in instalments;
- offered a repayment plan over an extended period;
- able to renegotiate their instalments if there is a change in their circumstances;
- offered information about free and independent financial counselling from a financial counselor;
- shielded from legal and/or restriction action, provided they continue to make payments in accordance with an agreed schedule.

Energy concessions

The State Government Energy Rebate refers to four concessions for which customers contact Western Power:

- Supply Charge Rebate – a full rebate on the supply charge for electricity;
- Dependent Child Rebate – a rebate for domestic customers with dependents listed on entitlement cards;
- Account Establishment Fee Rebate – a rebate on the fee charged for establishment of a new domestic account, or transfer of an account;
- Meter Testing Reduced Charges – a discount on fees normally charged for testing the recording accuracy of electricity meters.

There is also a Seniors Air Conditioning Rebate, to offset costs associated with operating air conditioners, available to certain concession card holders in areas of the state with prolonged periods of heat discomfort.

\textsuperscript{121} \url{http://www.watercorporation.com.au/about/about_debtcode.cfm?rootparent=about}
Water concessions

In water, sewerage and drainage, the following concessions are available:

- **Prompt Payment Discount** – available to all customers who pay their annual services charges and any outstanding charges before 31 July each year;

- **Annual Service Charges** – gives rebates of up to 50%, or deferment of payment for concession card holders who own and occupy their own property as their ordinary place of residence as at 1 July of the charging year – where the property belongs to a number of people, the rebate is apportioned according to the extent of each applicant’s ownership and eligibility for a concession;

- **Water Consumption Concessions** – provides 50% concession on water used at the property during the 12 month consumption period.

5.1.5 South Australia

Energy and water providers' policies and procedures

As it does in Victoria, energy retailer AGL offers assistance to its South Australian customers in line with its National Hardship Policy, *Staying Connected*. Details of this policy are included on page 32 under Victorian energy retailers and in Appendix 6.

Gas retailer Origin Energy also offers assistance to its South Australian customers in line with its ‘Power On’ Policy, as set out on page 33 and in Appendix 7.

Concessions

Electricity: a concession of $120 per year credited to an electricity account and calculated on a daily basis for the number of days within an electricity account – the applicant must satisfy all of the following:

- hold a pensioner concession card, or a Commonwealth Seniors Health Card, or receive an appropriate benefit from Centrelink and have dependants (either a partner or children) living with them;

- reside at a permanent address;

- have the account in their name;

- not share the house with someone who has an income of more than $3,000 per year (unless that person is a spouse, partner or dependant, or has a benefit or pension from Centrelink or the Department of Veterans' Affairs).

Water and sewerage: a concession of up to $46.25 per quarter for water/sewer rates – on approval, the concession is credited to the water account. The applicant must:

- own and occupy the rated property as their principal place of residence at the time the rates are due, and

- satisfy one of the following:
  - hold a Pensioner Concession Card, or
  - receive a Centrelink payment on or between the issue date, and up to 14 days after the due date of the relevant account, or
  - have a gross income less than the low income limits applied by Family and Youth Services (these are reviewed periodically).
Fuel-driven hardship

In its 2002 report for the Essential Services Commission of South Australia, the National Institute of Labour Studies (NILS) at Flinders University, Adelaide, made several recommendations for monitoring of fuel-driven hardship. In particular, it recommended that, prior to changes introducing full electricity retail competition in South Australia, a hardship baseline should be established, to give an indication of how low-income South Australians were faring in terms of their spending on household fuel and power of all kinds. NILS considered that this information would then serve as a reference point for monitoring changes over time.


5.1.6 Tasmania

Energy and water providers’ policies and procedures

Aurora Retail uses automated payment plans tailored to its customers, as well as a range of payment options. It was also the first electricity utility in Australia to implement the Centrepay initiative.

At the ‘Getting Connected: Genuine Utility – Customer Partnerships’ conference facilitated by EWOV in late 2001, Aurora Retail’s General Manager, summarised his company’s approach to customer hardship as follows: ‘... we believe that addressing customer hardship is fundamental to an effective credit management approach and an integral part of our credit policy. What we've done with the credit policy is develop it through consultation. The focus of our policy is on preventing debt in the first place. We encourage regular payments and various options that customers can use. It's very much a living public document and we go through a consultative process, so that our credit policy is not designed by us, it’s designed by our customers and the community, and it's reviewed annually in consultation with those community groups, the Ombudsman and interested individuals.’

Aurora has also sponsored social research, including work by Anglicare on paying the family bills, as part of a research project that looked at a range of problems low income Tasmanian families face and their experience of hardship, and an Anglicare research project to establish a no interest loan scheme network in Tasmania.

Concessions: Energy

The following concessions are available to energy customers in Tasmania:

- Electricity Rebate All Year: a rebate of 48.4c per day on electricity accounts – available to holders of a Pensioner Concession card.

- Winter Electricity Rebate: a rebate of 48.4c per day on electricity accounts for the two winter quarters only – available to holders of a Health Care Card.

• Life Support Machine Electricity Rebate: a discount that varies according to the type of life support machine installed.

• Bass Strait Islands Electricity Concession: provides for subsidised supply by Hydro Tasmania of electricity to Bass Strait Islands customers.

• Heating Allowance: payment of $56 a year to assist eligible pensioners with their cost of heating – a payment of $28 twice a year in May and September.

Energy efficiency initiatives
In Launceston, Aurora has been involved in a wood smoke campaign, working to help lobby to achieve a $2 million program funded by the Federal Government which provides rebates of $500 per customer for customers to (for environmental reasons) replace their wood heater and put in an electrical gas heater.

5.1.7 Northern Territory

Energy and water providers’ policies and procedures
Power and Water Corporation in the Northern Territory has been working on the development of a draft hardship policy, the content of which is based loosely on the UK Office of Gas and Electricity Markets Social Action Plan.

Themes developed within the draft policy are:

• identifying and contacting customers who would benefit from advice or other assistance;

• demonstrating flexibility;

• working with other organisations to offer long-term solutions to customers in difficulty;

• helping customers who are unable to manage their affairs.

More information on the Power and Water Corporation’s draft policy is in Appendix 8.

Concessions
Power and Water Corporation administers pensioner concessions for electricity, water and sewerage services on behalf of Territory Health Services:

• electricity: under the Northern Territory Pensioner Concession Scheme, customers can obtain a rebate on electricity charges of 50% of their quarterly account, up to a maximum rebate of $1 a day;

• water: a pensioner concession rebate on water charges of 62.5% of the quarterly account, or a maximum rebate of 27.4 cents per day, whichever is the lesser amount;

• sewerage: a fixed concession on sewerage charges of 27.4 cents a day.
5.1.8 Australian Capital Territory

Energy and water providers’ policies and procedures

As gas supply in the ACT is handled by AGL, ActewAGL’s gas customers are covered by AGL’s National Hardship Policy, Staying Connected. Details of this policy are included in 4.1.3 (above) under Victorian energy retailers and in Appendix 6 of this paper.

In relation to ActewAGL’s residential electricity customers (AGL does not handle electricity supply in the ACT), all cases of customer hardship are evaluated on a case-by-case basis. Customers are shielded from formal debt recovery enforcement action. Energy supply is reconnected if disconnected and supply is maintained while the customer is receiving assistance under the scheme. A variety of options are available depending on individual customer needs:

- via phone: Contact Centre & Credit Management staff provide advice on saving energy and current energy usage data;
- short-term suspension of an outstanding debt while the customer gains control of their individual circumstances;
- an individually negotiated payment arrangement;
- extra fees and/or charges (such as reconnection fees) may be reviewed in cases where customers meet the approved payment plan.

Essential Services Consumer Council

Under Parts 11 and 12 of the ACT Utilities Act 2000 (the Act), consumer protection issues are dealt with by the Essential Services Consumer Council (ESCC). The ESCC focuses on three key areas: the consideration of hardship cases, consumer complaints and consumer protection and advice. One of the ESCC’s main functions is to protect the rights of consumers and customers under the Act by ensuring that the utility continues to provide services to residential customers who are suffering from financial hardship. The ESCC manages client hardship cases, ensuring that in special cases, utility supply is maintained. This is a high transaction area where the Council deals on average with 64 new clients and 50 on-going clients each month.\(^{1,2,3}\)

The Utilities Act 2000 is presently under review. One of the aspects that stakeholders have been asked to provide comment on is whether the provisions in the Act allow the ESCC to adequately address consumer protection issues.

Concessions

Pensioner and Health Care Rebates: for each billing period, a rebate on the amount owing for electricity charges in the period concerned is allowed on the following provisions:

- one rebate only will be allowed in respect of an account for each billing period;
- the property to which the account relates is the sole or principal place of residence of the person applying for the rebate;

\(^{1,2,3}\) http://www.treasury.act.gov.au/energypolicy/discussion_paper.pdf
• the person applying for the rebate provides ActewAGL with details of the pensioner concession card or health care card issued to the applicant by Centrelink, or a gold card (certain types only) by the Department of Veterans’ Affairs.

Life Support Rebate: customers who use certain electrically-operated life support equipment are entitled to an electricity charge rebate – the electricity account does not have to be in the name of the applicant – the rebate will apply to the account for the sole or principal place of residence of the person using the life support equipment.

5.2 United Kingdom

In the United Kingdom, governments, regulators, consumer organisations and energy providers are undertaking a range of major programs to assist energy customers experiencing financial hardship. There is a major focus on improving the energy efficiency of housing, as outlined below.

5.2.1 UK Fuel Poverty Strategy

The UK Fuel Poverty Strategy was published in November 2001. The stated goal was to seek an end to the problem of fuel poverty, particularly for vulnerable households, by 2010. In summary, the strategy considers a household to be in fuel poverty if they are required to spend more than 10 per cent of their income on all household fuel use. Since 1996, as a result of energy efficiency programs and lower electricity and gas prices, the number of fuel poor households in Great Britain has fallen from around 5.5 million to around 3 million. Since March 2002, a Fuel Poverty Advisory Group (for England) has reported to government on the progress of the Fuel Poverty Strategy and has suggested improvements for its delivery of the government’s targets.

5.2.2 Energy Efficiency Commitment

The Energy Efficiency Commitment was introduced in April 2002. Legislation requires electricity and gas suppliers (retailers) to meet energy saving targets through the promotion of energy saving measures to residential households. Energy saving measures include improving insulation and heating and energy efficient appliances and lighting. At least 50 per cent of the energy savings must relate to priority low-income groups. This means that suppliers fund some of the costs associated with these energy saving measures.

The Energy Efficiency Commitment is administered by the Office of Gas and Electricity Markets (Ofgem).

127 Electricity and Gas (Energy Efficiency Obligations) Order 2001
129 Ofgem Ofgem’s work to reduce fuel poverty: Ofgem Fact Sheet 27 (May 2003)
5.2.3 Warm Front

Warm Front, previously known as the Home Energy Efficiency Scheme, is the main government program for tackling fuel poverty in the private sector in England. It provides packages of insulation and heating measures to eligible private sector households. The Energy Saving Trust, which is a non-profit company set up by the Government and major energy companies, is overseeing a review of the impact of the Warm Front program on households’ quality of life and health.

5.2.4 Warm Zones

Warm Zones is an initiative that aims to address fuel poverty in five specified areas in England. The key objectives for the specified areas for the period from April 2001 to April 2004 are to reduce fuel poverty by 50 per cent and to eliminate severe fuel poverty (where more than 20 per cent of a household’s income is spent on fuel). A focus of the Warm Zones initiative is the effective coordination of activity by local authorities, energy utilities and voluntary groups. The government and energy suppliers contribute funding to the Warm Zones initiative.

5.2.5 Ofgem’s Social Action Plan

In March 2000, Ofgem published its Social Action Plan. The Social Action Plan sets out the range of work that Ofgem is undertaking, with others, to help tackle fuel poverty. Ofgem’s Social Action Plan is reviewed and updated annually. An example of an Ofgem Social Action Plan project was the development of Guidelines on Preventing Debt and Disconnection, as discussed below.

5.2.6 Ofgem and Energywatch’s Guidelines on Preventing Debt and Disconnection

In January 2003, Ofgem and Energywatch (the electricity and gas consumer watchdog) jointly published Guidelines on Preventing Debt and Disconnection. Based on an analysis of good industry practice and the main causes of debt, the guidelines ask electricity and gas suppliers to focus on the following:

- minimising billing errors;
- using incoming calls to identify consumer in difficulty;
- using consumer records to target energy efficiency improvements;
- demonstrating flexibility in debt recovery;
- offering sustainable solutions to consumers in extreme hardship;
- helping consumers who are unable to manage their own affairs.

Subsequently, in February 2004, Ofgem asked energy suppliers in the UK to review their approach to disconnecting vulnerable customers. In response to Ofgem’s request, UK energy suppliers released a consultation paper in April 2004.

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131 http://www.est.org.uk/est/est.html?est-publications.html
132 UK Department of Trade & Industry The UK Fuel Poverty Strategy: 1st Annual Progress Report 2003 (March 2003) p. 11. For further information, please see www.warmzones.co.uk.
133 http://www.ofgem.gov.uk/ofgem/work/template1.jsp?id=1610&section=/areasofwork/socialactionplan&isbgpage=yes
outlining their proposed strategy for defining and preventing the disconnection of vulnerable customers.\footnote{135}

5.2.7 Local Council strategies

UK Energy Saving Trust (EST)’s Local Authority Support Program (LASP)

The Local Authority Support Program (LASP) is an Energy Saving Trust funded initiative.\footnote{136} Additional staff are placed in Energy Efficiency Advice Centres to work with their local authorities to develop and deliver strategies to improve the energy efficiency of all housing within their areas and to promote sustainable energy use. Currently 40% of local authorities across the United Kingdom receive support through the LASP.

The aims of the program are to:

- develop the resources and strategic infrastructure support for local authorities (and other agencies where appropriate) to coordinate the local delivery of energy efficiency services and initiatives and to provide additional staff resources to assist local authorities in their Home Energy Conservation Act and sustainable energy activities
- develop capacity, understanding and corporate commitment within local authorities with respect to energy efficiency and sustainable energy.

Tackling Fuel Poverty – A Beacon Council Toolkit for Local Authorities

The Beacon Council Scheme was introduced by the UK Government in 1998. The aim of the scheme is to identify centres of excellence in local government from which other councils can learn. Each year, ministers from across the Government select themes in service areas that have a direct impact on the quality of life of local people. Councils are invited to submit applications under those themes where they can demonstrate an excellent service is being provided.

Beacon status is awarded to those authorities judged to exemplify best practice. The scheme requires the winning authorities to share best practice widely with others via learning events and activities. In 2002, councils were invited to submit applications demonstrating best practice in tackling fuel poverty. The five authorities awarded Beacon status for the actions they have taken to tackle fuel poverty were Blyth Valley Borough Council, East Riding of Yorkshire Council, London Borough of Camden, Luton Borough Council and Newark and Sherwood District Council.

As part of the process of disseminating best practice, the five Beacon authorities have collaborated on the production of a practical manual \textit{Tackling Fuel Poverty – A Beacon Council Toolkit for Local Authorities}[^137] which will allow local authorities to examine the different approaches the Beacon councils have taken to tackling fuel poverty in their communities, taking account of local circumstances and priorities, demographics, social characteristics and housing conditions.

\footnotetext[135]{For further details, see Ofgem’s 26 April 2004 press release: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/6886_r3404_26april.pdf.}
\footnotetext[136]{http://www.northumbrialasp.org.uk/index.html}
\footnotetext[137]{http://www.northumbrialasp.org.uk/documents/beacontoolkit.pdf}
The toolkit is divided into sections describing core elements of best practice in tackling fuel poverty. Short case studies are used throughout to highlight how each of the Beacon councils has responded to the challenge of finding solutions that aim to bring affordable warmth to their communities. The reasons for which each Council was awarded Beacon status are reproduced below:

**East Riding of Yorkshire Council**
- carried out a very clear analysis of the extent of fuel poverty in its area;
- developed innovative ways of marketing to residents in the private sector and to the elderly population;
- published an affordable warmth strategy with clear targets, timescales and partner accountability and with clear links to Agenda 21 and the social inclusion agenda;
- convened an officer group, which meets regularly to monitor progress on the strategy;
- its affordable warmth strategy was initiated at a consultation event to which a wide range of stakeholders was invited;
- fuel poverty in the private-rented sector was identified as major concern and liaison with a landlords’ forum has resulted in effective contributions to the overall strategy;
- effective partnerships with internal departments, fuel utilities, credit unions, the health sector and the Warm Front scheme manager have been developed;
- a comprehensive referral network has been put in place, and methods of reaching fuel-poor households in rural communities have been developed via, for example, the Post Office, mobile libraries, Women’s Institute and use of e-technology;
- local customer service centres and Citizens Links offer a one-stop shop, which includes the provision of energy advice.

**Luton Borough Council**
- developed a strong multi-agency approach, with effective mechanisms for getting advice and information to residents who need it;
- an affordable warmth strategy is in place with clear targets and timescales – a strong link at officer level between the Chief Executive’s Department and the Housing Department has ensured that the strategy is integrated with Luton’s social inclusion strategy;
- aims and objectives for the strategy were developed at a series of consultation workshops designed to engage partners – this resulted in an overarching affordable warmth strategy from which developed an innovative multi-agency referral scheme involving the local Citizens Advice Bureau, Social Services, Warm Front and Working Luton, a local supported employment project;
- training has been provided to over 350 representatives from council departments;
• partner organisations and community groups – once trained, workers with little or no specialist knowledge, visiting the homes of households vulnerable to fuel poverty, are able to refer for benefits advice, grant aid and social care services;

• attention has been given to providing information and advice in accessible formats and to utilising the most appropriate routes for advice delivery.

**London Borough of Camden**

• demonstrated strong leadership in promoting an understanding of the issue and has commissioned research and analysis of the problem at a local level;

• developed and published an affordable warmth strategy, and has a strong marketing approach with recognisable branding;

• demonstrated a truly consultative approach to developing the strategy, involving a broad range of community stakeholders including ethnic minorities, older people groups and health practitioners – this has resulted in the development of multi-agency partnerships, for instance, partnerships with health agencies have led to Health Action Zone funding for the creation of an affordable warmth referral network and, more recently, Neighbourhood Renewal funding for a post within the Camden Primary Care Trust to mainstream affordable warmth throughout the local health sector;

• energy efficiency was fully integrated in the council’s housing investment and maintenance programs and effective links are made to Warm Front and fuel company schemes to maximise funding;

• mechanisms were in place to target groups and individuals most in need, and a referral system for health and other community workers has been developed that includes benefits and money advice.

**Blyth Valley Council**

• developed a broad range of activities and impressive results in tackling fuel poverty, particularly given the size of the council and available resources;

• a strong political commitment – since 2001, the council has received additional funding with the establishment of the Government’s Warm Zone pilot program in Northumberland, but almost all of Blyth Valley’s activities and achievements predate the Warm Zone program;

• fuel poverty strategy with clear targets and timescales – the community strategy specifically refers to affordable warmth as a key element in tackling deprivation and social exclusion;

• the council is strong on tenant consultation and this has influenced policies to invest in affordable warmth;

• sought to develop internal and external partnerships to tackle fuel poverty – the fuel poverty action plan sets out clear responsibilities for all partners;

• a particularly successful outcome of partnership work in the training of 250 volunteer community energy advisers, as well as training for housing association staff;

• innovative mixtures of funding for measures and the screening of referrals for grant eligibility;
• demonstrated impressive outcomes in number of energy efficiency measures;
• installed, improvements in the energy efficiency of all stock and savings on fuel bills.

Newark and Sherwood District Council
• can demonstrate a longstanding commitment to tackling fuel poverty, now embedded in the community strategy and the work of the Local Strategic Partnership;
• approach differs from that of the other Beacon councils in that it has adopted a property-based approach – aiming to improve the energy efficiency of all dwellings in the district over time, but dealing with the worst first, on the basis that properties could be occupied by a fuel-poor household at any point;
• the council made a corporate commitment to tackling fuel poverty as early as 1986 when it set an affordable warmth target for its own stock;
• has adopted an analysis of the problem based on a projected percentage of income spent on energy;
• historically, funding rather than strategy driven, the council has now gained additional benefits through working in strategic partnerships with other agencies such as Age Concern, Care and Repair and other partners in health and social services;
• systematic approach to dealing with public sector dwellings has been developed that prioritises vulnerable householders;
• training has been an important part of the approach and energy awareness training has been provided to tenants, voluntary sector workers, health workers, Citizens Advice Bureaux and council staff.

Other UK local council strategies that aim to reduce fuel poverty:

Leicester City Council has run a scheme called Health through Warmth. The scheme provides training to local health and community workers to recognise the signs of fuel poverty and to refer patients and clients to energy-saving grant aid.¹³⁸

Woking Borough Council has included a Fuel Poverty policy in its Climate Change Strategy and has funded energy conservation measures, such as improvements to housing insulation.¹³⁹

¹³⁸ http://www.leicester.gov.uk/departments/page.asp?pgid=4889
5.2.8 Broader schemes of energy suppliers

In March 2004, UK energy company Powergen announced the roll out of a scheme that aims to install energy efficiency measures in 518,000 homes by 2010. The scheme builds on the company’s existing ‘Powergen HeatStreets’ scheme, expanding it into areas including London. In launching the scheme, Powergen said that nearly 25,000 households had already benefited from visits by Energy Efficiency qualified surveyors and around 6,200 cavity wall and/or loft insulations had been completed. It said that these improvements had lowered householders’ energy bills by up to £240 each year, with the average value of work carried out around £450 per property.

British Gas has developed a ‘Get on top of your bills’ guide containing information and tools it considers customers might need to help manage their outgoings:

- a personal budget planner to help customers organise their finances;
- ideas about how to reduce spending;
- steps the customer can take to improve energy efficiency in their home;
- practical advice about alternative ways to pay British Gas bills;
- contact details of other organisations that can offer customers free impartial advice.

Chapter 6

A best practice model for responding to energy and water customers who are experiencing financial hardship

Drawing primarily on Victorian experience, 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.

- **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);
  - how to talk with customers experiencing financial hardship;
  - when to refer customers to the ‘hardship response program’;
  - socio-economic research into indicators of disadvantage by postcode;
  - literacy and access issues 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 via 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.
Appendix 1

South East Water’s Hardship Code of Practice (2000)

This policy was developed in 2000 and, as at June 2004, is on South East Water’s website at http://www.southeastwater.com.au/sewl/index.asp?link_id=27.20.

South East Water's Code of Practice (below) outlines the minimum standards the company will adopt in relation to dealing with residential customers who are experiencing financial hardship.

South East Water is committed to on-going dialogue at an industry level, with the Office of the Regulator-General, the Department of Human Services, any Ombudsman, and with Financial Counsellors and other Customers Experiencing Financial Hardship, to improve their understanding of the complex issues surrounding financial hardship.

The following Code of Practice should be read in conjunction with South East Water's Customer Contract and Charter, which sets out the general rights of customers and the retailers’ obligations.

1. **Definition of Customer Experiencing Financial Hardship**

1.1 A Customer Experiencing Financial Hardship is someone who desires to pay, but due to financial difficulties is unable to pay within the timeframe set out in the company’s payment terms.

1.2 There are two types of Customers Experiencing Financial Hardship; permanent and temporary. The two classes of Customers Experiencing Financial Hardship will have different characteristics, and will require different types of assistance.

1.3 Permanent or chronic Customers Experiencing Financial Hardship are generally those with low or fixed incomes, and may require ongoing assistance.

1.4 Temporary or vulnerable Customers Experiencing Financial Hardship may be regarded as those that have experienced a sudden change in living circumstances such as ill health, unemployment, separation, a death in the family, a loss arising from an accident, or some other temporary financial difficulty. These customers generally require flexibility and temporary assistance such as an extension of time to pay, a one off grant, or an instalment payment plan.

1.5 A customer can be identified as a Customer Experiencing Financial Hardship either by an internal assessment process or by an external body, eg. an independent accredited Financial Counsellor. Where an internal assessment takes place to determine a customer’s eligibility to be treated as a Customer Experiencing Financial Hardship, the company’s customer service staff should consider indicators such as:
   - The customer is eligible for Government funded concessions (eg. Health Care Card, Social Security benefit, Pensioner); or
   - The customer is a tenant in public housing; or
   - The customer has previously applied for a Utility Relief Grant (irrespective of whether or not their application was successful); or
   - The customer’s payment history indicates that they have had difficulty meeting the company’s payment terms in the past; or
   - By the customer self identifying their position regarding affordability; or
   - Other objective criteria determined by the company as an indicator of financial hardship.
2. Rights of Customers Experiencing Financial Hardship

2.1 Each Customer Experiencing Financial Hardship has the right to:
- be treated sensitively on a case by case basis
- receive information about alternative payment arrangements, the company’s Hardship Policy and government concessions, including the Utility Relief Grant Scheme (URGS)
- nominate an amount he or she can afford to pay on an arrangement plan
- choose from various payment methods, and receive written confirmation of the agreed payment arrangement within 14 days
- renegotiate the amount of their instalment if there is a demonstrable change in their circumstance
- receive information about a free and independent financial counselling service from an accredited financial counsellor
- receive a language interpreter service at no cost to the customer
- be shielded from legal action and additional debt recovery costs, whilst they continue to make payments according to an agreed schedule
- not have supply restricted as long as they have agreed to a hardship arrangement.

3. Credit Management of Customers Experiencing Financial Hardship:

3.1 Each customer will be dealt with sensitively on a case by case basis, and subject to the following guidelines:
- The customer should be asked to nominate an amount he or she can afford to pay on any arrangement plan. The arrangement plan can be made either by telephone or if the customer prefers via an application form. A checklist of questions maybe used to help the customer identify the amount the customer can afford to pay.
- If the customer applies to be treated as Customer Experiencing Financial Hardship a moratorium will be placed on debt recovery, pending a revised payment proposal from the customer.
- If possible the customer should agree to an instalment payment plan not exceeding 12 months, or some other period considered appropriate by the company that is sufficient to recover both the amount in arrears, and enable them to meet future estimated bills.
- Companies may accept recommended amounts for specific customer instalment payments where the payment is insufficient to clear the debt.

3.2 Customers Experiencing Financial Hardship who are unable to commit to a payment plan that will pay off their debt will be provided with information regarding the services of a free and independent financial counsellor.

3.3 Legal action, supply restriction, and additional debt recovery costs, will not be instituted against customers who meet the criteria to be treated as Customers Experiencing Financial Hardship, and continue to make payments according to an agreed schedule.

3.4 Customers Experiencing Financial Hardship have the right, subject to meeting suggested payment guidelines, to renegotiate the amount of their instalment if there is a demonstrable change in their circumstances.

3.5 Companies must confirm the details of the payment arrangement in writing within 14 days, and should offer the customer a choice of various payment methods. Payment suspension, reduced payment instalments, and waiver of part or all of customer’s debt, shall be at the discretion of each company.

3.6 If the customer fails to make scheduled payments twice within 12 months, is unable to agree a new payment plan or fails to contact the company, legal action, supply restriction, and debt recovery costs may be instituted against the customer, after due consideration of the circumstances, and possible consultation with the relevant Financial Counsellor.
4. **Pro-Active Provision of Information**

4.1 Companies will be pro-active in providing potential Customers Experiencing Financial Hardship with timely information regarding payment assistance, including:
   - An invitation to contact the company to discuss alternative payment arrangements included with all bills
   - Notices about concession eligibility, other government funded assistance programs (eg information relating to a Utility Relief Grant) and the company’s Hardship Policy included no later than the third notice / request for payment.

4.2 To remind eligible concession card holders of their entitlements, the amount payable by an eligible concession customer will be listed on all final notices (second copy of the bill / request for payment), in addition to the full amount payable by non-concession customers.

4.3 Customers that have been identified as Customers Experiencing Financial Hardship will receive general information about how to reduce consumption, and an invitation to seek further assistance in reducing water usage from the company.

4.4 A no-charge interpreter service is available to customers from non-English speaking backgrounds.

5. **Corporate Responsibility for Customers Experiencing Financial Hardship**

5.1 Each company will confirm and publish the name and contact details of the Responsible Officer for Financial Hardship Policy, its implementation, and on-going management.

5.2 Each company will ensure that there are appropriate escalation procedures in place to deal with customer complaints regarding this code.

6. **Staff Training**

6.1 Each company, and each of their collection agencies, will ensure its customer contact staff are trained to deal sensitively with Customers Experiencing Financial Hardship, and are well informed about:
   - Government funded concession schemes and Government financial assistance schemes
   - The organisation’s legal responsibilities (eg, customer contracts / charters, Trade Practices Act, Australian Consumer and Competition Guidelines on Debt Collection, Consumer and Business Affairs Victoria, Industry Ombudsman)
   - The industry’s Code of Practice for Customers Experiencing Financial Hardship
   - The organisation’s Financial Hardship Policy, procedures and work instructions that relate to credit management practices.
Appendix 2

Yarra Valley Water’s Hardship Policy
(August 2002 version)

Introduction

This Hardship Policy outlines the minimum standards we will adopt in relation to dealing with residential customers who are experiencing hardship. Procedures and work instructions are in place to ensure our staff follow these policy guidelines.

1. Definition of Hardship Customer

1.1 A Hardship Customer is someone who desires to pay, but is unable to pay within the timeframe set out in our collection cycle or is unable to agree an acceptable alternative payment arrangement due to financial difficulties.

1.2 There are two types of Hardship Customers; permanent and temporary. The two classes of Hardship Customers will have different characteristics and will require different types of assistance.

1.3 Permanent or chronic Hardship Customers are generally those with low or fixed incomes and will require ongoing assistance.

1.4 Temporary or vulnerable Hardship Customers are those that have experienced a sudden change in living circumstances such as ill health, unemployment, a death in the family, a loss arising from an accident, or some other cash flow shortage. These customers generally require flexibility and temporary assistance such as an extension of time to pay, a one-off grant, or an instalment payment plan.

1.5 A customer can be identified as a Hardship Customer either by an internal assessment process or by an independent accredited Financial Counsellor. Where an internal assessment takes place, our customer service staff should consider the following indicators when determining a customer’s eligibility to be treated as a Hardship Customer:

- The customer requests information about alternative payment arrangements.
- The customer has previously applied for a Utility Relief Grant (irrespective of whether or not their application was successful).
- The customer has a record of breaking a payment arrangement in the past.
- The customer has had a sudden change of circumstances that adversely affects their finances.
- Other objective criteria determined by Yarra Valley Water as an indicator of financial disadvantage.

2. Rights of Hardship Customers

2.1 Each Hardship Customer has the right to:

- be treated sensitively on a case by case basis;
- receive information about alternative payment arrangements and Government concessions;
- nominate an amount he or she can afford to pay on an arrangement plan;
- choose from various payment methods and to receive written confirmation of the agreed payment arrangement within 14 days;
• renegotiate the amount of their instalment if there is a demonstrable change in their circumstances;
• receive independent, at no cost to the customer, financial counselling;
• receive, at no cost to the customer, a language interpreter service;
• be shielded from legal action and additional debt recovery costs while they continue to make payments according to an agreed schedule;
• not be restricted as long as they have agreed to a hardship arrangement.

3 Credit Management of Hardship Customers

3.1 Each customer will be dealt with sensitively on a case by case basis and subject to the following guidelines:

• The customer should be asked to nominate an amount he or she can afford to pay without defaulting on any arrangement plan. Our checklist of questions should help the customer identify this amount.
• This amount should be assessed against a suggested payment range (to be developed) for customers in similar circumstances and verified by reported Social Services income and expense distribution data.

If the customer is unable to agree to an instalment payment plan not exceeding 12 months that is sufficient to recover both the amount in arrears and meet future estimated bills, the customer should be referred to an accredited Financial Counsellor for further evaluation and assistance.

• A moratorium will be placed on debt recovery pending a revised payment proposal from the customer which should be based on a recommendation from the Financial Counsellor.

We may accept recommended amounts for specific customer instalment payments below the suggested payment range guidelines and where the payment is insufficient to clear the debt.

3.2 An independent financial counselling service is offered, at no charge to the customer, to all Hardship Customers who are unable to commit to a payment plan that will pay off their debt.

3.3 We must confirm the details of the payment arrangement in writing within 14 days and should offer the customer a choice of various payment methods.

3.4 Hardship Customers have the right, subject to meeting suggested payment guidelines, to renegotiate the amount of their instalment if there is a demonstrable change in their circumstances.

3.5 Legal action, supply restriction and additional debt recovery costs will not be instituted against customers who meet the criteria to be treated as Hardship Customers and continue to make payments according to an agreed schedule.

3.6 If the customer fails to make scheduled payments twice within 12 months and is unable to agree a new payment plan with us, legal action, supply restriction and debt recovery costs may be instituted against the customer after due consideration of the circumstances and possible consultation with the relevant Financial Counsellor.

3.7 Suspension of payments, reduced payment instalments and waiver of part or all of the customer’s debt shall be at the discretion of the Credit Manager.

4 Pro-Active Provision of Information

4.1 We will be pro-active in providing potential Hardship Customers with timely information regarding payment assistance, including:
• An invitation to contact us to discuss alternative payment arrangements included with all bills.
• Details about concession eligibility and other Government funded assistance programs (eg. an application for a Utility Relief Grant) no later than the third notice/request for payment.

4.2 To remind eligible concession card holders of their entitlements, we will list the amount payable by an eligible concession customer on all final notices (second copy of the bill/request for payment) in addition to the full amount payable by non-concession customers.
4.3 Customers that have been identified as Hardship Customers will receive from us general information about how to reduce consumption and an invitation to seek further assistance in reducing water usage.

4.4 A no-charge interpreter service is available to customers from non-English speaking backgrounds.

5 Restrictions

5.1 Once a customer has been identified as a Hardship Customer and has agreed to a hardship arrangement, they will not have their water supply restricted.

6 Corporate Responsibility for Hardship Customers:

6.1 We will confirm and publish the name of the Responsible Officer for Hardship Policy, its implementation and ongoing management.

6.2 We will ensure appropriate Procedures and Work Instructions are in place and maintained to ensure Hardship Customers are dealt with in a sensitive manner according to the guidelines set out in this Policy so that favourable outcomes are achieved for both our customers and Yarra Valley Water.

6.3 We will separately record the annual amount of expenditure incurred in managing and funding hardship programs.

6.4 We will ensure that there are appropriate escalation procedures in place to deal with customer complaints regarding the Industry Code of Practice and this Hardship Policy.

7 Staff Training

7.1 We, and our collection agencies, will ensure our/their customer contact staff are adequately trained to deal sensitively with Hardship Customers and are well informed about:
- Government funded concession schemes.
- Our legal responsibilities (e.g. Customer Contracts/Charters, Trade Practices Act, Office of Fair Trading, Energy and Water Ombudsman Victoria).
- The industry’s Code of Practice for Hardship Customers.
- Our Hardship Policy, procedures and work instructions, including delegated authorities to renegotiate hardship arrangements.
- Hardship Customers’ circumstances.

8 Continual Improvement

8.1 We are committed to ongoing dialogue at an industry level with the Office of the Regulator-General, the Department of Human Services, the Energy and Water Ombudsman Victoria and with Financial Counsellors and other Hardship Customer representative bodies to improve their understanding of the complex issues surrounding Hardship Customer debt. We are also keen to develop commercially realistic, innovative ways to reduce the accrued debt levels attributed to Hardship Customers.
Appendix 3

Western Water’s Collections Policy (November 2003) (extracts)

Note: Western Water’s Collections Policy (2003) is available to customers on request. The extracts below relate to Western Water’s collection process, hardship policy, policy on doubtful debts and waivers and policy thresholds.

Collection process – meter & service charges

Western Water issues Tariff Notices three times (3) per annum at four (4) monthly intervals, according to the cyclic billing schedule which enables accounts to be issued over the first twelve weeks of the sixteen week cycle.

Western Water complies with statutory requirements and specifies twenty eight (28) days for payment on the original Tariff Notice. The entire process is detailed below:

<table>
<thead>
<tr>
<th>Day</th>
<th>Collection Process</th>
<th>Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Original Tariff Notice issued (Green paper)</td>
<td>28 days to pay</td>
</tr>
<tr>
<td>29</td>
<td>Urgent Notice issued (Orange paper – letter style)</td>
<td>7 days to pay</td>
</tr>
<tr>
<td>36</td>
<td>Mercantile Agent’s 1st Telephone call or letter</td>
<td>7 days to pay</td>
</tr>
<tr>
<td>43</td>
<td>Mercantile Agent’s 2nd Telephone call or letter</td>
<td>5 days to pay</td>
</tr>
<tr>
<td>50</td>
<td>Mercantile Agent’s 3rd Telephone call or letter</td>
<td>3 days to pay</td>
</tr>
<tr>
<td>57</td>
<td>Solicitor’s letter on their letterhead via Mercantile Agent</td>
<td>7 days to pay*</td>
</tr>
<tr>
<td>64</td>
<td>Summons issued by Melbourne Magistrates Court</td>
<td>21 days to lodge</td>
</tr>
<tr>
<td>85</td>
<td>Judgement entered which affects customer’s credit rating</td>
<td>7 days to respond</td>
</tr>
<tr>
<td>92</td>
<td>Notice Before Restriction (hand delivered – WW letterhead)</td>
<td>7 days to respond</td>
</tr>
<tr>
<td>99</td>
<td>Restriction Notice hand delivered &amp; Restrictor fitted</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this policy, brochures, notices and other correspondence will be deemed to have been received, two working days after they were sent by mail.

An overdue account will be subject to the Collection process and enter the Debt Module at day 36 when the Urgent Notice due date has elapsed without payment.

Due to the number of accounts involved at this stage of the process, unpaid accounts are outsourced to the appointed Mercantile Agent which has the telephonic and computer technology to make bulk calls and record telephone contact with the customers concerned. Three (3) calls are made and if contact is not made, a letter is sent. The tone of each contact escalates as the process continues.

The mercantile agent is at all times under instructions from Western Water in respect of the telephone scripts used and the letter content. The mercantile agent is able to accept credit card details on Western Water’s behalf but in all other respects, customers are advised to contact or pay Western Water direct.
Unpaid accounts after this stage of the process receive a Solicitor’s letter indicating that legal action will commence in seven (7) days unless the account is paid or contact is made with Western Water to arrange payment of the balance. Constant review of accounts occurs during this phase.

During this final stage, when the number of accounts involved has been significantly reduced, a discretionary property visit may be made to re-establish contact with the customer. This strategy has alleviated the need for litigation or restriction in many cases. Western Water will do everything it can to assist *Can’t Payers* and will use all available remedies to secure payment from *Won’t payers*.

Western Water has adopted a threshold of $900 as the trigger for either litigation or restriction at its discretion with the medium term objective over two years to reduce this figure to $650 as larger debts are settled.

**Hardship**

Western Water’s hardship provisions mirror the intent of the Water Industry Hardship code. Consequently, Western Water has adopted the generic definition of hardship from the Consumer Credit Code, which defines hardship when:

‘A customer is unable because of illness, unemployment or other reasonable cause, to meet their financial obligations as and when they fall due.’

A generous interpretation to the notion of *reasonable cause* will be applied.

Western Water appreciates that from time to time any of its customers may experience financial hardship which may include one or more of the following indicators:

- The customer is the holder of a valid Pension Concession, HCC or DVA Concession card.

- The customer has previously applied for a Utility Relief Grant.

- The customer’s payment history indicates they have had difficulty paying their bill.

- The customer has sought assistance from an independent financial counsellor.

Western Water is also prepared to consider an individual customer’s circumstances and classify that customer as experiencing financial hardship if he/she can substantiate non discretionary payment of their Accommodation and Utility bills as 40% and 15% respectively of their total income.

Customers are encouraged to apply for assistance under the Utility Relief Grant Scheme which is administered in conjunction with the Department of Human Services prior to applying for a Western Water waiver.

Western Water is committed to open and meaningful dialog with the region’s Financial Counsellors and meets with them bi-annually.

Customers who become the victims of either Natural or Corporate disasters will automatically be granted an additional thirty (30) days to finalise or arrange payment of their account.
Western Water also understands that hardship can be either long or short term and that customers in such circumstances will have different needs. Consequently, Western Water offers a range of payment options to all its customers, particularly those experiencing financial hardship and will offer instalment plans consistent with the customer’s capacity to pay, regardless of their current balance. Assistance available includes:

**Extensions**
Additional time to pay – usually a one off payment to clear the account.

**Instalment Plans**
- Centrepay – Direct from any Centrelink benefit to Western Water
- Direct Debit – Direct from the customer’s bank account
- Western Water Easy Pay – At any Australia Post outlet

**Concessions**
Pension and Health Care Card concessions to eligible customers.

**URGS**
Utility Relief Grant Scheme applications assessed by DHS.

**Waivers**
Each case assessed on its merits upon application.

**Doubtful debts and waivers**

Western Water uses waivers and bad debt write offs as good business practice to make allowances for circumstances that arise from time to time which render a debt unrecoverable. Consequently, a budget provision is set aside for bad and doubtful debts based on the following formula which consists of two components:

- A specific provision based on the average bad debts written off over the past two years.
- The average percentage of accounts subjected to the collection process after telephone contact, by the 90 day debt outstanding as at the 30th June.

The doubtful debt provision is reviewed towards the end of each financial year to ensure it remains adequate and in line with current trends.

Amounts waived or written off at Western Water are classified into four categories:

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abandonments</td>
<td>Legitimate charges written off due to administrative error</td>
</tr>
<tr>
<td>Owner Onus Leaks</td>
<td>25% forgiven off usage over &amp; above normal consumption</td>
</tr>
<tr>
<td>Vacated Tenants</td>
<td>Tenants who skip without leaving a forwarding address and can not be traced to another property in the district.</td>
</tr>
<tr>
<td>Compassionate waiver</td>
<td>Successful waiver applications on the grounds of hardship</td>
</tr>
</tbody>
</table>

Customers are encouraged to apply for assistance under the Utility Relief Grant Scheme in the first instance which is administered in conjunction with the Department of Human Services. Western Water will not consider a waiver application from a customer whilst any Utility Relief Grant application is being assessed by DHS and the outcome has been communicated to the applicant. Western Water is prepared, on the merits of each case, in certain circumstances and upon application, to consider matching an URGS grant dollar for dollar dependent on the account balance at the time.
Where a customer, recognised as experiencing financial hardship, with a history of payment difficulties complies with an instalment plan that addresses current tariffs, usage charges and arrears, for a period of twelve months, Western Water may give consideration to waiving all or portion of the arrears on receipt of a formal waiver application.

Western Water will also consider arrangements with some customers and may agree to waiver, dollar for dollar any amount the customer pays within an agreed period, over and above their current charges for that period. All waivers granted will be confidential and conditional upon the customer agreeing to an instalment plan that prevents future indebtedness.

- Customer Service staff have a delegated authority to approve an immediate, one off waiver of up to $135. This is benchmarked to the pension concession applying to both Water and Sewerage tariffs.

- Circumstances that warrant more substantial consideration are referred to the Credit Management Facilitator who has delegated authority to waiver up to $1,000.

- Any application greater than $1,000 is referred to the General Manager Customer Relations.

- All amounts written off will be reported to Management on a monthly basis.
Thresholds

The following Table is a summary of all the Thresholds mentioned in this policy:

<table>
<thead>
<tr>
<th>Heading</th>
<th>Trigger</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hardship</td>
<td>&gt;55% of total income</td>
<td>Where Accommodation &amp; Utility bills are 40% &amp; 15% respectively of total income a customer will be regarded as experiencing financial hardship</td>
</tr>
<tr>
<td>2. Waivers</td>
<td>25% of excess over normal usage</td>
<td>Where a leak occurs on the owner’s side of the meter, 25% may be forgiven off usage over and above the normal consumption once repaired by a licensed plumber. (Documentation to be provided)</td>
</tr>
<tr>
<td></td>
<td>One off waiver &lt;$135</td>
<td>Customer Service Advisers can initiate an immediate waiver of up to $135.00</td>
</tr>
<tr>
<td></td>
<td>One off waiver &lt;$1,000</td>
<td>Credit Management Facilitator can approve up to $1,000 on application</td>
</tr>
<tr>
<td></td>
<td>One off waiver &gt;$1,000</td>
<td>Any application &gt;$1,000 will be referred to General Manager Customer Relations</td>
</tr>
<tr>
<td>3. Tenancies</td>
<td>&gt;$300 or two accounts in arrears</td>
<td>A Rental Demand may be issued on tenant to recover the Landlord’s unpaid account.</td>
</tr>
<tr>
<td></td>
<td>Account &lt;$5.00</td>
<td>A vacated tenants accounts may be written off</td>
</tr>
<tr>
<td></td>
<td>Account &gt; 120 days overdue</td>
<td>A vacated tenants accounts may be written off</td>
</tr>
<tr>
<td></td>
<td>Account &lt; cost of litigation</td>
<td>A vacated tenants accounts may be written off</td>
</tr>
<tr>
<td>4. Litigation</td>
<td>Nothing &lt;$25</td>
<td>Will be referred to the Mercantile agent for telephone follow up</td>
</tr>
<tr>
<td></td>
<td>Nothing &lt;$100</td>
<td>Will be referred to the Mercantile agent for Final Demand and Solicitor’s letter</td>
</tr>
<tr>
<td></td>
<td>Nothing &lt; lowest costs on MCSF</td>
<td>Will be litigated. (MCSF = Magistrate’s Court Scale of Fees)</td>
</tr>
<tr>
<td></td>
<td>Nothing &lt;$900</td>
<td>Will be litigated.</td>
</tr>
<tr>
<td></td>
<td>Pensioners</td>
<td>Will not knowingly be litigated</td>
</tr>
<tr>
<td></td>
<td>Private Scheme Customers</td>
<td>Will not be restricted for overdue Private Scheme accounts but may be litigated</td>
</tr>
<tr>
<td>5. Restriction</td>
<td>&gt;$300 or two accounts in arrears</td>
<td>Owner/occupiers may be restricted subject to whichever trigger occurs first</td>
</tr>
<tr>
<td></td>
<td>&gt;$150 or two accounts in arrears</td>
<td>Tenant/occupiers may be restricted subject to whichever trigger occurs first</td>
</tr>
<tr>
<td></td>
<td>&gt;60 days elapse without payment</td>
<td>Commercial customers contracted to receive recycled water</td>
</tr>
</tbody>
</table>
Appendix 4

Goulburn-Murray Water’s Hardship Guidelines
(June 2003)

Goulburn-Murray Water is aware that there are complex factors, which affect the business enterprises of the customers that we serve, and acknowledges that some of our customers will experience some form of financial hardship from time to time.

These Hardship Guidelines have been developed to ensure an acceptable minimum level of service and respect is delivered to customers who are experiencing financial hardship.

Definition of Customer Experiencing Financial Hardship

A customer experiencing financial hardship is someone whose intention is to pay, but who does not have the financial capacity to make the required payments within the timeframe set out in the Authority’s Debt Management Policy.

Goulburn-Murray Water provides services to 25,000 customers including irrigation, drainage, domestic & stock, groundwater, recreation customers and other authorities.

Goulburn-Murray Water believes that financial hardship can be long term or temporary. Depending on the type of hardship being experienced, customers will have different needs and will require different solutions.

Goulburn-Murray Water and most of its customers operate in a commercial environment and in the long term both must be able to manage within that environment. These hardship guidelines will be applied to customers facing financial hardship taking into account the need for Goulburn-Murray Water to operate within the same commercial environment, and remain financially viable in the long term.

Customers that may be considered to be in temporary financial hardship are those that have experienced a sudden change in circumstances such as a workplace accident, health issues, family breakdown, equipment breakdown, undertaken farm improvements, a downturn in their particular enterprise, refinancing or some other temporary financial difficulty. These customers generally require flexibility and temporary assistance such as an extension of time to pay, or an alternative payment arrangement.

The degree of hardship can be determined by either an internal assessment process or by an external body, eg. an independent accredited Financial Counsellor or the customers’ bankers. The following will be taken into consideration when assessing customer hardship:

- The customer, through self assessment, has identified their position regarding ability to meet outstanding debt.
- The customer is eligible for a Government funded pension concession.
- The customer’s payment history indicates that they have had difficulty meeting the Authority’s payment terms in the past.
Rights of Customers Experiencing Financial Hardship

Each customer experiencing financial hardship has the right to:

- Be treated respectfully and sensitively on a case by case basis and have their circumstances kept confidential.
- Be advised about alternative payment arrangements, the Authority’s Hardship Guidelines and Government pensioner concessions, including any other government financial assistance programs.
- Agree on a payment arrangement he or she can afford to pay on a plan that meets the Authority’s debt management policy.
- Renegotiate the amount of their payment arrangement if there is a change in their circumstance within the guidelines of the debt management policy.
- Be advised about accredited financial counselling services;
- Be shielded from legal action and additional debt recovery costs, whilst they continue to make payments according to the payment arrangements, or an agreed altered payment arrangement.
- Not have supply withheld as long as they have agreed to a payment arrangement and make payment according to the arrangement.
- Speak with a designated Goulburn-Murray Water officer who is familiar with their situation in order to re-negotiate their payment arrangement if a payment has been missed or is likely to be missed.
- Receive a copy of these guidelines.
- Be advised about their right to lodge a complaint with the Energy and Water Ombudsman Victoria if their debt payment issue is not resolved with Goulburn-Murray Water.

Process

Goulburn-Murray Water’s Debt Management Policy which prevails will be applied in conjunction with this hardship guide and the following practices are a minimum that will be adopted. Goulburn-Murray Water will:

- Engage in discussion with a customer to determine the best option of payment.
- Promptly offer a range of payment options, recognising that some customers have a short term financial hardship issue which may be resolved in the near to medium term future where others may require a different type of approach for long term financial issues.
- Train staff dealing with customers in hardship to enable them to treat customers with sensitivity and without making judgements.
- Suspend debt recovery processes while negotiating a suitable arrangement with a customer.
- Readily inform the customer about Government pension concessions and assistance programs that are available;
- Have these guidelines and other payment assistance information available to customers.
• Provide contact details of an accredited financial counsellor.

• Not engage in legal action, restriction of water supply, and additional debt recovery costs against customers who meet the necessary criteria and continue to make payments according to an agreed arrangement.

• Ensure that there are appropriate escalation procedures in place to deal with customer complaints regarding these guidelines.

• Customers will be advised about their right to lodge a complaint with a dispute resolution scheme (in Victoria, this scheme is the Energy and Water Ombudsman Victoria scheme) if their debt payment issue is not resolved with the water authority.

Co-operation and communication between the customer and Goulburn-Murray Water underpin successful outcomes.

This guide is based on the premise that any payment arrangement reached between Goulburn-Murray Water and a customer will be mutually agreed.
Appendix 5


The water industry is aware that there are complex socio-economic factors in the communities that we serve, and acknowledges that some of our customers will experience some form of financial hardship from time to time.

This Guide has been developed by the Victorian water industry to ensure a minimum level of service and respect is delivered to customers who are experiencing financial hardship.

The water industry is committed to open, inclusive dialog with the Department of Human Services (DHS), Energy and Water Ombudsman Victoria (EWOV), financial counsellors and other customer representative bodies to improve the mutual understanding of the complex issues involving hardship. The industry is also keen to develop realistic and innovative assistance programs for customers experiencing financial hardship.

This Guide should be read in conjunction with the Customer Contract or Charter and policies of each individual water business.

Definition of Customer Experiencing Financial Hardship:

A customer experiencing financial hardship is someone whose intention is to pay, but who does not have the financial capacity to make the required payments within the timeframe set out in the water businesses’ payment terms.

The Victorian Water Industry believes that there are two types of financial hardship; long term and temporary. The water industry understands that, depending on the type of hardship being experienced, customers will have different needs and will require different solutions.

Customers that are considered in the long-term group of financial hardship are generally those with low or fixed incomes. These customers may require ongoing assistance.

Customers that may be considered to be in temporary financial hardship are those that have experienced a sudden change in circumstances such as ill health, unemployment, separation, a death in the family, a loss arising from an accident, or some other temporary financial difficulty. These customers generally require flexibility and temporary assistance such as an extension of time to pay, a one off grant, or an alternative payment arrangement.

The degree of hardship will be determined by either an internal assessment process or by an external body, eg. an independent accredited Financial Counsellor. Where an internal assessment takes place to determine a customer’s eligibility, consideration will be given to indicators, including (but not exclusively) whether:

- The customer is eligible for a Government funded concession (eg. Health Care Card, Social Security benefit, Pensioner).
- The customer is a tenant.
• The customer previously applied for a Utility Relief Grant (irrespective of whether or not their application was successful).

• The customer’s payment history indicates that they have had difficulty meeting the water business’s accounts in the past.

• The customer, through self assessment has identified their position regarding their ability to pay.

• The water business has other objective criteria as indicators of financial hardship.

Rights of Customers Experiencing Financial Hardship

Each Customer Experiencing Financial Hardship has the right to:

• Be treated sensitively on a case by case basis and have their circumstances kept confidential.

• Receive information about alternative payment arrangements, the water business’s Hardship Policy and government concessions, including the Utility Relief Grant Scheme (URGS).

• Nominate an amount he or she can afford to pay on an arrangement plan.

• Consider various payment methods, and receive written confirmation of the agreed payment arrangement within 14 days.

• Renegotiate the amount of their instalment if there is a change in their circumstance.

• Receive information about a free and independent financial counselling service from an accredited financial counsellor, if available.

• Receive a language interpreter service at no cost to the customer.

• Be shielded from legal action and additional debt recovery costs, whilst they continue to make payments according to an agreed schedule, or an agreed altered schedule of payments.

• Not have supply restricted as long as they have agreed to a payment arrangement.

Process

Each water business will have its own policies in relation to the management of customers experiencing difficulties. However water businesses have agreed that the following practices are a minimum that will be adopted. They will:

• Engage in discussion with a customer to determine the best option.

• Offer a range of payment options recognising that some customers have a short term financial hardship issue which may be resolved in the near to medium term future where others may require a different type of assistance for long term financial issues.

• Train staff dealing with customers in hardship to enable them to treat customers with sensitivity and without making value judgements.
• Suspend debt recovery processes while negotiating a suitable arrangement with a customer.

• Readily inform the customer about Government concessions and assistance programs that are available.

• Have this Guide and other payment assistance information available to customers.

• Refer the customer to any available free, independent and accredited financial counselling services.

• Not engage in legal action, restriction of water supply, and additional debt recovery actions, against customers who meet the necessary criteria and continue to make payments according to an agreed schedule.

• Provide information to customers that have been identified as experiencing financial hardship about how to reduce consumption, and invite them to seek further assistance from the water business, in reducing water usage.

• Ensure that there are appropriate escalation procedures in place to deal with customer complaints regarding this guide.

• Customers will be advised about their right to lodge a complaint with a dispute resolution scheme (in Victoria, this scheme is the Energy and Water Ombudsman Victoria scheme) if their affordability issue is not resolved with the water authority.

For this Guide to be successful it requires the cooperation of both parties to maintain communication. This Guide is based on the premise that it is mutually agreed.
Appendix 6

AGL’s Staying Connected National Policy (May 2004 version)

Staying Connected is AGL’s National Hardship Policy. Launched in early 2003, the program was developed in consultation with AGL’s Customer Council, which includes consumer representatives from a range of organisations.

AGL is committed to offering innovative and reasonable payment solutions for customers facing difficulties. Staying Connected is designed to provide assistance to customers experiencing financial hardship and unable to make payments as required under AGL’s standard credit guidelines.

AGL’s national credit policy is sufficiently flexible to meet the majority of our customers’ needs. However, AGL acknowledges that at times customers may not be able to meet these guidelines. Therefore, residential customers who display a genuine willingness to pay, but are prevented from doing so due to either ongoing hardship or temporary difficulties are eligible for AGL’s Staying Connected program.

The Staying Connected program aims to provide support to customers in hardship with an opportunity to manage, stabilise and assist them out of the cycle of debt. This is achieved by offering a range of alternatives to best meet the customers’ individual needs and situations.

Definition of Financial Hardship

A customer experiencing financial hardship has been defined as someone who has demonstrated the willingness to fulfil his or her commitments, but does not have the ability to do so.

Indicators of Financial Hardship

- The customer has expressed financial difficulties.
- The customer’s account history indicates that they have had payment difficulties in the past.
- The customer is visiting a financial counsellor.
- The customer has been referred to Staying Connected by an external organisation.
- The customer has experienced a loss of primary income, serious illness, death, disability, domestic violence or separation.

Indicators of a Genuine Willingness to Pay

- Making part-payments towards their account.
- Contacting AGL when experiencing difficulties.

Indicators include, but are not limited to, the examples provided.
• Having a previous good payment history, with this being the exception.
• Visiting a financial counsellor.
• Attempting to make payments or maintain plans.

Referral to the Staying Connected Program

Customers are referred to Staying Connected through three main channels:

1. Contact Centre
2. External Organisations (Financial Counsellors)
3. Ombudsman

Eligible Staying Connected customers receive advice and support from a dedicated team of consultants, skilled in dealing with customers in hardship. AGL’s Contact Centre and Staying Connected Consultants are provided with training in areas including:

• Sensitive approaches to communicating with customers in hardship.
• Understanding the issues associated with income uncertainty.
• Financial counselling and assistance available to customers.

AGL is committed to providing customers with the highest level of service and ensures that:

• All customers are treated individually and with respect.
• All information gathered is treated with sensitivity and in accordance with the requirements of the Privacy Act 1988.

Assistance Available under Staying Connected

• Solutions are tailored to meet the customer’s individual needs.
• Payment plans are established to cover the customer’s ongoing energy costs and arrears.
• Customers are encouraged to make their regular payments via Centrepay (where available).
• Information is provided about alternative payment options, government assistance and concessions, as well as counselling and support services.
• Energy conservation advice is offered to assist customers in reducing their consumption and future energy costs.
• Supply is maintained and customers are shielded from further collection action while they are fully participating in the program.
• Customers avoid incurring additional fees and charges associated with debt.
• All customers are sent a welcome letter confirming their payment plan, along with brochures on Financial Counselling Services and Energy Saving Advice.
• Customers may renegotiate their payment plans and are encouraged to contact Staying Connected if there has been a change in their circumstances preventing them from meeting the agreed arrangements

• Under exceptional circumstances the waiver of fees (such as late payment or reconnection fees) or a portion of the balance may be considered for customers who have demonstrated their commitment to maintaining payments and clearing arrears.

Transferring from the Staying Connected Program

• Customers who successfully complete their payment plan and return to a sustainable credit position are sent a letter of congratulations, encouraged to continue their regular payments and the account is returned to the normal collection cycle

• If an instalment is not met as agreed, the customer is provided two opportunities to make payment or contact AGL. If no response is received, the customer is removed from the program, a letter is sent advising the account has been withdrawn and collection action resumes.

AGL are continuously looking to further develop and improve the Staying Connected program. As part of this we are currently reviewing our policies around the waiver of fees and arrears.

The success of the Staying Connected program is dependent on customers’, as well as AGL’s, commitment to working together to reduce arrears and enable customers to manage their future energy usage.
AGL Staying Connected Process Overview

Customer calls to arrange payment of their account and is unable to pay within AGL’s credit guidelines

Confirm that all entitled concessions or grants have been applied to the account

Transfer eligible customers who have demonstrated a willingness to pay and expressed hardship to Staying Connected

Eligible customers accepted onto Staying Connected and program details explained

Establish an acceptable payment plan to cover ongoing usage and arrears

Where available, encourage the customer to make their regular payments via Centrepay

Establish the account under the Staying Connected Program and suspend all collection action

Staying Connected Welcome Letter sent with information on Financial Counselling Services and Energy Saving Advice

Customer accepted energy saving advice – Energy Consumption Audit provided over the phone

Under exceptional circumstances, the waiver of fees or a portion of the balance may be considered for eligible customers

Customer has successfully adhered to Staying Connected plan and has brought their account up to date

Yes

Customer is sent a letter of congratulations

Agreed payments or contact not established

No

Customers are encouraged to continue regular payments

Two reminders / warnings provided requesting payment or contact by phone or letter

Account is returned to the normal collection cycle

Customer withdrawn from the program

Letter sent advising the account has been removed from the program

Collection action commences

Customer Service Consultants

Staying Connected Officers
Appendix 7

Origin Energy’s ‘Power On’ Policy (February 2004 version)

This is version 6-0 of Origin Energy’s ‘Power On’ Policy and is dated 22 February 2004. The text of the policy is followed by associated flowcharts.

Objective

Origin Energy is committed to providing assistance to Customers who display a genuine inability to pay for their energy usage in a timely manner. We recognise that paying for energy is a challenge for a number of households across Australia and believe that we have a responsibility beyond our regulatory obligations to work closely with such Customers to ensure their energy supply is maintained.

This policy is premised on the following:

- Promptly identifying Customers experiencing financial difficulty through our Contact Centres.
- Encouraging Customer contact by demonstrating an appropriate degree of flexibility with debt recovery.
- Using existing Customer information to target and manage energy efficiency improvements.
- Providing sustainable energy solutions for Customers experiencing extreme hardship.
- Providing assistance to Customers who are unable to manage their own financial affairs.
- Minimising billing inaccuracy.

Application

Origin Energy has implemented this policy to provide assistance and support for primarily residential Customers. However, Origin Energy may extend its application to other segments of the community such as, business Customers suffering financially as a result of bushfire, drought or floods. This policy can only be applied by staff within the Customer Operations, Customer Advocacy business unit.

Origin Energy has applied this policy nationally to reticulated Natural Gas, Electricity and LP Gas products.

Origin Energy will make appropriate commercial decisions with respect to a Customer’s ability to pay and is committed to identifying solutions to payment difficulties based on the facts presented for each case.

Origin Energy will offer its Customers – once genuine hardship is established – a range of recovery options tailored to best meet the Customer’s needs.
These options include:

- Bespoke payment plans.
- Payment incentives – including debt write-off.
- Assistance in accessing Government Grants.
- Rapid access to social and financial counsellors.

Origin Energy is committed to the proactive provision of energy efficiency advice to its Customers.

**Definition of Hardship**

Where Origin Energy has offered Customers standard payment assistance and/or aided with the application of a government assisted grant, all of which have proved ineffective in providing Customers with the ability to fund their energy usage.

**Identification of Genuine Hardship**

Origin Energy recognises the serious nature of financial hardship within the community. As such, we encourage Customers with payment difficulties to make contact as early in the collection cycle as possible. We will strive to detect genuine hardship early in the collection process, to ensure we can identify an appropriate solution before a debt becomes unmanageable.

A key factor in applying this Hardship policy is to differentiate those Customers that ‘won’t pay’, in contrast to those that ‘can’t pay’. Our support we be focused on the latter, ensuring Customers who require assistance receive it. We will then look to apply the best solution, working with such parties as independent financial counsellors and The Department of Human Services until the Customer is able to manage their energy usage going forward.

**‘Power On’ Process and delegated authorities**

The Manager, Customer Advocacy, Origin Energy will have overall authority for administering this scheme and may delegate these authorities to staff as warranted. The Manager, Customer Advocacy will liaise with external agencies to ensure that modifications are made to the scheme as required.

**Privacy**

The financial information disclosed by a customer is confidential and will not be used for any purpose other than assessment of an application for assistance.

In addition to its ‘Power On’ Policy, Origin Energy has a ‘Living Flame Fund’, which allows Customers to round up their payments, with the proceeds going to community causes, such as the Salvation Army in South Australia and Hanover in Victoria.
Origin Energy’s Community Liaison Process Flow – Short Term Payment Difficulty ‘Limited Income’

- Customer or Customer’s representative referred to Customer Advocacy, Community Liaison.

  Adherence to Privacy Policy. Check account status. Apply concessions if necessary, providing appropriate feedback to Contact Centre. Gain overview of payment history.

  Negotiate with Customer or Customer’s representative solution based on Payment Plan Option. (Maximum 18 month term)

  Can Customer meet system generated or individually tailored payments?

  Yes
  - Submit Payment Plan.

  No
  - No Adherence to Privacy Policy. Check account status. Apply concessions if necessary, providing appropriate feedback to Contact Centre. Gain overview of payment history.

  Is Government/Private/OE part of sustainable solution?

    Yes
    - Is grant application successful?

      Yes
      - Apply for appropriate grant

      No
      - No

    No
    - Is grant application successful?

      Yes
      - Apply for appropriate grant

      No
      - No

  Re-negotiate Payment Plan if appropriate.

  Submit Payment Plan.

  Is Customer willing to undergo Energy Audit / Financial Assessment via KCFS or local Financial Counsellor?

    Yes
    - Refer to Community Liaison Process Flow – Long Term Payment Difficulty ‘Limited Income’

    No
    - Collection activity commences.
Origin Energy’s Community Liaison Process Flow – Long Term Payment Difficulty ‘Limited Income’


- Yes: Customer referred to KFS. Appointment made with 48 hours. Consultation arranged within 5 working days.
- No: Customer requested to seek assistance from FC - Two week timescale. Details of KFS provided as backstop.

Customer requested to seek assistance from FC - Two week timescale. Details of KFS provided as backstop.

- Yes: FC contacted.
- No: Customer requested to seek assistance from FC - Two week timescale. Details of KFS provided as backstop.

FC contacted.

- Yes: Agreement in Principal reached. FC provides appropriate supporting documentation to OE for administration purposes.
- No: Higher grade Energy Audit required. Refer to OE.

Financial Assessment & Energy Audit completed. Consideration given to Government/Private/OE grant as part of sustainable solution?

- Yes: Payment arrangement established. Monitoring process initiated.
- No: Supporting documentation received.

FC contacts OE on behalf of Customer, adhering to Privacy Principles.

- Yes: Appointment kept.
- No: FC contacted.

FC contacts OE on behalf of Customer, adhering to Privacy Principles.

- Yes: Appointment kept.
- No: FC contacted.

Yes: Appointment kept

No: No

Yes: Yes

No: No

Yes: Yes

No: Yes

Supporting documentation received.

No: Collection activity commences.
Appendix 8

Power and Water Corporation’s Draft Hardship Policy (draft at January 2004 and not currently in use)

Power and Water Corporation in the Northern Territory has been working on the development of a Hardship Policy, the content of which is based loosely on the UK Office of Gas and Electricity Markets Social Action Plan.

Draft content includes:

1. Identifying and contacting customers who would benefit from advice or other assistance:
   - identification of customers who appear to be consistently failing to meet payment agreements or are being disconnected for non-payment thereby allowing a proactive approach to be made to debt recovery;
   - early identification of customers who may be about to default and before the amount of debt can escalate thereby minimising the number of customers disconnected;
   - development of more refined standard letters tailored to customers’ circumstances; follow-up of letter with telephone call;
   - history of problems fully documented and readily available;
   - training for staff to help them identify and deal with customers who are experiencing financial difficulty or who are constantly defaulting;
   - provision of energy efficiency advice.

2. Demonstrating flexibility:
   - every customer experiencing financial difficulty must be treated on his or her individual merits. The supply of electricity and water are essential supplies and should only be disconnected as a last resort and then only in cases were an unwillingness to pay cannot be demonstrated. Whilst Power and Water is not a financial counselling service, it is important that the customers other financial commitments are considered when negotiating payment arrangements; referral to a service agent may be appropriate;
   - it is important that the agreed payments are not beyond the means of the customer to meet other essential accounts and it is also important that a longer-term solution to the debt situation can be found, and this could include energy efficiency advice and/or alternative payment options;
   - being proactive with customers with high bills; contacting re pending high account identified via high low report;
   - an understanding attitude, negotiating what a customer can afford:
     - are they on benefits?
     - offering alternative payment options
– informing them of the implications of debt process, ie. legal fees, lodgement on Baycorp Advantage
– waiving reconnection fees for first time offenders and as appropriate
– suspension of an outstanding debt whilst the customer gains control of their individual circumstances.

3. Working with other organisations to offer long-term solutions to customers in difficulty:

– each customer experiencing financial hardship will have a different set of circumstances. Some of the more common causes for the debt may be related to family unit breakdown or related problem, poor mental or physical health, substance abuse, old age or disability with insufficient income to sustain essential services, visitors using abnormal amounts of water or electricity, equipment problems;

– the customer may benefit by being referred to a specialist service provider. Having due consideration for a customer’s privacy, this may be done by the staff member dealing with the customer’s case;

– it is important that a dedicated contact person and telephone number for each provider is obtained and maintained for quick referral to the customer;

– service providers include Anglicare, Centrelink, Salvation Army, Mental Health Services, Pensioner Concession Unit of THS, Financial Counsellor.

4. Helping customers who are unable to manage their affairs:

– certain customers will be unable to manage their affairs; these would include handicapped, mentally or physically ill and elderly customers;

– site visits, referral to various service agencies and the use of nominated persons who can deal with Power and Water on behalf of the customer are to be considered;

– clear instructions relating to the customers individual situation are to be recorded on the CIS or RMS;

– referral to a Financial Counsellor may be appropriate.
Appendix 9

Acknowledgments

Fiona McLeod, Energy and Water Ombudsman (Victoria) and Stephen Gatford, Policy and Research Officer, Energy and Water Ombudsman (Victoria), wish to thank all the people who have contributed information for this paper. This includes (in alphabetical order by surname):

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- Greg Brown, Manager Customer Service, Western Water
- Allan Cole, Manager Financial Services, Yarra Valley Water
- Kerry Connors, Executive Officer, Consumer Utilities Advocacy Centre.
- Steven Davis, Credit Manager, South East Water
- Gavin Dufty, Policy and Research, St Vincent de Paul Society Victoria.
- Mark Ducksbury, Energy Licensing Project, TXU Public and Government Affairs
- Fiona Duncan, Corporate Social Responsibility Program Leader, AGL
- Suzanne Evans, General Manager, Customer Relations, Western Water
- Neil Fisher, Credit Manager, City West Water
- Amanda Hamilton-Foster, Senior Policy Officer, Energy and Water Ombudsman NSW
- Wendy Heath, Regulatory Program Manager, Customer Protection and Licensing, Essential Services Commission
- Katrina Hermann, Policy Officer, Victorian Water Industry Association (VicWater)
- Tim Hunt-Smith, General Manager Customer Operations, Origin Energy
- Darren Hill, Retail Regulatory Manager, Aurora Retail
- Tom Keenan, Manager Customer Advocacy, Origin Energy
- John Kendall, Property and Legal Unit, Goulburn-Murray Water
- Katherine Koesasi, Regulatory Analyst, Essential Services Commission
- David McAloon, Regulatory Manager, TXU
- Andrew Muscat, Concessions Unit, Victorian Department of Human Services
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• Ellen Pollard, Property and Legal Unit, Goulburn-Murray Water
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• Mark Sultana, Manager Customer and Community Relations, City West Water
• Lyn Sykes, Manager Service Improvement, AGL
• Lynne Watson, Acting General Manager Retail, Power and Water Corporation, NT
• Alan Whyte, Credit Control Manager, Power and Water Corporation, NT