



# HARDSHIP RELATED GUARANTEED SERVICE LEVEL REVIEW

FINAL DECISION

MAY 2012



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## OVERVIEW

We have decided to extend the hardship related guaranteed service level (GSL) scheme, to all 16 urban retail water businesses from 1 July 2012. The hardship related GSL is defined as:

*Restricting the water supply of, or taking legal action against, a residential customer prior to taking reasonable endeavours to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying.*

The definition of the hardship related GSL remains unchanged. We have made some minor changes to the check-list for minimum “reasonable endeavours” (table 1) that do not affect the operation of the GSL process. We have also clarified some aspects relating to the operation of the GSL process in response to issues raised in submissions. We have developed a process flow diagram that summarises the steps that a business needs to follow to manage a hardship related issue and to avoid a GSL payment (diagram 1).

A \$300 fixed payment amount applies if a breach of the hardship related GSL scheme by a water business. A GSL payment can be made directly to the customer or through a rebate on the customer's bill (the method of payment is at the discretion of the water business). An assessment of whether a business is liable for a GSL payment can be made by the business or, if a business and a customer cannot arrive at a mutually agreed outcome, the Energy and Water Ombudsman Victoria.

Roll-out of the hardship related GSL scheme will require an amendment to Schedule 1 of the Customer Service Code. This amendment will be completed before 1 July 2012.

This paper extends the hardship related guaranteed service level (GSL) to all 16 urban retail water businesses from 1 July 2012.



# 1 INTRODUCTION

## 1.1 The process so far

In September 2010 (*Developing a hardship related guaranteed service level measure*) we mandated that 9 urban retail water businesses implement the hardship related guaranteed service level (GSL) scheme from 1 January 2011. These businesses were City West Water, South East Water, Yarra Valley Water, Coliban Water, East Gippsland Water, Gippsland Water, Goulburn Valley Water, North East Water and Westernport Water. At that time, we also stated:

*Subject to an assessment after one year of operation, the Commission's intent is to extend the GSL to all urban water businesses.*

In our current consultation, we released a draft decision paper in March 2012 (*Hardship Related Guaranteed Service Level Review*), we re-stated our intention to roll-out the hardship related GSL scheme to all 16 urban retail water businesses from 1 July 2012 and called for submissions on its implementation.

We have considered all submissions in making our final decision. Chapter 2 discusses the main issues raised in the submissions.



## 2 DISCUSSION

This chapter discusses the submissions made in response to our draft decision paper released in March 2012 (*Hardship Related Guaranteed Service Level Review*). We received six submissions from:

- Barwon Water (BW)
- Central Highlands Region Water Corporation (CHW)
- Consumer Action Law Centre (CALC)
- Consumer Utilities Advocacy Centre (CUAC)
- Energy and Water Ombudsman Victoria (EWOV)
- South Gippsland Water (SGW).

Most submissions support the roll-out of the hardship related guaranteed service level (GSL) scheme. BW not only supports the roll-out of the hardship related GSL scheme, but implemented the GSL scheme voluntarily in 2010, stating that “customers should not be penalised prematurely for experiencing genuine difficulties in paying their water and sewerage bill”. EWOV supports the roll-out as it will “encourage water businesses to maintain reliable processes to identify and engage early with customers in financial hardship, and therefore reduce the need to restrict their water supply or take legal action”.

### 2.1 The hardship related guaranteed service level


In our draft decision paper we stated our intention to roll-out the following hardship related GSL:

*Restricting the water supply of, or taking legal action against, a residential customer prior to taking reasonable endeavours to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying.*

We received one comment on the wording of the GSL from CUAC, which recommended that the hardship related GSL should be reworded as follows:

*Restricting the water supply of, or taking legal action against, **or applying penalty interest charges to**, a residential customer prior to taking reasonable endeavours (as defined by the Essential Services Commission) to contact the customer and provide information about help that is available if the customer is experiencing difficulties paying.*

Will have not amended the wording of the hardship related GSL to include interest on unpaid customer debt. We defer all changes to interest charging arrangements, and to whom it applies, to a separate review of the Customer Service Code commencing soon. The review of the



Customer Service Code will incorporate interest charges and other amendments required from the Water Amendment (Governance and Other Reforms) Act 2012.

## 2.2 Check-list for minimum “reasonable endeavours”

Before a water business can restrict water to – or take legal action against – a customer a minimum standard of contact must be undertaken by water businesses to avoid a GSL payment. The check-list for this standard – defined as minimum “reasonable endeavours” – is displayed in table 1. The steps include a requirement for businesses to attempt personal contact with the customer via telephone and a personal visit before restricting water supply or commencing legal action due to non-payment. The steps also require businesses to make available to customers information about the hardship assistance that is available.

Some submissions commented on this check-list and suggested areas of possible improvement or need for clarification.

### *Personal visits*

CALC identified that Step 5 of the check-list – which relates to personal visits – could be improved by requiring the personal visit be conducted outside of business hours. It is their view that “it is unreasonable to expect that all customers facing payment difficulties will be at home during the day or that all vulnerable or disadvantaged consumers are unemployed”.


We have decided not to change Step 5 of the check-list. A water business can choose to visit a customer outside of businesses hours if they feel it is appropriate, but we will not require them to do so as part of the GSL process requirements. The minimum “reasonable endeavours” steps provide ample opportunity for the business to contact a customer. We will continue to monitor this area. If customers are negatively affected by it, we will review it again in future.

### *Check-list wording*

SGW recommended that amending the check-list wording would make it easier for staff to understand:

*Two telephone calls on different week days appears to be sufficient, if no contact can be made, two personal visits should be conducted on different week days. Visiting staff are to arrange a payment plan or advise customers of their rights and all available assistance. All contact with the customer is to be recorded by the Corporation.*

It is our view that each water business can direct staff as they see fit. We only require that all steps are attempted and adequate records of customer contact – successful or otherwise – are



kept. The onus is on the business to ensure that they have undertaken the steps and can provide documentary evidence to EWOV if a dispute arises.

#### *A GSL event*

EWOV sought clarification regarding whether each discrete water restriction event should be considered a single event requiring a separate hardship related GSL assessment. That means that each restriction event would require compliance with the notifications and timeframes associated with the GSL process.

It is our view that each restriction should be considered an independent event requiring the implementation of the entire GSL process (see table 1). A business is required to start from Step 1 of the check-list for minimum “reasonable endeavours” if a restriction has been implemented and removed and a non-payment occurs again, unless the restriction is removed due to the EWOV protocol. Diagram 1 should assist water businesses in determining when the restriction of a customer’s supply is appropriate.

#### *Registered letters*

BW expressed the view that registered letters provide no benefit to the customer engagement and cause unnecessary delays and costs. They state that most customers with billing problems do not read any of the letters that are sent to them including registered letters. SGW similarly states that using registered post is time consuming, costly and does not guarantee the customer actually receives the letter.

It is our view that a registered letter establishes an audit trail that shows the business attempted contact with the customer. A registered letter only needs to be sent when a customer’s phone number is not available.

We have kept Step 4 of the check-list, if the customer is not contactable by telephone one letter must be sent by the business via registered mail as a substitute – the Australia Post unique identification number must be recorded by the water business as evidence that the letter has been sent.





### *Internal record keeping*

If a water business restricts a customer's water supply or initiates legal action in response to non-payment, it must maintain appropriate records that demonstrate compliance with minimum "reasonable endeavours" to contact a customer to avoid a GSL payment.

EWOV note that good internal records include screen shots that show calls, SMS records, White Page searches, the type and date of correspondence and field notes.

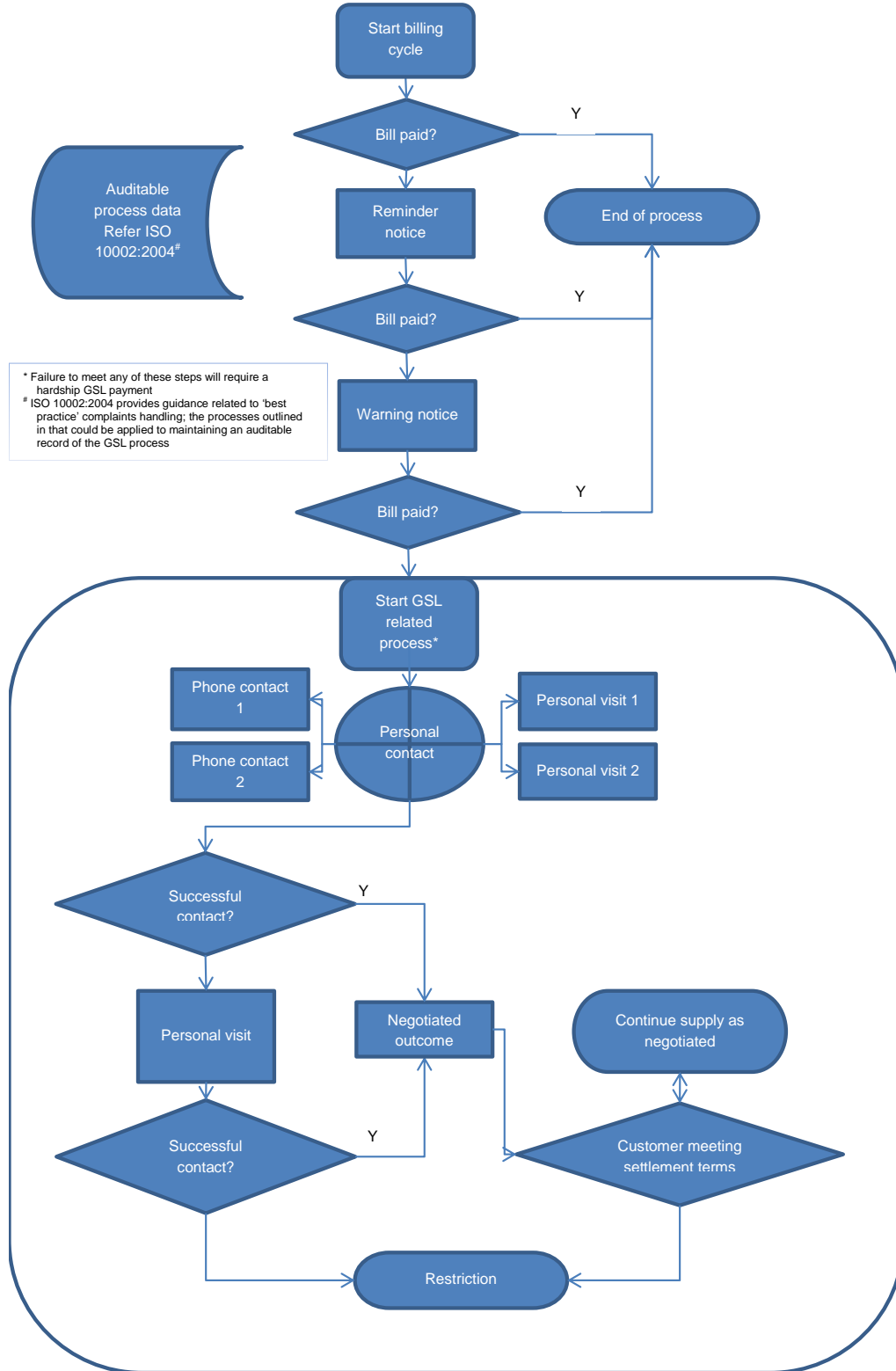
We agree with EWOV and encourage water businesses to document contacts with customers to ensure that they have completed all steps in the check-list for "reasonable endeavours". The water business must keep records on the substance of the telephone calls and a record of what was discussed. The water business must also ensure and note that the payment terms of any instalment plan reflect the customer's capacity to pay.

*Customer satisfaction guidelines for complaints handling in organizations; (ISO 10002:2004)* provides guidance related to 'best practice' complaints handling; the processes outlined in that could be applied to maintaining an auditable record of the GSL process.

**Table 1 Check-list for minimum “reasonable endeavours”**

<i>Step</i>	<i>Information that water business must be able to provide:</i>
1. Bill issued	Internal records that show date sent to customer
2. Reminder notice issued	Internal records that show date sent to customer
3. Warning notice issued	Internal records that show date sent to customer
NOTE: In undertaking the above, the water business also needs to comply with provisions in the Customer Service Code relating to Billing (Section 4), Payments (Section 5), Collection (Section 6) and Actions for non-payment (Section 7).	
4. Two attempts at personal contact by phone or a personal visit with a customer on two separate days (i.e. minimum of two attempted contacts).	Internal records that show: <ul style="list-style-type: none"> <li>• time and date of attempted contacts</li> <li>• type of contact attempted (i.e. phone or personal visit)</li> <li>• which customer service staff attempted contacts</li> <li>• whether attempt at contacts successful and if so               <ul style="list-style-type: none"> <li>○ a short summary of discussions with customer including <b>verification that information on payment assistance was provided by the business</b> and the nature of commitments given by either party.</li> </ul> </li> </ul>
Note: if no phone numbers are on file, or the customer’s number is disconnected, a business must search white-pages for contact number. If customer contact is not possible at this stage, one letter must be sent by the business via registered mail as a substitute – the Australia Post unique identification number must be recorded by the water business.	
5. One attempt at personal contact by personal visit with a customer.	Internal records that show: <ul style="list-style-type: none"> <li>• time and date of attempted contacts</li> <li>• which customer service staff attempted contacts</li> <li>• whether attempt at contacts successful and if so               <ul style="list-style-type: none"> <li>○ a short summary of discussions with customer including <b>verification that information on payment assistance was provided by the business</b> and the nature of commitments given by either party.</li> </ul> </li> </ul>
NOTE: Steps 4 and 5 above may be taken prior to issue of a warning notice. In undertaking steps 4 and 5, the water business, either verbally or through written notice, must convey to the customer information that complies with provisions in the Customer Service Code relating to Billing (Section 4), Payments (Section 5), Collection (Section 6) and Actions for non-payment (Section 7). Step 5 may be undertaken by a business on the same day any action to restrict is proposed. The requirements for personal contact via phone and personal visit may be undertaken by an authorised agent of the water business. The water businesses will still be required to demonstrate compliance with the steps in the event of an assessment of a breach of the GSL.	

**Diagram 1 Hardship related GSL process flow**





## 2.3 The guaranteed service level payment amount

We had no submissions on the amount of the hardship related GSL payment.

A \$300 fixed payment amount will apply to a breach of the hardship related GSL scheme by a water business. We believe the amount provides appropriate incentive for the water businesses to undertake reasonable endeavours to contact a customer, and provides an additional safety net for customers during a period of rising water (and other utility) prices.<sup>1</sup>

A GSL payment can be made directly to the customer or by way of rebate on the customer's bill, at the discretion of a water business. A payment must be made as soon as practicable after a breach of the GSL scheme has occurred. This approach is consistent with existing practice in the water industry in terms of payments made against other GSL measures, and also with the terms of payment under wrongful disconnection in the energy sector.

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<sup>1</sup> The amount payable by a water business in breach of the hardship related GSL will be reviewed as part of the Water Plan 3 Price Review process.



### 3 IMPLEMENTATION

This document outlines the roll-out of the Hardship Related Guaranteed Service Level (GSL) scheme to all 16 urban retail water businesses in Victoria from 1 July 2012.

All businesses that do not currently have the hardship related GSL scheme must take action to have the necessary systems in place to have the GSL scheme operational at 1 July 2012.

If you have any questions or concerns on this process, please email us at [water@esc.vic.gov.au](mailto:water@esc.vic.gov.au) or telephone Dean Wickenton on (03) 9651 3608.

All urban retail water businesses must have the hardship related GSL scheme in place from 1 July 2012.

