

Office of the Tasmanian Economic Regulator

2018-19 Operating Plan

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The Office of the Tasmanian Economic Regulator (OTTER) is resourced by the Department of Treasury and Finance (Treasury). Consequently, OTTER uses Treasury's planning tools in the annual planning process. This Operating Plan is one of OTTER's major planning tools. It also informs our stakeholders of our activities for the financial year as can reasonably be foreseen.

OTTER's primary objective is to provide administrative and regulatory support to the Tasmania Economic Regulator (Regulator) for the statutory functions under the *Economic Regulator Act 2009* (ER Act), *Electricity Supply Industry Act 1995* (ESI Act), *Gas Act 2000* (Gas Act), *Gas Pipelines Act 2000* (Gas Pipelines Act) and *Water and Sewerage Industry Act 2008* (W&SI Act).

OTTER has many standard tasks, which includes preparing various reports and assisting the Regulator in making approvals. The schedule outlining the Regulator's decisions and reports for 2018-19 are included in Table 1.

OTTER actively promotes stakeholder engagement by targeting communication and liaison with customer, community, and government stakeholders. OTTER also monitors national regulatory developments and actively engages with national and jurisdictional regulators across the energy and water and sewerage sectors.

During 2018-19, OTTER will continue to review the regulatory frameworks that it administers to ensure that they operate effectively, align with national regulatory arrangements and avoid regulatory overlap or duplication. This will ensure that the cost of regulation, which is ultimately borne by customers, is minimised.

OTTER's output is considerable for an organisation of its size and is testament to the commitment and engagement of OTTER staff. During 2018-19, OTTER will continue to deliver the level of support and service that the Regulator and other stakeholders expect.

Dean Burgess
DIRECTOR

Table 1 Regulator's decisions and reports to be published in 2018-19

Items	Approximate publication
Electricity prepayment price comparison report	August 2018
Electricity standing offer price comparison report	August 2018
Regulator's 2017-18 Annual Report	October 2018
Regulator's recommendation to the Government of the MAIB's maximum premiums from 1 December 2018	October 2018
Energy in Tasmania 2017-18 Report	November 2018
Annual Energy Security Review 2017-18	November 2018
Electricity standing offer price comparison report	February 2019
2019 Feed-in-Tariff Determination Investigation Draft Report and Draft Determination for public comment	February 2019
State of the Water and Sewerage Industry Report 2017-18	March 2019
2019 Feed-in-Tariff Determination Investigation Final Report and Determination	April 2019
Regulator's approval of Aurora Energy's 2019-20 electricity prices	June 2019
Regulator's approval of Regulated 2019-20 Feed-in-Tariff	June 2019
Regulator's approval of Bass Strait Island's 2019-20 electricity prices	June 2019

Our Roles and Responsibilities

OTTER supports the Regulator for its statutory functions.

The Regulator's functions under the Economic Regulator Act

The Regulator's functions and powers under the ER Act include:

- ❑ investigating the pricing policies of certain Government-owned bodies, and other providers of services and goods in Tasmania, that are monopoly or near monopoly providers;
- ❑ recommending maximum prices chargeable by these bodies for the supply of services and goods;
- ❑ providing advice on Metro Tasmania's pricing to the Department of State Growth and Treasury when required;
- ❑ conducting investigations into complaints against State and Local Government businesses for breaches of the national competition policy competitive neutrality principles; and
- ❑ conducting taxi fare methodology inquiries when requested by the Government.

Regulation of the electricity supply industry

The Regulator's functions under electricity legislation reflect the fact that the major Government owned electricity entities have significant market power in Tasmania. In this environment, most customers require the protection of regulation for both price and conditions of supply as customers cannot negotiate on an equal footing with the service providers.

Over time, the Regulator's functions have been shaped by Tasmania's participation in the National Electricity Market (NEM) and national and state-based energy regulatory reform.

The Regulator has various functions under the ESI Act including:

- ❑ administering the Tasmanian Electricity Code (TEC);
- ❑ administering the licensing system for the electricity supply industry (ESI);
- ❑ monitoring and enforcing compliance with licence conditions;
- ❑ monitoring ESI entities' performance;
- ❑ approving Aurora Energy's standing offer and Hydro Tasmania's Bass Strait Island (BSI) retail electricity prices;
- ❑ determining the regulated electricity feed-in tariff rate;
- ❑ regulating certain financial contracts offered by Hydro Tasmania to electricity retailers; and
- ❑ performing role of Tasmanian energy security Monitor and Assessor.

The Regulator's objectives include:

- ❑ promoting competition in the ESI;
- ❑ maintaining an efficient ESI;
- ❑ enforcing proper standards of safety, reliability and quality in the ESI; and
- ❑ protecting electricity consumers' interests.

Regulation of the gas supply industry

The Regulator's functions as regulator of the gas supply industry in Tasmania are defined in the Gas Act. These functions exclude price regulation, but include:

- ❑ administering the licensing system for gas entities; and
- ❑ publishing and monitoring standards and codes for the services provided by gas entities.

The Gas Pipelines Act, Gas Act and four associated codes establish the procedural and institutional arrangements for Tasmania's gas market.

The Gas Distribution Code and Gas Retail Code set out the minimum standards for gas distribution and gas retail. The Gas Bulk Customer Transfer Code provides the regulatory framework for transferring customers in bulk between gas retailers.

The Gas Customer Transfer and Reconciliation Code (Transfer Code) establishes the rules and procedures for metering and reconciliation of gas quantities and the transfer of customers between retailers. The Transfer Code also establishes a metering data provider scheme and the certification of an allocation agent.

The Regulator's key objectives include:

- ❑ aiding the development of the GSI in Tasmania;
- ❑ promoting efficiency and competition in the GSI;
- ❑ monitoring the performance of the GSI; and
- ❑ protecting gas customers' interests.

The economic regulation of the water and sewerage sector

The Regulator has several responsibilities under the W&SI Act, including:

- ❑ determining maximum prices for regulated water and sewerage services;
- ❑ promoting efficiency in terms of costs and pricing arrangements;
- ❑ issuing and administering licences for water and sewerage service providers;
- ❑ establishing and administering minimum customer service standards through development of the Tasmanian Water and Sewerage Customer Service Code
- ❑ monitoring and enforcing water and sewerage entities' compliance with licence conditions; and
- ❑ monitoring the performance of the industry.

2018-19 Strategic Challenges

We have identified a number of key issues and challenges facing OTTER and the Regulator in 2018-19, including:

- ❑ conducting the 2019 Feed-in-Tariff Determination Investigation;
- ❑ managing any impacts arising from Government reforms to the Tasmanian electricity industry and water and sewerage industry and their respective regulatory frameworks;
- ❑ monitoring national regulatory developments and more actively engaging with national and jurisdictional regulators across the energy and water and sewerage sectors;
- ❑ investigating competitive neutrality complaints;
- ❑ building stakeholders' understanding of various regulatory matters, including the pricing of electricity and water and sewerage services; and
- ❑ promoting greater stakeholder engagement.

Standard Tasks

The following standard OTTER tasks and projects assist the Regulator to achieve its objectives:

- ❑ administering the licensing system for the electricity, gas and water and sewerage sectors;
- ❑ issuing, maintaining and enforcing legislation, codes and licence obligations in each industry sector;
- ❑ regulating certain wholesale market contracts and monitoring the wholesale market;
- ❑ investigating competitive neutrality complaints;
- ❑ establishing, monitoring and publishing standards and codes;
- ❑ developing, maintaining and publishing guidelines;
- ❑ supporting the OTTER Customer Consultative Committee (OCCC);
- ❑ participating in the national and intra-jurisdictional working groups and committees;
- ❑ reviewing quarterly and annual electricity performance reports and returns;
- ❑ reviewing and verifying water and sewerage performance data as part of OTTER's role of data and audit co-ordinator for national water performance reporting;
- ❑ reviewing outcomes of independent appraisals of management and compliance plans and monitoring the implementation of recommendations;
- ❑ reviewing electricity incident reports and annual planning documents;
- ❑ responding to queries and complaints on electricity, gas and water and sewerage pricing matters;
- ❑ determining gas, electricity and water and sewerage licence fees and recovery of investigation costs;
- ❑ providing advice to the Government and making inquiries as requested by the Minister;
- ❑ publishing weekly electricity market bulletins summarising outcomes of the NEM in relation to the Tasmanian region, as well as other factors affecting the electricity system in Tasmania;
- ❑ publishing Energy Security monthly dashboards and the annual review report; and
- ❑ responding to 'right to information' requests.

Our Stakeholders

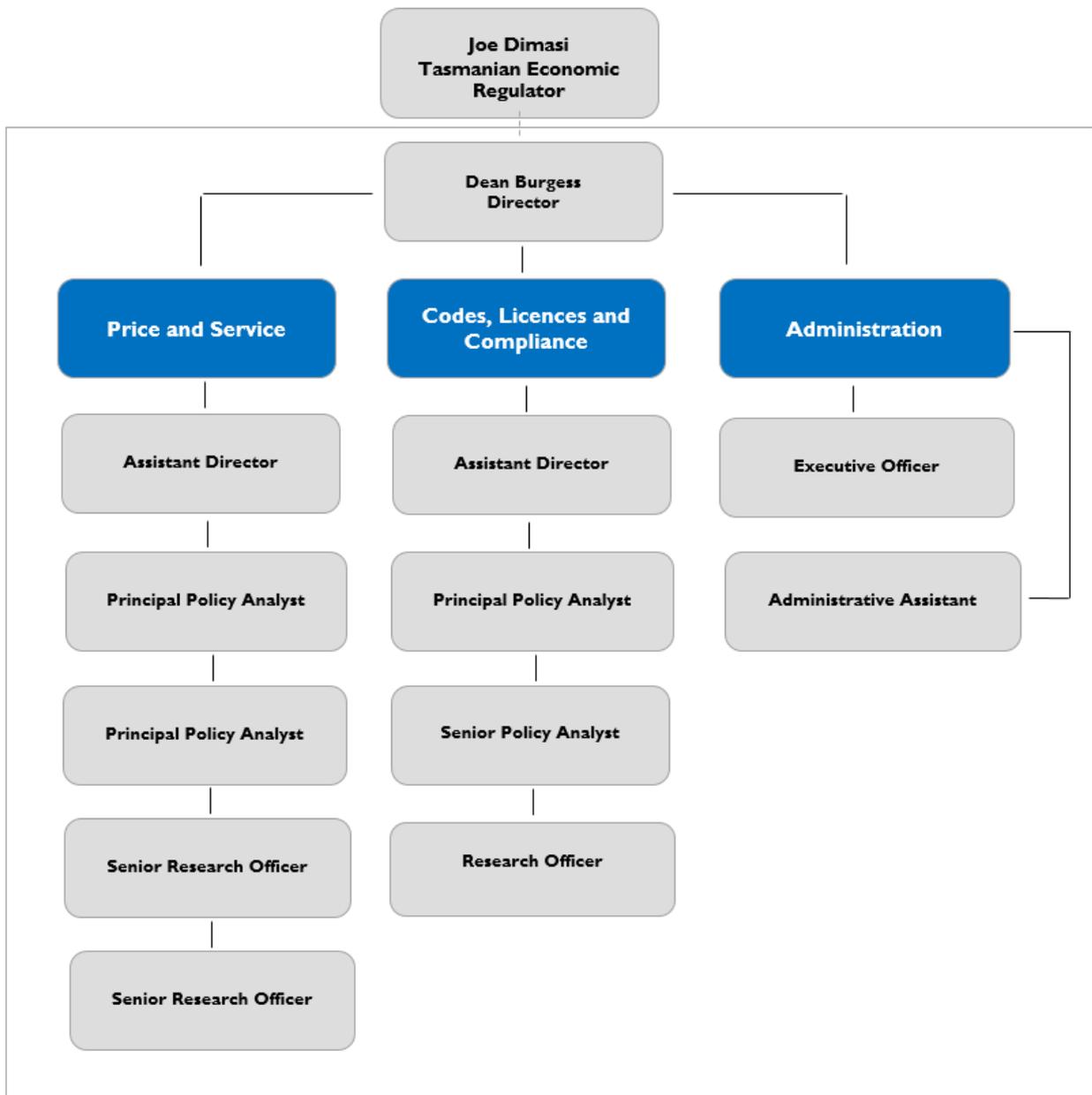
OTTER's key stakeholder is the Regulator. OTTER also has very important relationships with the following stakeholders, upon whom our ability to meet our objectives relies:

- ❑ consumers of the services we investigate or regulate;
- ❑ relevant ministers and State Government departments across the areas of treasury, transport, energy, infrastructure and water;
- ❑ regulated gas, electricity and water and sewerage entities;
- ❑ Government Business Enterprises, agencies and local government businesses that are monopoly providers of goods and services;
- ❑ Australian and state and territory regulatory bodies; and
- ❑ representatives of industry and consumer bodies including the OCCC.

Organisation Structure and Values

OTTER staff are employed by Treasury, which is a values-based organisation. OTTER staff base their decisions and behaviour on the following values:

- ❑ **Integrity** ... as it builds confidence, trust and self-respect, and is the foundation of open and honest communication;
- ❑ **Excellence** ... as it challenges us to give our best and brings us recognition;
- ❑ **Respect** ... as it recognises the value of each of us and the contribution we all make;
- ❑ **Passion** ... as it inspires us to achieve great things; and
- ❑ **Camaraderie** ... as it creates a fun and supportive place to be.



The Planning Process

OTTER developed this Operating Plan with Treasury planning tools to ensure its activities are focused on supporting the Regulator to achieve its objectives. OTTER's planning cycle, illustrated below, provides the framework for developing integrated and focused strategies, objectives and work practices for OTTER staff.

