

Office of the Tasmanian Economic Regulator

2021-22 Operating Plan

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Office of the Tasmanian Economic Regulator

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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 support the Tasmania Economic Regulator (Regulator) in the exercise of its statutory powers and performance of its statutory functions. These are set out in the following Acts (together with associated regulations and other instruments: the *Economic Regulator Act 2009*; the *Electricity Supply Industry Act 1995* (ESI Act); the *Gas Industry Act 2019*; the *Water and Sewerage Industry Act 2008* (W&SI Act); the *Energy Coordination and Planning Act 1995* (ECP Act) and, most recently, the *Taxi and Hire Vehicle Industries Act 2008* (Taxi Act).

OTTER has a large number of standard tasks, including preparing various reports and assisting the Regulator in making approvals. The schedule in Table 1 below sets out the decisions the Regulator expects to make and the reports it expects to release during 2021-22.

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 2021-22, 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.

For an organisation of its size, OTTER's output is considerable and covers a broad range of areas. It reflects the commitment and engagement of OTTER staff, and also the excellent administrative support from the Department of Treasury and Finance. During 2021-22, OTTER will strive to continue to deliver the level of support and service that the Regulator and stakeholders expect.

Chris Lock
DIRECTOR

Table 1 Regulator's decisions and reports scheduled to be published in 2021-22

Items	Scheduled publication date
Regulator's Final Report on its investigation of the MAIB's premiums 2021-25	July 2021
Owner-Operator Taxi Licence Reserve Price Investigation - Issues Paper	July 2021
Electricity standing offer price comparison report	August 2021
Regulator's Approach Paper for the electricity standing offer price investigation -	August 2021
Owner-Operator Taxi Licence Reserve Price Investigation - Draft Report and Draft Determination	September 2021
Taxi fare methodology inquiry - Draft Report	October 2021
Regulator's approval of MAIB's maximum premiums from 1 December 2021	October 2021
Regulator's Annual Report 2020-21	October 2021
Owner-Operator Taxi Licence Reserve Price Investigation - Final Report and Determination	November 2021
Regulator's energy security review Annual Report (1 November 2020-31 October 2021)	November 2021
Energy in Tasmania Report 2020-21	December 2021
Water and Sewerage Price Determination Investigation - Draft Report and Draft Determination	December 2021
Aurora Energy standing offer price investigation - Draft Report and Draft Determination	January 2022
Regulated teed-in tariff rate - Draft Report and Draft Price Determination	January 2022
Taxi fare methodology inquiry - Final Report	February 2022
Wholesale Contract Regulatory Instrument pricing investigation - Draft Report	March 2022
Aurora Energy standing offer price investigation - Final Report and Determination	April 2022
Regulated feed-in tariff rate - Final Report and Final Price Determination	April 2022
Water and Sewerage Price Determination Investigation - Final Report and Determination	April 2022
State of the Water and Sewerage Industry Report 2020-21	April 2022
Regulator's approval of TasWater's Price and Service Plan to apply from 1 July 2022	June 2022
Regulator's determination of regulated feed-in tariff rates to apply from 1 July 2022	June 2022
Regulator's approval of Aurora Energy's standing offer prices for 2022-23	June 2022

Our roles and responsibilities

OTTER supports the Regulator fulfil its statutory functions under various pieces of legislation and in relation to a range of industries as set out below.

Regulator's functions under the Economic Regulator Act

The Regulator's functions and powers under this 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; and
- ❑ conducting investigations into complaints against State and local government businesses in connection with alleged breaches of the national competition policy competitive neutrality principles.

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 reforms.

The Regulator has several 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 Islands electricity prices;
- ❑ determining the regulated electricity feed-in tariff rate; and
- ❑ regulating certain financial risk contracts offered by Hydro Tasmania.

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.

The Regulator also performs the role of Energy Security Monitor and Assessor under the ECP Act, which includes issuing monthly information reports and an annual energy security review.

Regulation of the gas supply industry

The Regulator's functions as regulator of the gas supply industry in Tasmania are defined in the Gas Industry Act. These functions exclude price regulation and safety-related matters, 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 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 gas supply industry in Tasmania;
- ❑ promoting efficiency and competition in the gas supply industry;
- ❑ monitoring the performance of the gas supply industry; and
- ❑ protecting the interests of gas customers.

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 (currently only TasWater);
- ❑ establishing and administering minimum customer service standards through development of the Tasmanian Water and Sewerage Customer Service Code (Customer Service Code);
- ❑ monitoring and enforcing water and sewerage entities' compliance with licence conditions; and
- ❑ monitoring the performance of the industry.

2021-22 Strategic Challenges

The workload of OTTER is especially high in 2021-22 due to the timing of some major investigations. Additional staff have been recruited to manage this workload.

Key issues and challenges that OTTER faces during 2021-22 include:

- ❑ ensuring that new staff are integrated into the teams at OTTER and are effective in contributing to the investigations, inquiries and major reports required for 2021-22;
- ❑ ensuring that OTTER can manage peaks in workload effectively, including sufficient opportunity for consultation and preparing high quality papers and advice to the Tasmanian Economic Regulator;
- ❑ ensuring Codes and other instruments issued by the Regulator remain fit for purpose and reflect any legislative changes arising from the Government's reforms to the Tasmanian electricity and gas industries;
- ❑ monitoring national regulatory developments and more actively engaging with national and jurisdictional regulators across the energy and water and sewerage sectors; and
- ❑ promoting greater customer and stakeholder engagement in regulatory matters.

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 recovering 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 energy security review; and
- ❑ responding to right to information requests.

Our Stakeholders

OTTER is responsible to the Tasmanian Economic Regulator. OTTER has very important relationships with the following stakeholders:

- ❑ consumers of the services provided by the regulated entities that we investigate or regulate and consumer bodies, including the OCCC;
- ❑ regulated gas, electricity and water and sewerage entities, other businesses in the electricity supply industry and taxi licence owners and operators;
- ❑ State Government businesses and local government businesses that are monopoly providers of goods and services;
- ❑ State Government departments responsible for energy and water policy, transport and infrastructure;
- ❑ Australian and state and territory regulatory bodies; and
- ❑ representatives of industry participants in the industries affected by our investigations and regulation.

Organisational Structure and Values

OTTER staff are employed by the Department of Treasury and Finance, 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.

OTTER's organisational structure for 2021-22 is shown below.



