

Mr Mick Geaney  
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Economic Regulation Authority  
Level 6, Governor Stirling Tower  
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18th July, 2008

Dear Mr Kelly

**RE: DRAFT ELECTRICITY, GAS AND WATER INDUSTRY LICENSING COMPLIANCE POLICY**

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WACOSS welcomes the opportunity to respond to the recent release of the Economic Regulation Authority (ERA) Draft Electricity, Gas and Water Industry Licensing Compliance Policy. Licensing compliance policies are instrumental in regulating the performance of utility retailers and suppliers. The essential nature of utility services requires that such regulation be in place to protect consumers.

This submission is intended to represent the views of the Western Australian Council of Social Service (WACOSS) in relation to the *Draft Electricity, Gas and Water Industry Licensing Compliance Policy* provided by the ERA. Omission of comment in relation to any part of the Policy is not intended to imply endorsement of the statements contained within the Policy.

**The Essentiality of Energy and Water**

The WACOSS response to the *Draft Electricity, Gas and Water Industry Licensing Compliance Policy* should be considered within the broader context of our concerns for essential service provision and regulation in Western Australia.

Electricity, gas and water licensees provide services that are essential to the maintenance of acceptable standards of living in the community. In many cases, the continued, uninterrupted provision of these services is necessary for the maintenance of life itself. That is why energy and water are often said to be essential services, or essential utilities.

Water, in the context of essential services, possesses a special status as it is necessary for the maintenance of life. Additionally, restrictions placed upon access to either water or energy may have wide-ranging and serious impacts on the individual or group's capacity to maintain basic hygiene, accommodation, mental health and access to employment and

education<sup>1</sup>. People facing financial and other types of hardship have even less capacity to cope with the results of restricted access to water.

The essentiality of these services is such that the right of access to them is even contained in United Nations human rights standards, accepted by the Commonwealth Government<sup>2</sup>. Additionally, the importance of essential service provision was recognised in the Senate Poverty Inquiry which stated that,

*“Evidence indicated the importance of ensuring access to low income households to essential utilities such as electricity, gas, water and telephone services. Those services provide the basic means by which any household is able to function in a modern society.”*<sup>3</sup>

The Productivity Commission also stated in its review of National Competition Policy in 2005 that,

*“Reliable, affordable and sustainable energy services are critical to Australia’s economic and social wellbeing ... they are essential for supporting basic quality of life.”*<sup>4</sup>

## **Hardship**

The use of utility services is both essential as it is almost universal within Australia. That is, almost everyone uses utility services, usually provided by a licensee such as Synergy Energy, Horizon Power, Alinta Gas or the Water Corporation. Because almost everyone uses these services, it is inevitable that, at some time, some essential service consumers will experience financial or other types of hardship.

Financial and other types of hardship may have many complex and interrelating causes, or contributing factors. These may include the loss of employment, physical and mental health issues, increasing household debt or a significant life event, such as the death of a family member. The effects of financial and social hardship are wide-ranging and significant and may include accommodation troubles, worsened health status, legal problems, poor access to employment and education as well as interpersonal conflict. Because of these things, essential service providers must have policies and procedures in place that meet the needs of consumers experiencing hardship, and government has an overarching responsibility to regulate to ensure that this happens.

## **Licensing Compliance Policies and Procedures are Necessary**

The energy, gas and water markets in Western Australia are currently undergoing significant reform. This has included disaggregation, the introduction of contestability for larger consumers and the introduction of competition to aspects of service delivery. This process follows the deregulation of essential service markets both nationally and internationally.

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<sup>1</sup> Ross, S, Wallace, A & Rintoul, D (2005) *Cut off: The impact of utility disconnections*, report prepared by Urbis Keys Young for the Utility Consumers’ Advocacy Project, Sydney, pp. 19-21

<sup>2</sup> United Nations Economic & Social Council, Committee on Economic, Social & Cultural Rights, ‘The Limburg Principles on the Implementation of the International Covenant on Economic, Social and Cultural Rights’, November 2000, p. 6.

<sup>3</sup> Australian Senate, ‘Report from the Australian Senate Community Affairs References Committee Inquiry into Poverty and Financial Hardship (Senate Poverty Inquiry)’ 2004, Ch 9, pg. 191,

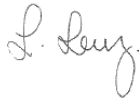
<sup>4</sup> Australian Productivity Commission, ‘Review of National Competition Policy’, April 2005, §8.2, pg. 180,

WACOSS believes that in order to promote the continued provision of safe, reliable and appropriate essential services, it is vital that processes around the compliance of essential service providers be transparent. Because of this, not only the results of compliance measures, but the processes themselves must be open to public scrutiny, both in their development and their administration. Such transparency may serve not only to create certainty for licensees, but also to create a climate in which public expectations for essential service providers are well expressed and the consequences for failure to abide by license conditions known.

Given this demonstrated need for clarity, WACOSS supports the Authority's development of the *Draft Electricity, Gas and Water Industry Licensing Compliance Policy* as well as its proposed breadth and intent. Further to this, however, WACOSS continues to assert that there is a need for such actions as may be included in the Authority's *Draft Policy* to be publicly reported. Such reporting, in addition to providing consumers with market signals, also may provide appropriate signals for prospective future market entrants.

We look forward to viewing the *Final Electricity, Gas and Water Industry Licensing Compliance Policy*.

Yours Sincerely

A handwritten signature in cursive script, appearing to read "L. Levy".

Lyn Levy  
Acting Executive Director  
18 July 2008