



Customer Reference Group meeting

Tuesday 1 March, 1.00pm – 4.00pm, Microsoft Teams Meeting

Attendees

Customer Reference Group members:
Adam Tyson, David Langmore, Diane Wilkinson, Mary Aldred (Chair),
Robert Gaulton, Jared Slater

Insync:
James Garriock, Executive Director (Independent facilitator)

Gippsland Water:
Sarah Cumming, Managing Director
Melissa Thek, General Manager Business Transformation
Trudy Hodgson, Senior Analyst Strategic Planning
Danny McDonald, Manager Corporate Affairs
Katrina Coulson, Senior Communications & Engagement Lead
Celeste Briggs, Communications & Engagement Advisor

Apologies

Fatima Ahsan
Michael Crane, General Manager People & Customer

Items for discussion

- Welcome and introductions – Sarah Cumming and Mary Aldred
- Price Submission engagement update – Danny McDonald
- Customer bill control deliberation – James Garriock
- Next steps – Danny McDonald and Katrina Coulson
- Close – Mary Aldred

Following welcome and introductions, Danny gave a brief summary of work the organisation has done so far on the topic of bill control.

James then facilitated a deliberative discussion with the group on customer bill control and tariff structures. He outlined the importance of the decisions made in the session, which will be reflected in our next Price Submission.

The group discussed the background information provided prior to the meeting, including customer insights and a case study from another Victorian water corporation.

Throughout the session, two questions were discussed and debated:

- Topic 1 – What options should Gippsland Water pursue to help customers better control their bills?
- Topic 2 – Should Gippsland Water continue to investigate changes to the fixed/variable tariff structure?



Safety and wellbeing



Customer focussed



Innovation



Accountability



Collaboration



Integrity and respect

Points discussed by the group members:

What options should Gippsland Water pursue to help customers better control their bills?

Overall, the group agreed that pricing and affordability are the key priorities. Within this discussion, particular themes emerged.

Flexibility and budgeting:

Payment flexibility and bill control are both important to customers. When customers have the flexibility, they can budget and control their water use better. Being able to choose when you pay and how often you get your bill are low-cost options and relatively easy for customers.

Use of an app:

While questions arose about whether an app is essential, the group acknowledged that customer research suggests customers would use one, if it was available. An app could also be a gateway to informing, communicating and engaging with customers on things they need to know or may wish to participate in – and that any investment in customer engagement is worthwhile.

Smart meters

A discussion took place about smart meters and the cost to implement them, compared with the app. The general consensus was that if smart meters are to be considered, it should be separate to the app and should be targeted at new developments initially, as part of the new connection cost.

Consensus: The group agreed that it was a good idea to pursue the functionality that customers have expressed interest in through an app, as long as we provide education and support for customers on how to use it and that it can be delivered at a low cost.

Topic 2 – Should Gippsland Water continue to investigate changes to the fixed/variable tariff structure?

Danny provided the group with a summary overview of the difference between fixed and variable tariffs, as well as financial modelling and key findings from investigative work undertaken over the last two years in response to feedback received from customers during the development of the organisation's 2018 Price Submission.

He explained that customers told the organisation at the time was that while they thought our bills were affordable, they also liked the idea of having greater control over their bills. The main reason for this was a belief in a user-pays approach on the basis that it might encourage better water-saving behaviours.

At the same time, customers were clear in their feedback that:

- the long-term financial viability of the organisation should not be impacted by any move to provide more flexibility;
- they did not want any degradation of service; and
- they would be less supportive of variable tariffs if they led to either of the above two outcomes.

James talked the group through the findings of prior research undertaken by Insync, as well as the pros and cons for each option relating to fixed and variable tariffs, before asking the group whether they felt Gippsland Water should continue to investigate

changes to the fixed/variable tariff structure. In doing so, he asked the group to consider this question based on what was good for the entire region/community.

He also quoted Consumer Action’s policy officer who provided a quote on the record for the Customer Reference Group:

“Although many customers are initially attracted to the idea of lowering fixed charges and increasing the variable, usage-based component of their bills, we urge caution as these sorts of changes will unfairly impact certain customers – particularly renters. Landlords, rather than tenants, currently pay the fixed charge, so increasing variable charges will lead to price rises for renters. Tenants are also severely constrained in making water-saving alterations to their homes such as installing water tanks or replacing inefficient appliances. Furthermore, large households, which have a limited ability to reduce their usage, will also be penalised for essential water use under these changes. We urge people to consider the impacts on these groups when thinking about changing the balance between fixed and variable charges.”

The group discussed the need for incentives to encourage sustainable and responsible water use, and whether increase the variable component of the tariff could help to achieve that objective. Following a detailed conversation, the group reflected on the fact that customer behaviours are not likely to change significantly if the cost impacts are minimal.

The group discussed how recent engagement insights have signalled that people aren’t too concerned about where things are in terms of tariff structure and questioned the need for a change to the current model.

They also discussed potential social equity issues associated with a more variable tariff, including that larger families and renters would face higher bills with minimal ability to control them.

A discussion took place around whether a volumetric charge could be applied to wastewater from households. James provided background on the fixed cost nature of wastewater treatment, as well as the ESC’s 2021 guidance that it would favourably consider proposals to eliminate the Sewerage Disposal Charge currently being levied by the metropolitan retailers.

The group then returned to the importance of conservation, and whether the fixed:variable balance would achieve much in that regard. There was agreement that price is only one mechanism for encouraging water conservation, and that the potential negative consequences for some customer groups – having regard to the regulatory environment the organisation needs to work within – make it a less attractive option.

Consensus: The group agreed that Gippsland Water should not continue to investigate a change to the tariff structure.

Next meeting

May 2022 (Date TBC).
