



PROJECTS ON THE GO

Activities of OTTER

prepared for the

OTTER Customer Consultative Committee

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**OTTER CUSTOMER CONSULTATIVE COMMITTEE
MEETING 3/2018
THURSDAY 20 SEPTEMBER 2018**

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1. WATER AND SEWERAGE

a. Price Determination Investigation - Price and Service Plan approval and post investigation review

Following the release of the Regulator's Final Report and Price Determination on 4 May 2018, TasWater submitted its revised Price and Service Plan (PSP) for 2018-21, including its Customer Charter and policies, for the Regulator's approval on 31 May 2018.

OTTER reviewed TasWater's PSP and found some minor errors and omissions, which TasWater subsequently amended. The Regulator approved TasWater's PSP and associated documents on 25 June 2018. The approved PSP took effect from 1 July 2018.

The Regulator issued a letter to TasWater imposing several requirements outlined in the Regulator's Final Report. These include that TasWater develop, prior to 30 June 2021:

- a Labour Force Plan. The Regulator will assess TasWater's proposed salaries opex for the fourth regulatory period against this Plan;
- long term plans to achieve compliance and operational efficiencies and avoid investing in redundant or stranded assets (the Regulator will assess the prudence and efficiency of TasWater's proposed capex for the fourth regulatory period against these plans); and
- a Tax Asset Base (TAB) to support the use of a post-tax Weighted Average Cost of Capital.

OTTER conducted a compliance check after 1 July 2018 to confirm that TasWater had met the other requirements of the Regulator's Final Report (eg the publication of certain information on its website).

The Regulator has also begun a review of the 2017-18 Price Determination Investigation to identify strengths and weaknesses in the process and identify opportunities for improvement. OTTER held an internal review meeting on 10 August 2018 where staff members discussed their ideas, and a survey was distributed to key stakeholders (including OCCC members) on 28 August 2018 requesting feedback.

OTTER will collate this feedback and use it to form recommendations to the Regulator for improvements to the Price Determination Investigation process. OTTER plans to have the conclusions and recommendations from the review ready for the Regulator's approval at the 18 October 2018 TER meeting.

b. Government reforms

On 1 May 2018 the Tasmanian Government, the Local Government Owners and TasWater entered into a Memorandum of Understanding (MoU).

The key features of the MoU are as follows:

Ownership and governance

Under the MoU, Local Government will retain majority ownership of TasWater while the State Government will become a shareholder by investing \$20 million per year for

the next 10 years. Unlike the Local Government Owners, the State Government will not receive distributions from TasWater.

The State Government will have a greater role in TasWater's governance through:

- having input into TasWater's corporate plan and the process for appointing the Board and CEO;
- providing advice to the owners through the Department of Treasury and Finance; and
- instigating regular meetings between the relevant Ministers and TasWater's Chair and CEO.

Subject to the parties endorsing the MoU, the *Water and Sewerage Corporation Act 2012* will be amended to reflect the changes in ownership and governance.

Infrastructure Investment

In consultation with the relevant industry regulators, the MoU requires TasWater to develop an accelerated infrastructure investment program which will aim to deliver \$1.8 billion of infrastructure investment within the next 10 years.

Water and Sewerage Prices

The MoU also contains TasWater's in principle commitment to no price changes for the 2019-20 financial year followed by a 3.5 per cent per annum price cap commencing 1 July 2020 and continuing for subsequent price determinations. Where, in future determinations, the Regulator determines a price increase of less than 3.5 per cent, the lower price increase will apply (TasWater's announced price increase of 4.1 per cent will apply for 2018-19).

Subject to the agreement of the other parties to the MoU, the Government will introduce legislative amendments to ensure customers currently paying below the target tariffs will reach the target tariffs as soon as practicable without facing significant price shocks. Aside from these amendments, and the changes to the *Water and Sewerage Corporation Act 2012*, the MoU states that the current legislative arrangements will continue to apply.

The Regulator will therefore continue to regularly review TasWater's financial performance including prices, operational efficiency and capex program necessary to maintain TasWater's sustainability.

Next steps

Implementation of the changes outlined in the MoU is conditional on:

- councils agreeing to pass resolutions about governance and ownership; and
- the consequential legislative changes being passed by Parliament.

There is a Special General Meeting of council shareholders scheduled for 27 September 2018 to vote on the resolutions.

Subject to the outcome of the vote the amending legislation is expected to be tabled shortly after that meeting.

c. Tasmanian Water and Sewerage State of the Industry Report 2017-18

In July 2018 the Regulator received a letter from the Treasurer and Minister for Primary Industries and Water requesting the preparation of a State of the Industry Report for 2017-18 (in accordance with section 70 (1A)(a)(ii) of the *Water and Sewerage Industry Act 2008*). It has been requested that the report be prepared for public release at around the same time as in previous years (ie March 2019).

TasWater has advised that issues with data quality that impacted its performance data for the 2016-17 reporting period have now been largely overcome. The Regulator therefore expects there will be a significant improvement in the quality and reliability of TasWater's performance data going forward.

Other industry regulators will contribute to the preparation of the 2017-18 report, including public health (DHHS), environment (EPA Tasmania), water (DPIPWE) and dam safety (DPIPWE).

2. COMPETITIVE NEUTRALITY - UPDATE ON CURRENT INVESTIGATIONS

The Economic Regulator's functions under the *Economic Regulator Act 2009* include conducting investigations, where appropriate, into complaints of breaches of the national competition policy competitive neutrality principles against State and local government bodies.

Since the last OCCC meeting held in May 2018, the Regulator has received one additional competitive neutrality complaint. This complaint has been from owners of a private caravan and cabin park located in North West Tasmania alleging that their local council has contravened the competitive neutrality principles by providing recreational vehicle overnight parking services without taking into account the full costs of providing such services. The Regulator has commenced the investigation of this complaint.

Notifications of the investigation have been sent to the council, the complainants and the Minister for Local Government.

3. ENERGY

a. Government energy reforms

Standing Offer prices

The Government tabled the *Electricity Supply Industry Amendment (Price Cap) Bill 2018* in Parliament in May 2018.

The Bill will extend the Regulator's 2016 Standing Offer Price Determination by two years so as it will end on 30 June 2021. The amendments will also remove the Regulator's obligation to carry out the pricing investigation scheduled for 2018-19 and will see price increases capped based on movements in the Hobart CPI for 2019-20 and 2020-21. At the time of writing the Bill was still to be debated by Parliament.

Subject to the passing of the Bill, the Regulator's Standing Offer Price Approval Guideline will need to be amended so that it also refers to Periods 4 (2019-20) and

5 (2020-21). Aurora Energy has also identified some other minor changes to the Guideline that it would like to have considered as part of this process.

Feed-in Tariffs

Feed-in Tariff (FiT) customers currently receive either the premium FiT Rate of 28.283c/kWh¹ or the regulated FiT rate of 8.541c/kWh for excess energy exported to the grid. The premium FiT rate expires on 31 December 2018.

As part of its *Tasmania-first* Energy Policy, the Government is currently carrying out a FiT Review with the objectives of rewarding those that have already installed solar and incentivising further installation of solar in Tasmania.”² Any new arrangements are to come into effect from 1 January 2019.

The Department of State Growth now has responsibility. A Consultation Paper was released in late July 2018 with submissions closing on 6 August 2018. The Terms of Reference and Consultation Paper are available on the Department of State Growth’s website:

https://www.stategrowth.tas.gov.au/energy_and_resources/energy/solar_feed-in_tariff_review.

The Regulator understands that a number of submissions were received and that the submissions will be published on State Growth’s website in the near future.

Once the outcomes from the Government’s Review are known, the Regulator expects to commence its own scheduled investigation late in the 2018 calendar year. The existing determination expires on 30 June 2019 and the investigation will assist with the determination of the regulated FiT rate for the period 1 July 2019 to 30 June 2022.

Wholesale regulatory framework

The Government announced in the 2017-18 State Budget that it would review the Tasmanian wholesale electricity market regulatory pricing framework.

The Department of Treasury and Finance invited written submissions to the Review in November 2017. Consultation closed on 15 December 2017 with Aurora Energy, Australian Energy Council, Climate Capital and Hydro Tasmania making submissions.

The Terms of Reference for the Review and the submissions are available on the Department of Treasury and Finance’s website: <https://www.treasury.tas.gov.au/government-businesses/strategic-reviews/review-of-the-tasmanian-wholesale-electricity-market-regulatory-pricing-framework>

As part of its *Tasmania First* energy policy, the Government has made a commitment to remove the linkage to Victorian prices when setting the Tasmanian wholesale electricity price. The Regulator understands that Treasury will be updating the Terms of Reference for the Review so that it aligns with the Government’s current policy position and the associated timeframes.

¹ For small business customers the premium FiT Rate is 38.577c/kWh for the first 500kWh supplied during each billing period and 28.319c/kWh for each kWh supplied thereafter.

² Tasmanian Liberals, *‘Tasmania-First energy policy’*, February 2018.

b. Frequency Control Auxiliary Services (FCAS)

The Regulator's monitoring of Tasmanian FCAS costs has seen FCAS costs trending down since autumn of 2018. At present, FCAS cost recovery rates for both customers and generators in Tasmania are lower than \$0.50/MWh. Average weekly FCAS costs in Tasmania have reduced accordingly, with Tasmania's contribution to total NEM FCAS costs dropping from greater than 30 per cent early in the year to less than 10 per cent in recent months.

c. Energy in Tasmania 2017-18

OTTER has commenced preparation of the Regulator's Energy in Tasmania (EiT) Report for 2017-18. The Report will be presented in a similar format to the 2016-17 EiT Report. OTTER intends to complete the Report by late 2018.

d. Energy Security Monitor and Assessor status update and overview of current energy security position

Currently, Section 9 of the *Electricity Supply Industry Act 1995* (Special reports to the Minister) is being used to implement the Government's Energy Security Risk Response Framework.

In the absence of specific legislation to support the Government's Energy Security Risk Response Framework, the agreed roles of Hydro Tasmania, the Energy Security Coordinator and the Monitor and Assessor under the framework are being set out in memoranda of understanding.

The MoU with Hydro Tasmania has been signed. OTTER is currently liaising with the Department of State Growth with a view to finalising that memorandum of understanding as soon as possible.

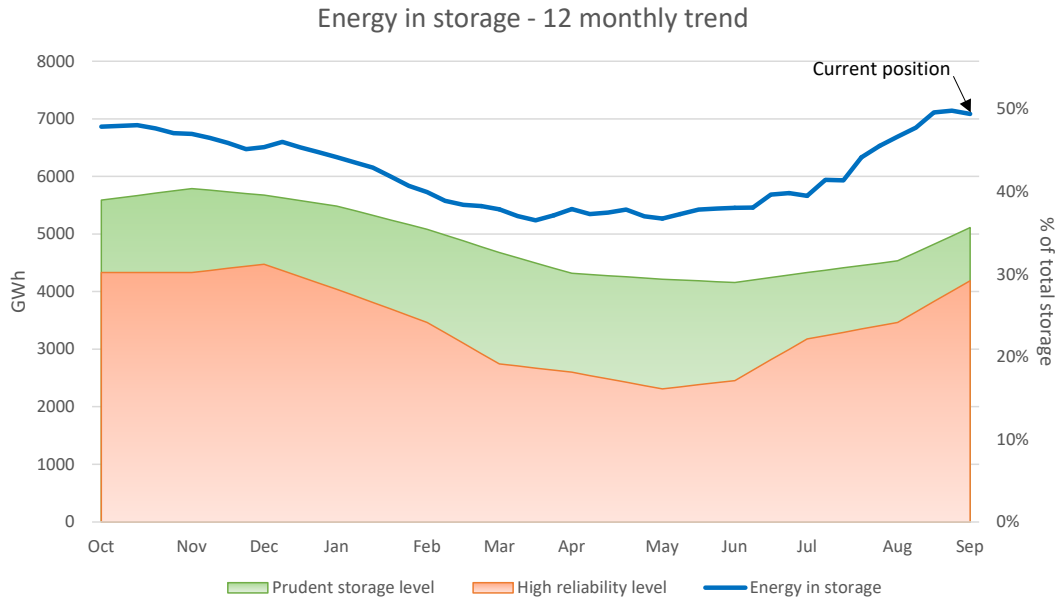
The Department of State Growth is also working on drafting instructions for new legislation that will likely: detail the functions of the Monitor and Assessor; provide for information gathering powers; and specify the reporting requirements of the Monitor and Assessor.

Current energy security position

Energy in storage as at the beginning of September 2018 was 49.1 per cent.

Based on information provided by Hydro Tasmania, the Monitor and Assessor estimates that it is highly probable Tasmanian hydro storages will remain above the High Reliability Level over the next 90 days, assuming average conditions.

Hydro Tasmania reports that storages remain above the High Reliability Level over the next 90 days in all of its simulated inflow sequences.



e. Review of Aurora Pay As You Go product

Aurora has been undertaking a review to develop a replacement for its Pay As You Go product. It is understood that Aurora has developed a proposed replacement product and intends to undertake stakeholder engagement on this matter in the coming weeks.

4. ELECTRICITY - RETAIL AND DISTRIBUTION QUARTERLY PERFORMANCE REPORTS (Q4, 2017-18)

Aurora Retail

Aurora Energy (Retail) has provided its performance report for Q4, 2017-18 as required by Regulation 13 of the *Electricity Supply Industry Regulations 2008*. Performance measures are reported in accordance with the AER’s performance reporting procedures and guideline and are provided in Appendices 1 and 2.

TasNetworks

TasNetworks has provided its performance report for Q4, 2017-18.

Network performance is measured by:

- System Average Interruption Duration Index (SAIDI) - the total duration of all outages divided by the number of customers served (this provides a measure of the average outage duration experienced by each customer).
- System Average Interruption Frequency Index (SAIFI) - the total number of interruptions divided by the number of customers served (this provides a measure of the average number of interruptions experienced by each customer).
- Customer Average Interruption Duration Index (CAIDI) - the total duration of all outages divided by the total number of interruptions (this provides a measure of the average time taken to repair an interruption to supply).

- Momentary Average Interruption Frequency Index (MAIFI) - the total number of momentary interruptions divided by the number of customers served (this provides a measure of the average number of momentary interruptions experienced by each customer).

Table 1 shows TasNetworks' recent performance on a per customer basis.

Table 1 Overall system performance

	2016/2017 Q4	2017/2018 Q1	2017/2018 Q2	2017/2018 Q3	2017/2018 Q4
SAIFI	0.32	0.46	0.39	0.62	0.63
SAIDI	38.05	57.18	51.69	96.91	143.97
CAIDI	120.60	123.71	133.28	157.55	228.19
MAIFI	1.71	1.34	1.55	1.24	1.14

Figure 1 and Figure 2 show the outage causes and the contribution those outages made to SAIFI and SAIDI performance respectively.

There were three Major Event Days (MEDs) during Q4, 2017-18. Southern Tasmania experienced extreme adverse weather on the 10-11 May with strong winds, heavy rain and numerous lightning strikes. The Greater Hobart area also recorded more than 100mm of rain in 24 hours. Severe weather on 22 May also resulted in multiple outages. These three MEDs contributed to 88 minutes of the 144 SAIDI minutes for the quarter.

Figure 1 Contributions to SAIFI

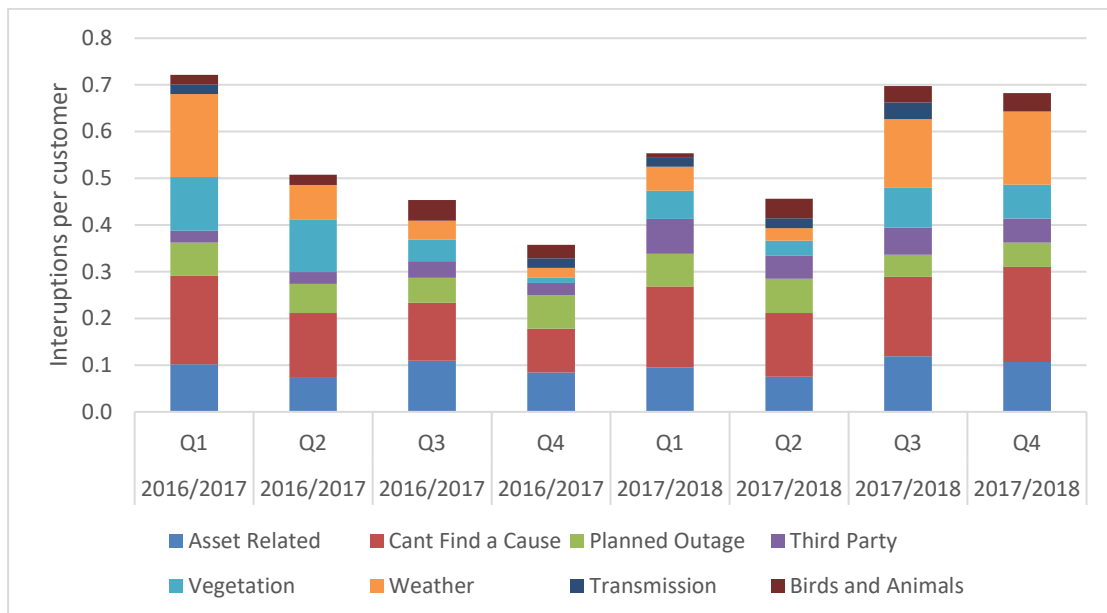
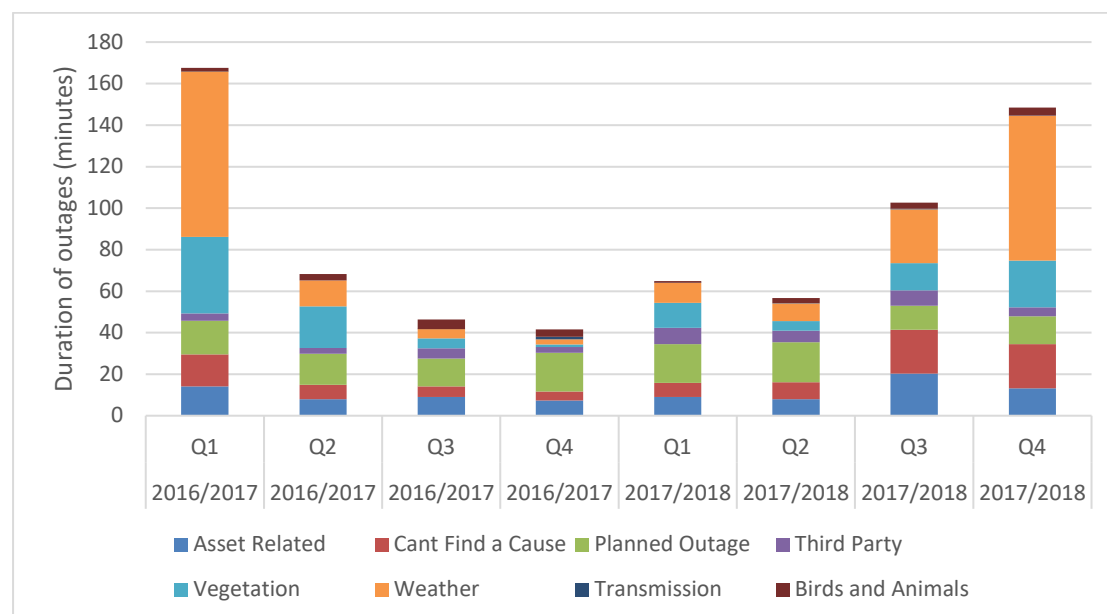


Figure 2 Contributions to SAIDI



Community and category performance

A summary of quarterly performance for the 101 Communities is provided in Tables 3, 4 and 5.

Table 3 Communities Exceeding Duration and Frequency Standards

	2016/2017		2017/2018		
	Q4	Q1	Q2	Q3	Q4
Number of communities exceeding SAIFI standard	4	7	7	16	11
Number of communities exceeding SAIDI standard	10	21	15	38	38
Number of communities exceeding either SAIDI or SAIFI standard	12	25	18	39	39
Number of communities exceeding both SAIDI and SAIFI standards	7	8	7	13	11

Table 4 Community Category Performance - SAIFI

	2016/2017		2017/2018			Annual Target
	Q4	Q1	Q2	Q3	Q4	
Critical Infrastructure	0.07	0.05	0.05	0.00	0.05	0.20
High Density Commercial	0.02	0.07	0.02	0.09	0.19	1.00
Urban and Regional Centres	0.21	0.30	0.28	0.44	0.48	2.00
Higher Density Rural	0.48	0.66	0.58	0.95	1.03	4.00
Lower Density Rural	0.66	1.05	0.72	1.11	0.94	6.00

Table 5 Community Category Performance - SAIDI

	2016/2017		2017/2018			Annual Target
	Q4	Q1	Q2	Q3	Q4	
Critical Infrastructure	9.76	13.42	11.66	0.09	4.57	30
High Density Commercial	2.05	10.48	1.59	14.06	44.08	60
Urban and Regional Centres	23.48	30.43	27.17	58.57	113.03	120
Higher Density Rural	55.49	101.48	75.21	154.16	216.00	480
Lower Density Rural	88.50	136.86	141.11	218.24	222.19	600

Customer Service**Table 6 Customer service performance indicators**

	2016/2017		2017/2018		
	Q4	Q1	Q2	Q3	Q4
<i>Call Centre performance</i>					
Calls received	9 595	10 000	9 101	15 733	15 369
Calls answered within 30 seconds	83.60%	80.72%	83.78%	63.11%	65.03%
<i>Supply Reliability</i>					
New Connections	705	714	653	569	843
Customer charter payments/value	66 / \$5 940	48 / \$5 040	37 / \$3 570	14/\$1 320	56/\$6 480
Complaints - reliability/quality of supply/complaints as a percentage of installations	123 (0.04%)	177 (0.06%)	138 (0.04%)	127 (0.04%)	138 (0.04%)
Reconnections	6 443	6 467	6 086	6 597	6 012
Total Customer Charter payments for reconnections (number / \$)	0 / \$0	0 / \$0	0 / \$0	0 / \$0	0 / \$0
Complaints	123	177	138	127	138
Street Lighting reported faults	882	628	306	296	915
Street lighting customer charter payments (number / \$)	6 / \$180	9 / \$270	2 / \$60	0/\$0	0/\$0
GSL - Number of payments	2 462	2 327	2 315	6 056	8 301
Amount	\$ 198 800	\$ 203 840	\$ 230 400	\$ 555 200	\$ 2 279 360

5. WATER AND SEWERAGE, ELECTRICITY AND GAS LICENSING (UPDATE)

Water and Sewerage licensing, electricity licensing and gas licensing

There are no water and sewerage, electricity or gas licensing updates.

Appendix 1 – Aurora Energy quarterly performance – residential

Retail - Residential	Trend - 5 qtrs	2016-17 Q4	2017-18 Q1	2017-18 Q2	2017-18 Q3	2017-18 Q4
Customer numbers						
standing offer		214 733	217 487	218 405	218 585	220 049
APAYG customers		23 641	22 013	21 597	21 496	21 076
Payment difficulties						
debt repayment		3 562	2 848	4 340	4 914	3 710
average amount		\$756	\$784	\$728	\$738	\$776
debt \$500 - \$1 500		902	700	1 146	1 358	965
debt \$1 500 - \$2 500		260	208	302	345	263
debt over \$2 500		230	197	246	275	240
Payment plans						
customers on payment plan		2 419	2 661	3 027	2 906	2 797
customers who had their plan cancelled for non-payment		823	556	750	1 007	847
customers with 2 or more plans cancelled in the last 12 months		227	162	232	244	249
Disconnections						
residential disconnections		287	223	136	264	247
concession customers disconnected		133	107	70	113	71
payment plan customers disconnected		93	67	28	61	51
customers disconnected more than once in 24 months		23	27	13	9	4
Reconnections						
reconnections (within 7 days)		124	117	81	124	20
payment plan customers		37	31	19	31	19
concession customers		57	53	46	61	32
APAYG - Prepayment meter (PPM) customers						
PPM customers with a concession		12 459	11 759	11 503	11 505	11 304
PPMs able to report self-disconnections		10 911	10 307	10 417	10 404	10 841
PPM self-disconnection events		988	885	666	512	852
customers self-disconnected		785	699	540	433	680
average duration of disconnection events (minutes)		218	257	223	282	247

Retail - Residential	Trend - 5 qtrs	2016-17 Q4	2017-18 Q1	2017-18 Q2	2017-18 Q3	2017-18 Q4
Hardship program						
customers on the hardship program		2 208	2 568	2 970	3 156	3 251
hardship customers with a concession		1 728	2 014		2 461	2 492
customers denied access		0	0	0	0	0
customers exiting the program		372	323	385	523	517
average debt upon entry to program		\$1 750	\$1 458	\$1 599	\$1 705	\$1 304
debt \$0 - \$500		47	103	95	76	93
debt \$500 - \$1 500		193	319	387	336	283
debt \$1 500 - \$2 500		95	141	163	172	137
debt over \$2 500		91	120	142	125	101
average debt		\$1 339	\$1 518	\$1 578	\$1 353	\$1 304
customers who successfully completed program		115	68	61	123	200
customers excluded from program		192	163	222	270	174
customers who transferred		65	92	102	130	143
Complaints (residential)						
billing		1 684	2 557	2 658	2 378	2 655
marketing		0	0	0	0	0
customer transfer		0	0	0	0	0
other		673	1 274	1 355	1 339	1 576
TOTAL		2 357	3 831	4 013	3 717	4 231

Appendix 2 – Aurora Energy quarterly performance – small business

Retail - Small Business	Trend - 5 qtrs	2016-17 Q4	2017-18 Q1	2017-18 Q2	2017-18 Q3	2017-18 Q4
Customer numbers						
standing offer		30 654	30 285	31 252	31 182	31 276
market contracts		4 537	4 577	4 312	4 355	4 192
Total small business		35 191	34 862	35 564	35 537	35 468
Payment difficulties						
customers repaying a debt		167	127	153	179	162
average customer debt		\$ 871	\$ 414	\$1 010	\$ 449	\$ 386
Disconnections		28	4	12	7	0
Reconnections		9	1	3	0	0
Complaints						
billing		215	279	377	382	401
marketing		0	0	0	0	0
customer transfer		0	0	0	0	0
other		54	54	102	105	91
TOTAL		269	333	479	487	492