

South Gippsland Water

Proposed Price Structure - Customer Impacts Analysis

June 2007

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Executive Summary

PricewaterhouseCoopers (PwC) was engaged to review the impact of South Gippsland Water's (SGW) proposed tariffs for the next regulatory period. SGW is proposing to increase prices in real and nominal terms and re-balance their existing two part water tariff to place more emphasis on the volumetric component.

Victoria's next regulatory period for water prices begins on 1 July 2008. The Essential Services Commission (ESC), in its Guidance Paper for the upcoming price review, advised that it expects water authorities to demonstrate they have considered the impact of any increase on price on their customers and, in particular, vulnerable and low income customers.

Based on quantitative 2005/06 consumption data provided by SGW, together with the proposed prices for the next regulatory period and high level assumptions regarding growth in demand, PwC has conducted a review of the impact of the new tariffs on a number of customer groups.

All customer groups face an annual bill increase in each year over the regulatory period, given the same demand, however this paper has focused on domestic and non-domestic customers, who comprise 94% of SGW's customers. Within the domestic customer group, PwC has separately analysed the impact on vulnerable customers (deemed to be those customers in possession of a concession card) and tenants.

In order to assess the impact of the re-balanced tariff structure, SGW's proposed prices were compared to another scenario which would generate the same amount of revenue, but would keep the relationship between fixed and variable revenue constant with the 2007/08 year.

SGW's customer base, on average, uses less water than most other jurisdictions within Victoria. This is due in part to the region's seasonal population and also the historically higher rainfall relative to other parts of the State. This low consumption is the reason that the results of the analysis indicate that most customers are better off under SGW's proposed prices than they would be if the current relationship between fixed and variable was maintained.

This result means that the burden for meeting SGW's revenue requirement shifts partly to the minority of customers who are using a high volume of water, both for domestic and non-domestic customers. SGW's proposed tariffs are set, however, to ensure that for most customers, regardless of the level of water used, the difference in annual bill between the two scenarios is not more than 3%.

This outcome seems to satisfy the WIRO principles that water prices both protect the interests of customers, including low income and vulnerable customers, whilst sending signals about need for using water in a way that is sustainable.

1 Introduction

Background

All Victorian water authorities are required to submit a Water Plan to the Essential Services Commission (ESC) on 15 June 2007. The Water Plan is to cover the next regulatory period (2008/09 to 2012/13) and sets out a water authority's forecasts of operating and capital expenditure, demand, proposed prices and information on related matters such as hardship policies and service standards.

The ESC will assess each water authority's Water Plan against the principles contained within the *Water Industry Regulatory Order* (the WIRO) and decide whether to approve the prices proposed by the water authority. Satisfying the regulatory principles of the WIRO requires water authorities to balance a number of principles such as sending signals to customers about sustainable use of water through (amongst other things) price, whilst protecting vulnerable customers.

In the ESC's Guidance Paper, released in September 2006, the ESC advised that water authorities must show that they have analysed the customer impacts of any proposed tariff structures and have given consideration to how vulnerable customers may be affected.

It is against this background that South Gippsland Water (SGW) has engaged PricewaterhouseCoopers (PwC) to undertake a review of the impact of SGW's proposed tariffs for the next regulatory period on their customers.

All Victorian water authorities have a two part water tariff of some description, where customers pay an amount for every kilolitre (kL) used in addition to a fixed service charge. Some water authorities have taken this pricing principle further by introducing inclining block tariffs or volumetric sewerage charges.

As the levels in Victoria's (indeed, Australia's) reservoirs continue to fall after years of drought, increased emphasis has been placed on sending price signals to customers in order to manage demand. Many water authorities are increasing the volumetric component of their water tariff relative to the fixed component to encourage responsible use of the resource.

SGW has provided a price path to PwC that follows the above philosophy. In each year of the regulatory period, the volumetric component of a customer's bill increases relative to the fixed charge. This paper considers the impact of such a pricing policy on SGW's customers.

Purpose

The primary purpose of this review is to assess the customer impacts of SGW's proposed price structure for the next regulatory period (2008/09 to 2012/13). This will include assessing the particular impacts on vulnerable and low income customers.

Approach and Methodology Used

Based on 2005/06 consumption data provided by SGW and the price structure for 2007/08 (the final year of the current regulatory period), an analysis was performed of the impact that a re-balanced price structure would have on customer bills. A number of key actions and assumptions were required as part of the analysis:

- The consumption data has been analysed by SGW's tariff types and customer types (eg residential vs non-residential, low income and vulnerable customers, Southern region and East/West region etc).
- All consumption data was assumed to be correctly classified by SGW, that is, all accounts listed as domestic were, in fact, domestic customers and consumption data was accurate.
- Each Property ID was counted as a separate account.
- Domestic customers who hold Social Security, Veterans' Affairs and Health Care Cards are assumed to be a proxy for low income and vulnerable customers. SGW's data indicates that some non-domestic customers are also have concession cards – these customers have been assumed not to be low income and vulnerable.
- We have compared two price structure scenarios to the estimated 2007/08 price structure. These are:
 - 1) Scenario 1: 2008/09 price structure (assuming a given revenue requirement for the 2008/09 year) assuming no re-balancing of variable and fixed charges.
 - 2) Scenario 2: 2008/09 price structure (assuming a given revenue requirement for the 2008/09 year as per Scenario 1) assuming a re-balancing of variable and fixed charges.
- Customer impacts are measured by the change in the annual water bill from 2007/08 to 2008/09 under the two scenarios. This allows the two impacts of a new revenue requirement and a re-balancing of the price structure to be identified.

2 Customer Impacts of Proposed Price Structure

Current Price Structure

SGW currently charges customers a two part tariff for water and a fixed service charge for sewerage. The exact price charged depends on the classification of customers into four categories, discussed later in this report.

Proposed Price Structure in 2007/08 (the base case)

The base case for this analysis is the proposed price structure in 2007/08 (the final year of the current regulatory period). This is shown in Table 2.

Table 2 South Gippsland water charges – water only, 2007/08
(nominal dollars)

Service	Charge	East/West District	Southern District
Water service	Residential & Non-residential	\$204.75	\$284.85
	Agreement	\$186.15	\$255.90
	Concessional	\$172.80	\$172.80
Water usage	Murray Goulburn	\$1.2040	n/a
	All other	\$0.99	\$0.99

Based on the information received from SGW, water usage charges are forecast to account for approximately 33% of total water revenue in 2007/08.

2008/09 Price Structure Scenarios

As noted in Section 1, two price structure scenarios have been compared to the 2007/08 base case price structure. These are:

- 1) Scenario 1: 2008/09 price structure (assuming a given revenue requirement for the 2008/09 year) assuming no re-balancing of variable and fixed charges. In other words, the proportion of revenue derived from the volumetric and fixed components of SGW's bills remains the same.

Table 3 South Gippsland Water Scenario 1 charges – water only, 2008/09
(nominal dollars)

Service	Charge	East/West District	Southern District
Water service	Residential & Non-residential	\$231.57	\$303.37
	Agreement	\$210.54	\$272.53
	Concessional	\$195.44	\$184.03
Water usage	All other (excluding Murray Goulburn)	\$1.0524	\$1.0524

- 2) Scenario 2: 2008/09 price structure (assuming a given revenue requirement for the 2008/09 year) assuming a re-balancing of variable and fixed charges. In this case, the proportion of revenue gained from the volumetric component of SGW's bills increases by approximately 1% per annum (cumulative) over the course of the next regulatory period.

Table 4 South Gippsland Water Scenario 2 charges – water only, 2008/09
(nominal dollars)

Service	Charge	East/West District	Southern District
Water service	Residential & Non-residential Agreement	\$221.13	\$293.11
	Concessional	\$201.04	\$263.32
		\$186.62	\$177.81
Water usage	All other (excluding Murray Goulburn)	\$1.0999	\$1.0999

Customer impacts are measured by the change in the annual water bill from 2007/08 to 2008/09 under the two scenarios. This allows the separate impacts of a new revenue requirement and a re-balancing of the price structure to be identified.

South Gippsland Water's customer demographics

SGW serves approximately 18,000 assessments in 21 regional towns over an area of 4,000 square kilometres.

SGW's customers are categorised in four broad classifications:

Residential (or 'domestic')

A residential property is defined as a property that is provided for domestic purposes and includes houses, flats, units, townhouses, rural residences, police dwellings, retirement villages or any other properties that have similar water behaviour to a "House"

This includes vacant land serviced by a water main and receiving a bill.

Non-residential (or 'non-domestic')

Non-residential properties include all other buildings or vacant land not defined as "residential". Generally, this would include properties that have been established for some commercial reason.

Concessional

Concessional properties can be broadly defined as properties to which the public has free access and is not being operated for any private profit. This includes schools, community facilities, churches, sporting grounds and parks.

Agreement

A number of properties, predominately used for farming purposes, receive water from various sources where the quality or reliability of service is not guaranteed. SGW has agreements with these properties which specify the conditions under which the water is supplied and the charging that will occur. The farming nature of these customers explains the relatively high water consumption in this category.

SGW has a number of major customers that account for a large amount of the water supplied. Figures 1 and 2 present the number of properties in each category¹ and the proportion of water used by each customer type.

Figure 1 SGW properties by customer type – Forecast 2007/08

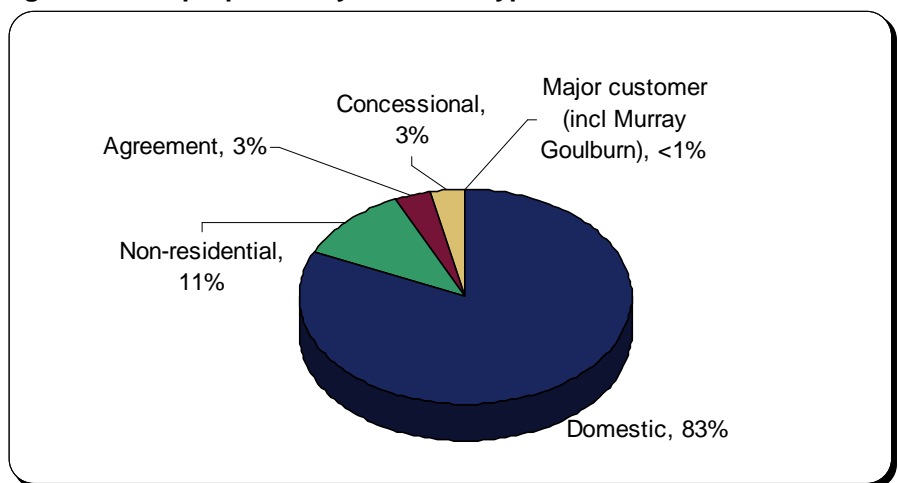
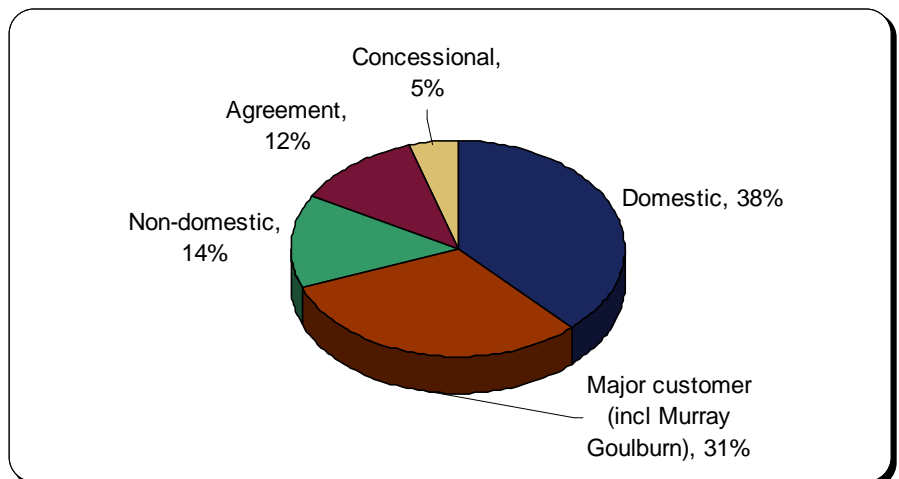


Figure 2 SGW water consumption by customer type – Forecast 2007/08



As is evident, major and agreement customers, which comprise 3% of the total number of properties, account for 43% of total water use. Whilst a large proportion of consumption is by domestic customers, a larger proportion of water is consumed by different customer groups. As a result, these customer

¹ Number of properties is sum of the number of unique Property IDs contained within the data provided by SGW

groups will pay relatively more for water than domestic customers if the price structure is re-balanced towards variable charges.

Low Income and Vulnerable Customers

SGW's customer base includes about 5,700 domestic customers who hold a concession card of some type. As noted in Section 1, for the purposes of this analysis these customers are being used as a proxy for low income and vulnerable customers.

In assessing the customer impacts of a changed price structure on low income and vulnerable customers, it is useful to understand the consumption profile of this type of customer compared to the broader domestic customer base. Figure 3 presents the forecast level of water consumption for 2007/08 by concession card holders and the total domestic customer base and the proportion of each type of customer group consuming at a particular level.

Figure 3 SGW domestic water consumption by customer type – Forecast 2007/08

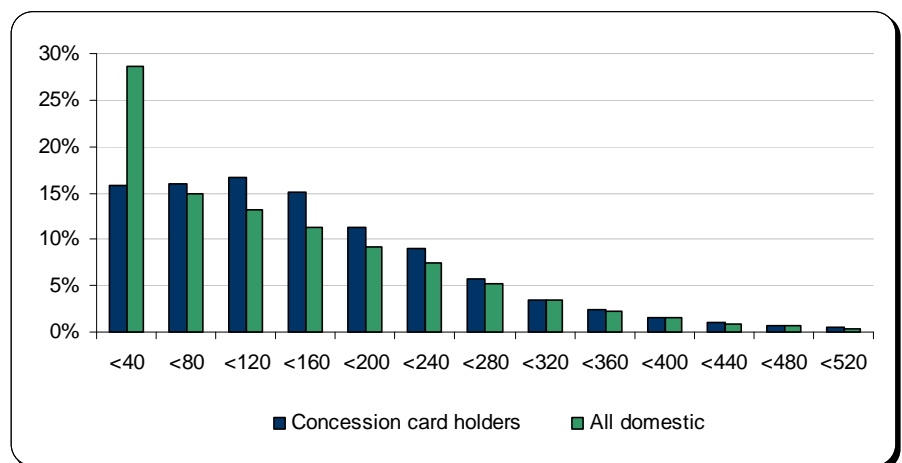


Figure 3 indicates that there are disproportionately fewer concession card holders consuming at the lowest level of consumption (ie < 40 kL per year). This is likely to be due to South Gippsland's popularity as a holiday home destination for customers whose principal residence is located outside of SGW's jurisdiction. Those customers with concession cards are less likely to be in this customer demographic.

This difference in the customer consumption profile is likely to result in the customer impact of the proposed re-balancing on concession card holders being different to the impact on non-concession card holders. The extent of this difference is explored further in the following sections.

Price and demand impacts

Annual bills

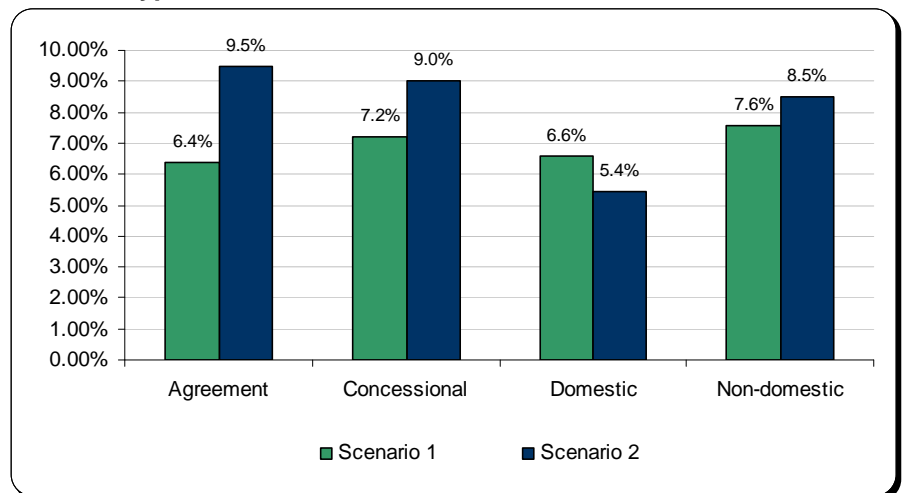
SGW is proposing to increase all prices in nominal (and real) terms between 2007/08 and 2008/09. Every customer will therefore experience an increase in their annual bill, given the same consumption. The extent of the increase

will depend on which category the customer is in and which pricing scenario is applied (Scenario 1 or Scenario 2).

SGW is not planning to introduce a volumetric wastewater charge and is raising the current wastewater service charge by only a small amount (less than 1% in real terms). Further, not all SGW customers receive a wastewater service. It is for these reasons that the analysis undertaken in this paper focuses on the impact of the new prices on the water component of the annual bill, unless stated otherwise. In general, adding in the impact of the proposed wastewater charge would lessen the percentage impact on annual bills.

Figure 4 displays the impact of the proposed price changes on the water component of annual bills for each customer category under each scenario. It has been assumed that Murray Goulburn customers hold individual contracts with SGW and therefore the standard tariffs do not apply. For this reason, the impact on these customers has not been included in Figure 4.

Figure 4 Impact on 2008/09 annual water bill compared to 2007/08 by customer type



As Figure 4 shows, under Scenario 1, estimated average annual water bill increases in 2008/09 range between 6.4% for agreement customers to 7.6% for non-domestic customers.

Under Scenario 2, the range of annual bill movements between customer groups is larger. Domestic customers experience an average 5.4% price increase whilst all other customer groups receive annual bill increases of 8.5% and above, up to 9.5% for agreement customers.

Major customers, who are not included in Figure 4, will expect annual bill increases approximating the increase in the volumetric rate – 6.3% in Scenario 1 and 11.1% in Scenario 2. This is due to the relative unimportance of the annual service charge to customers that use significant amounts of water.

Domestic and non-domestic customers, which comprise 94% of SGW’s customers, will be the main focus of this paper. It should not go unnoticed, however, that concessional, and in particular, agreement customers fare relatively worse under Scenario 2 than Scenario 1 than either domestic or

non-domestic customers. This is due to these customer groups' relatively higher water consumption.

Domestic customers, who comprise 83% of SGW's customer base, are the only customer group to experience a lower annual bill impact under Scenario 2 than Scenario 1. The reasons for this are explored further in the following sections.

Domestic Customers

Figures 5 and 6 show the impact of both scenarios on domestic customers consuming a range of water volumes over a year for the East/West and Southern districts.

Figure 5 East/West district annual domestic water bill v. consumption
(nominal dollars)

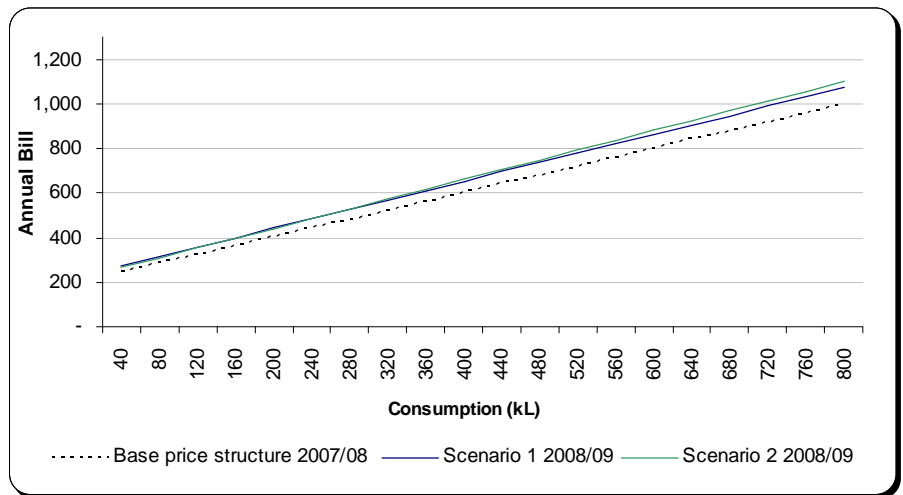
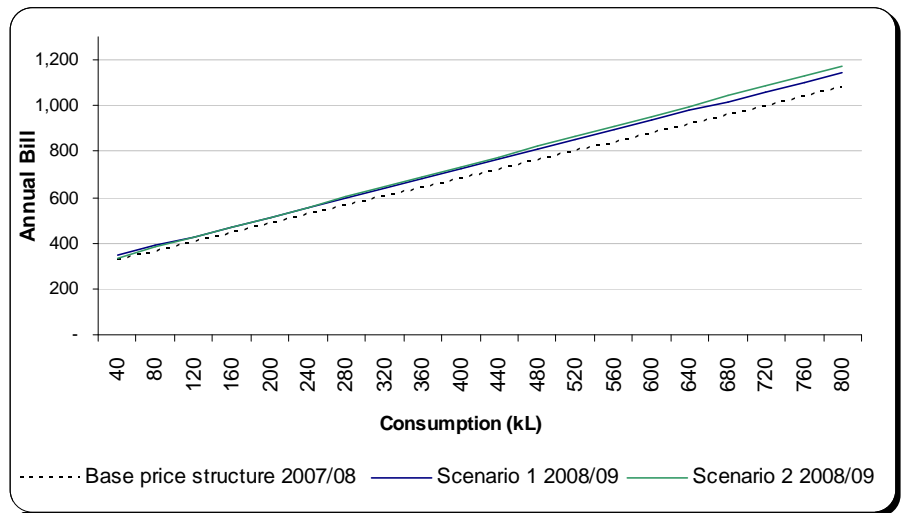


Figure 6 Southern district annual domestic water bill v. consumption
(nominal dollars)



Both scenarios return a very similar result for both districts. For the range of consumption volumes shown, the variance in the annual bill between the two scenarios never differs by more than 3% in either direction.

It is worth noting that under Scenario 2, where increased emphasis is placed on the variable component of a customer's bill, customers using less than (approximately) 220kL per annum are better off compared to Scenario 1.

Based on SGW's assumed growth rates, 81% of SGW's customers are forecast to use less than 220kL per annum in 2008/09 and would therefore receive a lower annual bill under the re-balanced tariff than they would under a tariff arrangement with no re-balancing of fixed and variable charges.

This result is due to the low consumption profile of the majority of SGW's domestic customers. Re-balancing the tariff structure towards variable charges therefore shifts the burden for recovering adequate funds to meet SGW's revenue requirement to higher use customers.

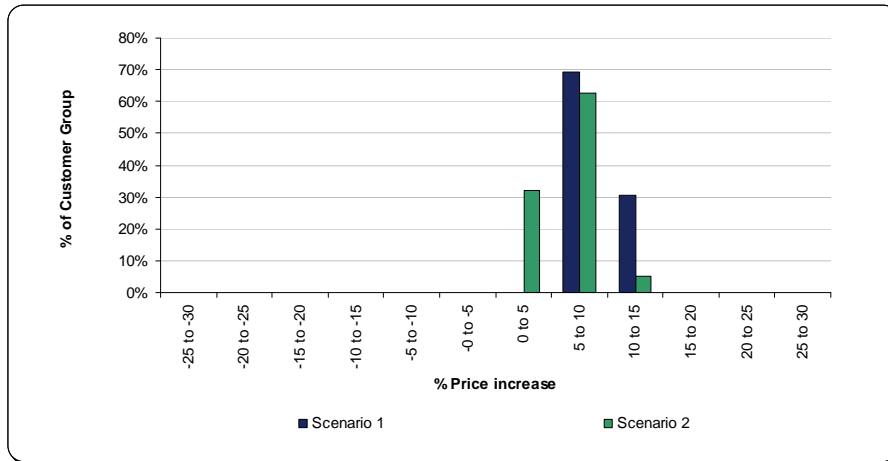
Vulnerable customers and tenants

Within the domestic customer category, there are a number of sub-classes that can be analysed. This section analyses the impact of the two pricing scenarios on vulnerable customers and tenants compared to the average domestic customer.

Vulnerable customers are assumed to be those customers in possession of some sort of concession card, classified in SGW's system as a Health Care Card, Social Security Card or Veterans' Affairs Card. Tenants have been analysed because they do not pay the fixed component of the water charge and therefore may be relatively more affected by the proposed re-balancing towards the volumetric component.

Figure 7 shows, for each price structure scenario, the proportion of domestic customers that will experience a given percentage increase or decrease in their water bill within certain ranges. For example, just over 30% of all domestic customers will experience an annual bill increase of between 0% and 5% if the prices structure was re-balanced in 2008/09, while no customers would experience an increase in this band if the structure was not re-balanced.

Figure 7 Distribution of Percentage Differences from 2007/08 annual bill - All domestic customers (nominal terms)



As indicated in prior charts, more domestic customers are better off under Scenario 2 than Scenario 1. Under Scenario 2, more customers are placed in the lower price increase band and fewer customers fall into the highest price increase bracket.

Figure 8 is the same diagram as Figure 7, but for concession card holders only.

Figure 8 Distribution of Percentage Differences from 2007/08 annual bill – Concession Card Holders (nominal terms)

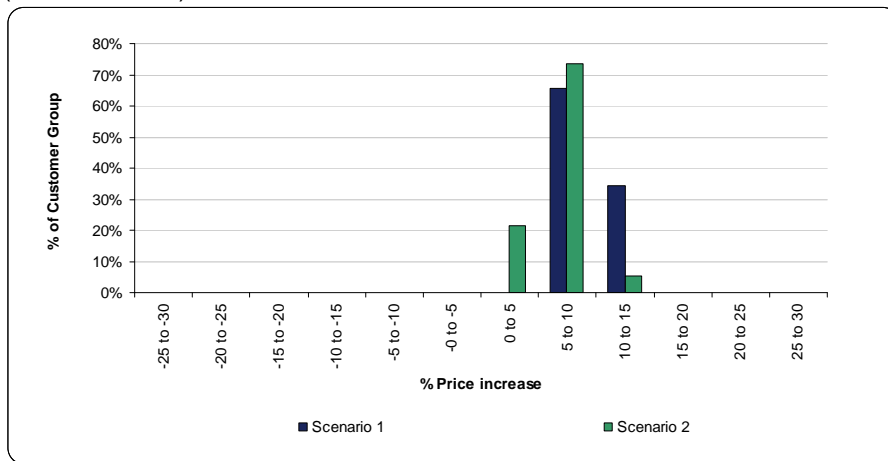


Figure 8 shows that the same general pattern exists for vulnerable customers compared to domestic customers between the two scenarios, however the proportion of customers receiving an annual bill increase at the lower end is fewer for vulnerable customers. That is, more concession card holders experience a bill increases in the range of 5% to 15% than typical domestic customers.

Since tenants are only responsible for paying for the water they use (the owner of the property typically incurs the cost of the water service charge), a

tenant's annual water bill will increase by the amount the volumetric charge rises, given the same consumption.

Under Scenario 1, therefore, a tenant using the same amount of water in 2008/09 as 2007/08, would face an annual bill increase of 6.3%. Under Scenario 2, this increase rises to 11.1%. Using SGW's assumed demand profile (as was the case in Figures 7 and 8) alters this outcome, but not materially.

SGW's records indicate that of approximately 1,900 domestic tenants, 875, or 46%, hold a concession card. These customers are considered more likely to be vulnerable to price increases. A re-balanced tariff structure under Scenario 2 would result in these 875 customers facing annual bill increases of approximately 11% between 2007/08 and 2008/09.

This impact is lessened to some degree by the current Victorian Government initiative whereby tenants holding a concession card receive a rebate of 50% of their water usage bill up to \$79.25 per annum². With both scenarios having water usage charges of around the \$1/kL level, this means that a tenant with a concession card using 160kL per annum would receive an approximate 50% discount on their total water bill³. However, for households using more than this volume, the discount would obviously be less in percentage terms.

Given the potential vulnerability of these customers and the relatively higher average bill increases expected under the tariff re-balancing scenario, SGW will need to monitor these customers for possible hardship. This is further discussed in Chapter 3.

Domestic Annual Bills

As indicated in prior sections, for a given consumption level, all customers' annual bills will rise relative to 2007/08, because all prices have increased in both nominal and real terms. Whilst Scenario 2 translates into a lower annual bill increase than Scenario 1 for the majority of customers, the difference between the two scenarios is relatively negligible (less than 3% for most realistic consumption profiles). Table 5 sets out a range of annual bill amounts under Scenario 2 and the percentage of domestic customers, both owner/occupiers and tenants, that fall into each range.

² This rebate is for the 2007/08 year, and typically rises each year by approximately CPI, therefore 2008/09 may be in the vicinity of \$82.

³ That is (for Scenario 2), 160kL x \$1.0999 = \$175.98 annual bill. The tenant would receive an expected \$82 rebate, or 47% of their bill.

Table 5 Percentage of customers in selected annual bill ranges – 2007/08 compared to 2008/09 (both scenario2)

Annual bill range (\$nom)	All domestic customers			Domestic tenants		
	2007/08	2008/09		2007/08	2008/09	
		S1	S2		S1	S2
0 - 100	0%	0%	0%	39%	36%	35%
100 – 200	0%	0%	0%	35%	35%	34%
200 – 300	29%	14%	22%	17%	18%	19%
300 – 400	37%	44%	36%	6%	7%	8%
400 – 500	21%	24%	23%	2%	2%	2%
500 – 600	8%	12%	11%	0%	1%	1%
600 – 700	3%	4%	4%	0%	0%	0%
700 +	2%	3%	3%	0%	1%	1%

Note: Domestic tenants' bill increase excludes the Victorian Government's rebate

SGW has proposed a price path over the regulatory period that steadily increases the amount of revenue derived from the volumetric component of the bill. Price increases are relatively similar year on year, and the cumulative effect of the price increases over the period results in annual bills steadily increasing. Customers in the East/West district typically face higher price increases than their counterparts in the Southern district, due to a conscious effort by SGW to re-balance tariffs and move to a more uniform service charge across each region.

Tables 6 and 7 set out, for a range of consumption levels, the expected annual bills and the percentage change from the prior year. The years 2009/10 to 2011/12 have not been shown for simplicity, but have the same general impact.

Table 6 East/West district – Annual bills, Scenario 2

Year	Annual bill % change					Annual bill (\$nom)				
	Consumption (kL)					Consumption (kL)				
	80	160	240	320	400	80	160	240	320	400
2007/08						284	363	442	522	601
2008/09	8.9	9.4	9.7	9.9	10.0	309	397	485	573	661
2012/13	8.2	8.7	9.0	9.2	9.4	429	562	694	826	958

Table 7 Southern district – Annual bills, Scenario 2

Year	Annual bill % change					Annual bill (\$nom)				
	Consumption (kL)					Consumption (kL)				
	80	160	240	320	400	80	160	240	320	400
2007/08						364	443	522	602	681
2008/09	4.7	5.8	6.6	7.2	7.7	381	469	557	645	733
2012/13	5.4	6.4	7.1	7.6	8.0	464	597	729	861	993

Non-Residential Customers

Non-residential customers in the both regions are charged the same service and usage fee as residential customers in the same region. Therefore Figures 5 and 6 apply equally to non-residential customers.

However, since non-residential customers use, on average, more than domestic customers, the proportion of non-residential customers in each

price increase band will differ from that of domestic customers. Figure 9 sets out these proportions.

Figure 9 Distribution of Percentage Differences from 2007/08 annual bill – Non-residential customers (nominal terms)

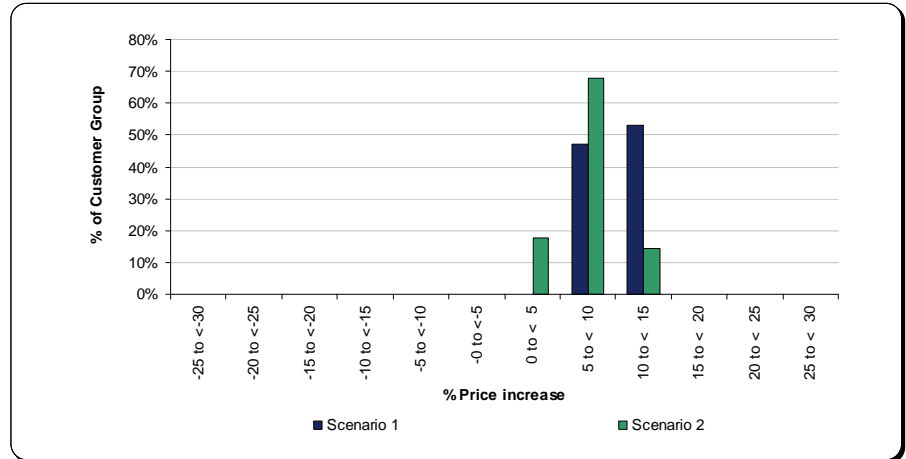


Figure 9 has the same general shape as Figures 7 and 8, however, compared to Figure 7 for domestic customers, there are a greater proportion of non-residential customers in the highest annual bill increase band (10% to 15% increase). Since approximately 75% of SGW’s non-residential customers use less than the 220kL “trigger” point which makes Scenario 2 less favourable than Scenario 1 (from a customer’s perspective), most non-residential customers are, like domestic customers, better off under the re-balanced tariff structure.

However, the nature of SGW’s non-residential customer base means that there are a relatively few non-residential customers that account for a disproportionately large amount of water use. SGW’s top 18 non-residential consumers of water, which account for 0.8% of SGW’s non-residential customer base, use 24% of the water consumed by SGW’s non-residential customers. These 18 users are, on average, approximately 4.3% worse off under Scenario 2.

This is because of similar circumstances as tenants, since in these high users’ cases, the water service charge is relatively insignificant and therefore they can be expected to have an increase of 6.3% in Scenario 1 and 11.1% in Scenario 2 to mirror the change in the volumetric rate.

Summary

SGW’s proposed tariffs for the next regulatory period are geared towards sending the strongest price signals to those customers who use the most water.

Scenario 2, where tariffs are being re-balanced to place greater emphasis on the volumetric charge, benefits the majority of SGW’s domestic and non-domestic customers compared to the non-rebalancing Scenario 1. However, under Scenario 2, a relatively smaller number of customers using greater

than 220kL - higher than the State average - will receive higher annual bills than would have been the case in Scenario 1.

Major customers, who comprise less than 1% of SGW's customer base, but use 31% of SGW's water, face the highest increase in annual bills, due to their high water use. Whilst tenants also face the same percentage increase as major customers, particularly vulnerable tenants (and vulnerable customers in general) have access to measures that are designed to mitigate their circumstances.

This outcome seems consistent with the principles of the WIRO that stipulate a water authority's charges must take into account the interest of customers, including vulnerable customers, whilst at the same time providing incentives for the sustainable use of the resource. It is also in line with recent policy directions and price structures aimed to increase the importance of the volumetric component of a customer's annual water bill (for example, inclining block tariffs).

3 Addressing disadvantage to low income and vulnerable customers

As set out in the ESC's Guidance Paper, it is the ESC's expectation that businesses assess the needs of different classes of customers to address any disadvantage that might arise from a change in tariff structures.

This paper has shown that under SGW's proposed re-balancing, concession card holders as a group, will, on average, experience higher percentage annual bill increases than typical domestic customers. Further, concession card holders who are also tenants will experience even higher bill increases as a result of the proposed tariff re-balancing because they do not receive an offsetting relative decrease in the fixed charge. About 875 SGW customers fall into this category.

These customers are considered more likely than other domestic customers to be low income and vulnerable and at risk from hardship. As noted in the Committee for Melbourne's Utilities Debt Spiral Project, renters are most likely to report utilities stress⁴.

While SGW already has a hardship policy as required under the Customer Service Code, SGW intends to undertake a proactive approach to alleviating hardship of vulnerable customers who are affected by the proposed price structure. Based on its customer information, SGW intends to identify its most vulnerable customers and directly contact these customers to outline the avenues available for assistance if needed – this is likely to include the 875 customers who are both tenants and concession card holders, particularly those whose use exceeds the maximum rebate amount, as well as concession card holders who are high water use customers.

SGW may elect to promote awareness of the following assistance options to vulnerable customers:

(1) Financial assistance focus to alleviate hardship

SGW Payment options

Under its hardship policy, SGW offers a range of payment options in accordance with the customer's capacity to pay. This includes instalment plans allowing customers to pay bills in instalments over a longer period of time.

SGW also offers access to Centrelink's Centrepay service. Centrepay is a free direct bill paying service offered to customers receiving Centrelink payments. By using Centrepay, customers can have money deducted directly and automatically from their social security payment to their water provider. Centrepay assists some customers to maintain their payment plans and can overcome 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.

⁴ Committee for Melbourne 2004, p.54.

Government programs designed to assist low income and vulnerable energy and water customers in Victoria

There are several Victorian Government programs that are designed to assist low income and vulnerable water customers in Victoria to manage their spending on utilities and pay their utility bills, the most relevant of which is the Utility Relief Grants Scheme (URGS). This scheme is administered by DHS to provide 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.

(2) Water efficiency focus in order to reduce bills.

There is a range of methods that businesses can adopt to improve the water efficiency of their customers. These options would be targeted at those vulnerable customers with relatively large water use as these customers are more likely to have higher discretionary water use or inefficient fixtures.

SGW programs

SGW could consider offering home visits to customers who it identifies as vulnerable and high water using. These visits would enable face to face discussion on hardship issues as well as an opportunity to identify water conservation measures which work to alleviate hardship.

In approved circumstances, if any plumbing issues are identified (and which do not qualify for the Capital Relief Grant), SGW may elect to organise and subsidise a licensed plumber to rectify an internal plumbing problem at no cost to the customer, or will assist with repayment options.

Government funded programs

SGW will actively promote the use of the Government's Smart Homes Program. This program assists concession households in financial hardship with the replacement costs of inefficient or defective fixtures that are causing high water bills. The experience of Yarra Water Water indicated that this has been very effective in reducing water bills for some customers. A sample of 500 Yarra Valley Water customers comparing their water usage over four quarters pre and post receiving an audit found that customers saved an average of 30 per cent of their water usage, equating to an average quarterly saving of 30 kilolitres or 120 kilolitres per year⁵. While SGW already has a low consumption profile, vulnerable customers, especially those with a large household, are likely to benefit from this program.

⁵ Review of Water Businesses Hardship Policies

The Department of Human Services (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. However SGW does not anticipate that this is likely to be widely available because it only applies to significant capital needs in emergency situations.