

FACT SHEET

Customer engagement for price reviews

On 10 August 2012, IPART released its final report, *Customer engagement on prices for monopoly services*. The guidance in the final report should strengthen the link between services/prices and customer preferences through more effective customer engagement.

The final report is available on IPART's website (www.ipart.nsw.gov.au).

The report focuses on customer engagement on discretionary expenditure and changes in price structure proposed by regulated water businesses. **Mandated or government directed expenditure is outside the scope of this review.** Our report:

- ▼ clarifies our expectations of regulated water businesses
- ▼ sets out how we will engage with stakeholders for price reviews.

Our expectations on customer engagement by regulated businesses

We encourage regulated water businesses to:

- ▼ provide evidence of customer engagement for discretionary operational and capital expenditure, and for proposed changes to price structure
- ▼ undertake best practice customer engagement, having regard to the costs of engagement
- ▼ consult customers early, before price proposals are submitted.

Further, regulated water businesses must provide a separate, short, plain English summary of their price proposal in addition to their submission to IPART.

What is discretionary expenditure?

Discretionary expenditure is generally expenditure above and beyond, or outside the expenditure required to comply with legislative or regulatory requirements.

Our engagement with stakeholders

How we interact with our stakeholders is also important for facilitating their involvement. Therefore, we will:

- ▼ provide guidance to regulated water businesses before the price review process begins on our expectations for customer engagement for the specific review
- ▼ continue through our annual workshops to assist stakeholders to build their capacity to participate effectively in price reviews
- ▼ continue to seek improvement in the way we communicate and interact with stakeholders and make it easier to make submissions.

How do the decisions and undertakings in this report improve the price review process?

The decisions and undertakings will:

- ▼ strengthen the link between customer preferences and discretionary expenditure proposals to ensure proposed expenditure is efficient
- ▼ improve the accessibility of the water price review process by requiring regulated businesses to provide a plain English summary of their price proposal
- ▼ help stakeholders build their capacity to participate in our reviews.

Effective customer engagement can be useful information for our decisions on proposed discretionary expenditure. It may also streamline the review process.

Price reviews to which the decisions and undertakings will apply

We envisage that the final decisions from this report would apply from this point onwards to water price reviews. The guidelines do not apply to retail energy or transport reviews due to our limited responsibilities in pricing these services. Separate arrangements for consulting are required for special variations to local council rates.

Who are the contacts for this report?

Should you wish to discuss this report please contact Peter Leventis on (02) 9113 7758.