

TASMANIAN ECONOMIC REGULATOR
ANNUAL REPORT
2021-22

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The Hon Michael Ferguson MP
Deputy Premier
Treasurer
House of Assembly
Parliament House
HOBART TAS 7000

Dear Treasurer

I am pleased to present you with the Tasmanian Economic Regulator's 2021-22 Annual Report, prepared in accordance with section 22 of the *Economic Regulator Act 2009*.

In doing so, I would like to thank the staff of the Office of the Tasmanian Economic Regulator for their assistance and support throughout the year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Joe Dimasi', with a stylized flourish at the end.

Joe Dimasi
Tasmanian Economic Regulator

12 October 2022

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REGULATOR'S FOREWORD

During 2021-22, the Regulator conducted a number of pricing investigations, investigated a competitive neutrality complaint and prepared and released performance reports in relation to the electricity and water and sewerage industries.

In particular, the Regulator conducted pricing investigations and made determinations in relation to:

- the maximum prices for regulated water and sewerage services provided by TasWater for the period from 1 July 2022 to 30 June 2026;
- Aurora Energy's retail electricity (standing offer) prices for the supply of electricity to small electricity customers on standard retail contracts on mainland Tasmania for the period from 1 July 2022 to 30 June 2025;
- the minimum regulated feed-in tariff rates for the period from 1 July 2022 to 30 June 2025; and
- reserve prices for new owner-operator taxi licences for the period from 1 December 2021 to 31 December 2025.

The Regulator also completed its investigation and made recommendations relating to the maximum premiums charged by the Motor Accidents Insurance Board for the four-year period commencing on 1 December 2021.

As Monitor and Assessor for Energy Security, the Regulator monitored and reported on Hydro Tasmania's energy in storage levels and issued its annual energy security report.

The Regulator also conducted an inquiry into the setting of maximum taxi fares and provided recommendations to the Transport Commission on a methodology for setting taxi fares in Tasmania.

Pages 8 to 10 of this Report provide a summary of the activities undertaken during 2021-22.

Once again, I would like to thank the OTTER staff for their work in a particularly busy year to achieve the 2021-22 outcomes. Their commitment, expertise, and professionalism are critical to the Regulator being able to effectively meet its statutory obligations to support the Tasmanian community.

Joe Dimasi
TASMANIAN ECONOMIC REGULATOR

SUMMARY OF ACTIVITIES CARRIED OUT DURING 2021-22

Activity	Output	Description
Economic Regulation		
Competitive neutrality investigation	Report to Ministers, complainant and relevant government body.	An investigation into a complaint alleging the Latrobe Council breached competitive neutrality principles in relation to providing seasonal worker accommodation at Camp Banksia. The Regulator determined the complaint was not justified.
	Report to Minister.	A report on the actions and intended actions by Clarence City Council to comply with the competitive neutrality principles in relation to certain services provided at the Clarence Aquatic Centre.
Monopoly provider investigation	Final Report and recommendations to Ministers and the MAIB.	An investigation into the Motor Accidents Insurance Board's (MAIB) pricing policies which contained recommendations on maximum premiums for the four years from 1 December 2021.
Price approvals	Approval of MAIB premiums.	Approval of MAIB premiums to apply for the 12 month period commencing on 1 December 2021.
Taxi fare methodology inquiry	Final Report to the Minister for Finance, the Minister for Infrastructure and Transport and the Transport Commission.	An inquiry to recommend to the Transport Commission an appropriate methodology for setting and adjusting of taxi fares in Tasmania.
Owner-operator taxi licence reserve price investigation	Report and reserve price determination.	An investigation to determine reserve prices for new owner-operator taxi licences for each year from December 2021 to December 2025 and for each of Tasmania's 24 taxi areas.
Regulatory reporting	Issued version 5 of the Regulatory Reporting Guideline.	An amended Guideline designed to reduce the costs incurred by licensed entities in their performance reporting to the Regulator.
Electricity Regulation		
Monitor and Assessor for Energy Security	Annual Energy Security Review (November 2020 - October 2021) and monthly energy security dashboards.	Monthly Public reporting of the energy security situation in Tasmania.

Price determinations and approvals	Final report on the methodology to be used for the 2022 retail electricity standing offer price determination.	A review of the methodology the Regulator applied in determining Aurora's Retail electricity standing offer prices for the next regulatory period.
	Standing offer price investigation reports, price approval guideline and determination.	An investigation into Aurora Energy's standing offer electricity prices and subsequent determination for the period from 1 July 2022 to 30 June 2025.
	Standing offer price approval.	Approval of Aurora Energy's standing offer prices for the period from 1 July 2022 to 30 June 2023 in accordance with the standing offer determination, price approval guideline and Aurora Energy's standing offer tariff strategy.
	Feed-in tariff rate reports and determination	An investigation into minimum feed-in tariff rates in mainland Tasmania and subsequent determination for the period from 1 July 2022 to 30 June 2025.
Price monitoring	Report on Australian electricity and gas prices	Reports comparing Aurora Energy's regulated standing offer electricity prices and Aurora Energy's and Tas Gas Retail's gas prices with the prices for similar products available in the other Australian states and territories.
Performance monitoring	Report on the Tasmania's energy supply industry 2020-21.	Report on the structure and performance of the energy supply industry in Tasmania.
Guidelines	Issued version 3 of the Electricity Supply Industry Performance and Information Reporting Guideline.	Consolidated amendments approved by the Regulator from its Distribution Network Reliability Reporting review in December 2020 and its review into TasNetworks' reporting requirements.
Wholesale contract regulatory instrument	Updated the Wholesale Contract Regulatory Instrument	Determined updated values for Schedule 1 of the Instrument.
Licensing	Issued and amended electricity licences.	The Regulator issued one transmission licence (Marinus Link Pty Ltd), amended one generation licence (LMS Energy Pty Ltd), and renewed three licences for a further ten years (Simplot Australia Pty Ltd, Woolnorth Bluff Point Wind Farm Pty Ltd and Basslink Pty Ltd).
Gas Regulation		
Licensing	Surrender of gas retail licence.	The Regulator accepted the surrender of Weston Energy Pty Ltd's retail gas licence to take effect on 30 June 2022.
Codes	Revised Gas Customer Transfer and Reconciliation Code.	The Regulator revised the Transfer Code to allow customers to nominate a retrospective date to transfer from one gas retailer to another gas retailer.

Water and Sewerage Regulation

Price determination	Reports and price determination for regulated water and sewerage services.	An investigation into TasWater's regulated water and sewerage services and subsequent price determination for the fourth regulatory period from 1 July 2022 to 30 June 2026.
Price approvals	Approval of TasWater's Price and Service Plan.	Approved TasWater's Price and Service Plan for the fourth regulatory period consistent with the price determination.
Codes and guidelines	Issued version 8 of the Customer Service Code.	An amended Schedule 1 of the Code to reflect new minimum service levels and targets for the fourth regulatory period.
	Issued version 1.6 of the Tasmanian Water and Sewerage Industry Performance and Information Reporting Guideline.	An amended Guideline to align with new minimum service standards in the Customer Service Code together with other minor administrative changes.
Performance monitoring	Report on the State of the Tasmanian Water and Sewerage Industry 2020-21.	An overview of the performance of the water and sewerage industry in Tasmania including identifying key priorities for improved performance of the industry.

PUBLICATIONS

The Regulator published the following documents during 2021-22:

July 2021

- *Investigation into the Motor Accidents Insurance Board's (MAIB) Pricing Policies: 1 December 2021 to 30 November 2025 - Final Report.*
- *Investigation into the Reserve Prices of Owner-Operator Taxi Licences: 1 December 2021 to 31 December 2025 - Issues Paper.*

September 2021

- *Comparison of Electricity and Gas Prices Available to Small Customers in Australia, September 2021.*
- *Retail Electricity - Standing Offer Price Methodology Review - Approach Paper, September 2021.*

October 2021

- *Tasmanian Economic Regulator Annual Report 2020-21.*
- *Investigation into the Reserve Prices of Owner-Operator Taxi Licences in Tasmania: 1 December 2021 to 31 December 2025: Draft Report and Price Determination.*

November 2021

- *Tasmanian Gas Customer Transfer and Reconciliation Code (Version 8).*
- *Taxi Fare Methodology Inquiry - Consultation Paper.*
- *Investigation into the Reserve Prices of Owner-Operator Taxi Licences in Tasmania: 1 December 2021 to 3 December 2025 - Final Report and Determination.*
- *Draft Revised Regulatory Reporting Guideline Consultation Paper.*

December 2021

- *Energy in Tasmania Annual Security Review 2020-21 Water Year*

January 2022

- *Regulated Electricity Feed-in Tariff Rate to apply from 1 July 2022 - Pricing Investigation Draft Report.*
- *Regulated Feed-in Tariff Rate Determination - Draft for consultation.*
- *Regulatory Reporting Guideline (Version 5).*

February 2022

- *2022 Standing Offer Electricity Price Investigation: Draft Report.*
- *Aurora Energy Pty Ltd 2022 Standing Offer Price Determination (Draft).*
- *Standing Offer Price Approval Process in accordance with the 2022 Electricity Standing Offer Price Determination - Draft for consultation.*
- *2022 Investigation into TasWater's Prices and Services for the Period 1 July 2022 to 30 June 2026: Draft Report.*
- *Taxi Fare Methodology Inquiry - Final Report.*

March 2022

- *Energy in Tasmania Report 2020-21.*

April 2022

- *Regulated Electricity Feed-in Tariff Rate to apply from 1 July 2022 - Final Report.*
- *Regulated Feed-In Tariff Rate Determination for the period from 1 July 2022 to 30 June 2025.*
- *2022 Standing Offer Electricity Price Investigation - Final Report.*
- *Aurora Energy Pty Ltd 2022 Standing Offer Price Determination.*
- *Standing Offer Price Approval Process in accordance with the 2022 Electricity Standing Offer Price Determination.*

May 2022

- *Investigation into TasWater's Prices and Services for the period from 1 July 2022 to 30 June 2026 - Final Report.*
- *Tasmanian Water and Sewerage Corporation Pty Ltd (ACN 162 220 653) Water and Sewerage Services Price Determination, 1 July 2022 - 30 June 2026.*

June 2022

- *Report on the State of the Tasmanian Water and Sewerage Industry 2020-21.*
- *Tasmanian Water and Sewerage Industry Customer Service Code (version 8).*
- *Tasmanian Water and Sewerage Industry Performance and Information Reporting Guideline (Version 1.6)*

The Regulator also published:

- Tasmanian Market Watch bulletins (weekly)
- Tasmanian Energy Security Dashboards (monthly)

I INTRODUCTION

Section 22 of the *Economic Regulator Act 2009* requires the Tasmanian Economic Regulator to prepare an annual report. The annual report is to include:

- a report on the performance and exercise of the Regulator’s functions and powers;
- the particulars of any contraventions of national competition policy competitive neutrality principles;
- any information required by the Minister responsible for the Economic Regulator Act; and
- any other information the Regulator considers appropriate.

The annual report is also to include the Regulator’s audited financial statements.

Many of the Regulator’s statutory functions and powers are prescribed in the Economic Regulator Act. The Minister responsible for the Act during 2021-22 was the Hon Michael Ferguson MP as Minister for Finance, until 7 April 2022 and as Treasurer from 8 April 2022 until 30 June 2022.

In addition to statutory functions and powers in the Economic Regulator Act, the Regulator has additional functions and powers in the *Electricity Supply Industry Act 1995* (ESI Act), *Gas Industry Act 2019* (Gas Industry Act), the *Water and Sewerage Industry Act 2008* (W&SI Act), the *Energy Co-ordination and Planning Act 1995* and the *Taxi and Hire Vehicle Industries Act 2008*.

The Regulator also monitors and enforces regulated entities’ compliance with their regulatory obligations in the electricity supply, gas supply and water and sewerage industries.

2 REGULATION UNDER THE ECONOMIC REGULATOR ACT 2009

The Regulator's functions and powers under the *Economic Regulator Act 2009* include:

- investigating the pricing policies of certain Government-owned and Local Government-owned bodies that are monopoly or near monopoly providers of services in Tasmania and recommending maximum prices chargeable by these bodies for the relevant services (currently only the Motor Accidents Insurance Board);
- conducting inquiries relating to or affecting the pricing policies of Government-owned and Local Government-owned bodies, as directed by the Minister;
- conducting investigations into complaints against State and local government businesses for alleged breaches of the National Competition Policy competitive neutrality principles; and
- conducting taxi fare methodology inquiries as directed by the Minister.

2.1 Competitive neutrality complaints

The *Competition Principles Agreement* signed by the Australian Government and all Australian states and territories in April 1995 requires jurisdictions to establish a regulatory framework that ensures that publicly owned businesses do not enjoy any net competitive advantage simply because of their public ownership, unless demonstrated that this is in the public interest.

As a general principle, the prices of services provided by State and local government businesses that are in actual or potential competition with private sector or community-owned businesses should reflect the same costs, including a return to capital on their assets that non-public businesses in the same industry would expect to face.

The Regulator may conduct complaint investigations when a person believes there has been a breach of the competitive neutrality principles by a government business, to the detriment of the person's (the complainant) business.

The Regulator's *Competitive Neutrality Complaints Mechanism Guideline* sets out the Regulator's process for investigating complaints about alleged breaches of, or non-compliance with, competitive neutrality principles.

The Regulator received one competitive neutrality complaint during 2021-22 and monitored the implementation of recommendations from two complaints the Regulator investigated during 2020-21.

2.1.1 Latrobe Council - Camp Banksia

During 2021-22, the Regulator completed the investigation of a competitive neutrality complaint against the Latrobe Council in regard to the pricing of seasonal worker accommodation by its business activity Camp Banksia.

Following an investigation, the Regulator determined that the complaint against the Latrobe Council was not justified. The Regulator's findings and reasons for its determination were set out in an investigation report provided to the Minister for Finance, Minister for Local Government, the Latrobe Council and the complainant.

2.1.2 Clarence City Council - Clarence Aquatic Centre

Following an investigation by the Regulator in 2020-21 that found prices for certain services at the Clarence Aquatic Centre were not compliant with competitive neutrality principles, the Clarence City Council has reviewed its pricing policies and advised the Regulator that it intends to change the manner in which it applies competitive neutrality principles to pricing of those services.

In accordance with the legislation, the Regulator reported the Clarence City Council's response and intended actions to the Minister for Finance.

2.1.3 Hobart City Council (City of Hobart) - Doone Kennedy Hobart Aquatic Centre

Following an investigation by the Regulator in 2020-21 that found prices for certain services at the Doone Kennedy Hobart Aquatic Centre were not compliant with competitive neutrality principles, the Hobart City Council conducted a full cost attribution review. The review found some services require further work to determine whether or not it is appropriate to apply the competitive neutrality principles. Following the completion of this work, the Council advised the Regulator that it intends to change the manner in which it applies competitive neutrality principles to pricing of those services and has committed to applying compliant prices to all services at the aquatic centre by July 2023.

In accordance with the legislation, the Regulator reported the Hobart City Council's response and intended actions to the Treasurer.

2.2 MAIB premiums

2.2.1 2021 MAIB Pricing Investigation

On 9 December 2020, the Minister for Finance directed the Regulator to investigate the Motor Accidents Insurance Board's (MAIB) pricing policies that are to apply for the four year period commencing 1 December 2021. The Regulator received MAIB's submission on 22 February 2021 and invited submissions by 12 March 2021 on matters raised in the MAIB's submission and on the Terms of Reference. The Regulator received one submission from Car Next Door.

The Regulator released its draft investigation report in June 2021 and sought input from stakeholders and the MAIB on its draft findings and intended recommendations. Three submissions were received, including a further submission from the MAIB.

For this investigation, the Regulator engaged the actuary consulting firm Ernst & Young (EY) to review the MAIB's financial targets (such as solvency and risk margins), the MAIB's insurance profit margin, superimposed inflation and MAIB's investment return assumptions. EY also provided other advice to the Regulator on the MAIB's operation of the scheme.

The final investigation report was released in July 2021 and set out the Regulator's responses to the submissions, and made recommendations on the maximum premiums to be charged by the MAIB from 1 December 2021 to 30 November 2025. The report included the Regulator's findings about the MAIB's estimates of costs that make up the notional break-even premium, including the MAIB's forecast investment returns, as well as the MAIB's profit margin and solvency framework.

After receiving the final report, the Minister for Infrastructure and Transport made a Premiums Order (the [Economic Regulator \(MAIB Premiums\) Order 2021](#)) specifying MAIB's maximum premiums over the four year period commencing on 1 December 2021.

2.2.2 Approval of annual premiums

The premiums paid by vehicle owners are approved by the Regulator for each premium year once the Regulator is satisfied that the MAIB's proposed premiums comply with the Premiums Order.

On 9 November 2021, the MAIB submitted, for the Regulator's approval, its proposed premiums from 1 December 2021 to 30 November 2022. The Regulator reviewed the proposed premiums and approved the proposed premiums on 11 November 2021.

3 ELECTRICITY REGULATION

The Regulator's functions under electricity legislation reflect the fact that some electricity entities in Tasmania have significant market power and that most customers require protection through regulation of both price and conditions of supply.

The Regulator's objectives in the ESI Act include:

- protecting the interests of electricity consumers;
- promoting competition and efficiency in Tasmania's electricity supply industry; and
- establishing a safe system and enforcing proper standards of safety, reliability and quality in the industry.

Tasmania's participation in the National Electricity Market (NEM) and national and state-based energy reforms have, over time, resulted in changes to the Regulator's statutory powers and functions in relation to the electricity sector.

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;
- monitoring and enforcing compliance with licence conditions;
- monitoring relevant entities' performance;
- approving Aurora Energy's standing offer retail electricity prices and Hydro Tasmania's retail electricity prices on the Bass Strait islands (BSI);
- determining the regulated electricity feed-in tariff rate; and
- regulating certain financial risk contracts offered by Hydro Tasmania.

3.1 Tasmanian Electricity Code

The TEC regulates jurisdictional matters in the electricity supply industry not covered by the national laws. These include licensing-related matters, supply and retailing of electricity on the BSI (which are not part of the NEM), distribution system operations, distribution power-line vegetation management and TEC administrative procedures. There were no amendments to the TEC during 2021-22.

3.2 Electricity licensing

The ESI Act provides for the Regulator to issue licences for generation, transmission and distribution on mainland Tasmania, and for generation, distribution and retail operations on the BSI. Under the National Energy Customer Framework, the AER is responsible for the authorisation of electricity retailers on mainland Tasmania.

During 2021-22, the Regulator approved one electricity licence, the renewal of three licences and the amendment of one licence. There were no licences transferred or surrendered during the period.

3.2.1 Electricity licences

As at 30 June 2022, the entities below held electricity licences.

Entity	Licence Type
AETV Pty Ltd	Generation
Basslink Pty Ltd	Transmission (Relating to Basslink's assets in Tasmania)
Granville Harbour Operations Pty Ltd	Generation
G7 Generation Pty Ltd	Generation
Hydro-Electric Corporation (Hydro Tasmania)	Generation Hydro Tasmania also held retail, distribution and generation licences for King Island and Flinders Island
LMS Energy Pty Ltd	Generation
Marinus Link Pty Ltd	Transmission (Relating to the components of the proposed interconnector between Tasmania and Victoria in the Tasmanian jurisdiction)
Musselroe Wind Farm Pty Ltd	Generation
Simplot Australia Pty Ltd	Generation
Tasmanian Irrigation Pty Ltd	Generation
Tasmanian Networks Pty Ltd	Transmission and distribution
UPC Robbins Island Pty Ltd	Generation
Wild Cattle Hill Pty Ltd	Generation
Woolnorth Bluff Point Wind Farm Pty Ltd	Generation
Woolnorth Studland Bay Wind Farm Pty Ltd	Generation

3.2.1.1 New licences issued

The Regulator received an application from Marinus Link Pty Ltd for an electricity transmission licence to operate those parts of a High Voltage Direct Current electricity interconnector between Tasmania and Victoria that are to be located within the Tasmanian jurisdiction. The Regulator approved the application and issued a licence, for a period of ten years, effective from 3 September 2021.

3.2.1.2 Licence amendments

On 29 November 2021, the Regulator amended the electricity generation licence held by LMS Energy Pty Ltd to include new generation sites at McRobies Road, South Hobart, and Jackson Street, Glenorchy.

3.2.1.3 Licence renewals

The Regulator renewed three electricity licences during the period:

- an electricity generation licence held by Simplot Australia Pty Ltd for a further 10 years, effective from 1 July 2022;
- an electricity generation licence held by Woolnorth Bluff Point Wind Farm Pty Ltd for a further 10 years, effective from 27 May 2022; and
- an electricity transmission licence held by Basslink Pty Ltd for a further 10 years, effective from 1 August 2022.

3.2.2 Regulatory reporting

The Regulator requires licenced entities to maintain management and compliance plans. To ensure licensees meet their regulatory obligations, the Regulator may require a licensee to appoint an independent reporter to review a licensee's management and compliance plans. The reporter prepares a report on the risks of non-compliance by examining processes, policies and procedures and by reviewing management plans, compliance plans, and performance outcomes.

The Regulator is not required to approve these reports. Rather, the Regulator considers the reports, raises any particular areas of concern, notes the commitments of the licensee to address any issues identified or recommendations made in the reports, and then monitors the implementation of any recommended changes.

There were no independent reviews of electricity licensee's management and compliance plans completed during 2021-22. A joint review of the emergency management plans of Aurora Energy (Tamar Valley) Pty Ltd, Hydro Tasmania and TasNetworks commenced during the period and is scheduled for completion during 2022-23.

3.2.2.1 Audit of Hydro Tasmania's Enhancement Compliance Plan

Section 37(7) of the ESI Act requires Hydro Tasmania to have its compliance with its Enhancement Compliance Plan audited each year by a person approved by the Regulator.

The Auditor-General audited Hydro Tasmania's compliance with its Enhancements Compliance Plan for 2020-21 in September 2021 and found that Hydro Tasmania had complied with the Plan in all material respects. However, Hydro Tasmania did not seek the Regulator's approval of the Auditor-General to conduct that audit as required by the ESI Act.

Hydro Tasmania investigated the incident and concluded that a breach of the ESI Act occurred. In response, Hydro Tasmania has updated its work processes to ensure that the breach does not reoccur.

3.3 Performance monitoring

To meet its objectives under the ESI Act, the Regulator monitors activity in the electricity supply industry. In accordance with clause 12.8.2 of the TEC, all entities licensed under the ESI Act are required to report to the Regulator by 31 October each year on their performance over the previous financial year.

Authorised retailers are required, under the *Retail Law Performance Reporting Procedures and Guidelines*, to submit quarterly performance reports to the AER. The Regulator also requires authorised retailers to provide it with copies of these reports under section 15 of the ESI Act.

The Regulator's *Electricity Supply Industry Performance and Information Reporting Guideline* includes annual performance reporting requirements. From information gathered through monitoring activities, the Regulator prepares a range of reports as detailed below. These reports are available on the Regulator's website.

3.3.1 Tasmanian Market Watch

The Regulator publishes a weekly electricity market bulletin, titled 'Tasmanian Market Watch' (Market Watch). Market Watch provides information on the operation of the NEM in Tasmania including a summary of spot prices, demand, water storages, generation and rainfall. Market Watch also includes a comparison of wholesale spot prices in other NEM jurisdictions and information on Hydro Tasmania's weekly regulated wholesale electricity contract prices, as required under section 43L of the ESI Act.

3.3.2 Energy in Tasmania Report 2020-21

The Regulator may prepare a report on the state of Tasmania's electricity supply industry under Section 10A of the ESI Act. The Regulator issues these reports annually to ensure that the entities are publicly accountable for their performance and for the standard of services they provide. These reports use information from electricity and gas entities' performance reports.

In March 2022, the Regulator published its *Energy in Tasmania Report 2020-21*, summarising the performance of the various participants in Tasmania's electricity supply and gas supply industries during 2020-21.

3.3.3 Comparison of electricity prices and gas prices

Under Section 10C of the ESI Act, the Regulator may prepare reports that compare electricity prices available to residential and small business customers across Australia. The Regulator's reports also include gas prices. The Regulator's reports compare annual estimated expenditure by residential and small business customers¹ for electricity and gas.

Since 2011, the Regulator had been publishing two price comparison reports each year. The biannual publication frequency was intended to align with the two different times of the year jurisdictions updated their standing offer electricity prices.

By 2020-21, Victoria was the only jurisdiction to update its standing offer electricity prices more than once a year. The Regulator therefore considered biannual publication of the price comparison was no longer necessary and, in March 2021, the Regulator changed the price comparison report from a biannual publication to an annual publication.

The Regulator published its annual price comparison report in September 2021.

3.3.4 Annual energy security review and monthly dashboards

As the Monitor and Assessor for Energy Security, the Regulator published its *Energy in Tasmania Annual Security Review 2020-21* in December 2021. The Review reported on energy storage levels in Tasmania and provided a broader assessment of energy security in Tasmania for the water year from 1 November 2020 to 31 October 2021 and whether there were any emerging energy security issues.

¹ These comparison reports relate to small customers (residential and business) consuming less than 150MWh of electricity per annum.

Since November 2017, the Regulator has also published monthly bulletins, referred to as dashboards, that provide energy security status updates. These reports are available on the Regulator's website.

3.3.5 Incident reporting

Incidents that occur in Tasmania's electricity supply industry may affect the level of reliability, security and quality of electricity supplied to customers, and can help to identify vulnerable points in the electricity supply chain. Significant incidents or recurring smaller incidents may indicate, among other things, poor maintenance procedures, inadequate services and facilities, or inadequate processes and procedures.

The Regulator's *Incident Reporting Guideline for the Tasmanian Electricity Supply Industry, July 2019* requires electricity entities to investigate incidents that exceed prescribed thresholds and provide an incident report to the Regulator.

In August 2021, TasNetworks disclosed that it had failed to notify the Regulator of incidents that affected its distribution network since 1 July 2019, as required by the Incident Reporting Guideline. This failure occurred because the functionality to flag incidents that exceed the notification threshold was not built into its systems as planned.

TasNetworks subsequently provided details of 43 incidents that exceeded the notification threshold between July 2019 and September 2021. TasNetworks has continued to report incidents to the Regulator as required by the Guideline since September 2021.

None of the incidents reported to the Regulator during 2021-22 were serious enough for the Regulator to require the relevant licensee to investigate and prepare a full report.

3.4 Wholesale pricing contract regulation

As Hydro Tasmania is the dominant Tasmanian generator, there is potential for it to misuse its market power in relation to the financial risk contracts it offers to retailers in the Tasmanian electricity market. The ESI Act establishes a wholesale contract regulatory framework to mitigate this risk and support increased competition in Tasmania's retail electricity market.

Since January 2014, as specified in Part 3 of the ESI Act, the Regulator has administered the electricity wholesale contracting regulatory framework. This involves regulating certain financial risk contracts offered by Hydro Tasmania for the Tasmanian electricity market through a number of approvals made by the Regulator and contained in the *Wholesale Contract Regulatory Instrument* (Instrument). The Regulator monitors Hydro Tasmania's regulated wholesale contract pricing activities on a weekly basis.

3.4.1 Updating Schedule 1 of the Wholesale Contract Regulatory Instrument

The Regulator sets the Instrument's Schedule 1 values, which Hydro Tasmania uses to calculate regulated contract prices and volumes. During the 2016 Wholesale Contract Regulatory Instrument pricing investigation, the Regulator decided to review Schedule 1 values.

Following public consultation in 2017-18, the Regulator released its *Approach to updating the inputs in Schedule 1 of the Wholesale Contract Regulatory Instrument* and decided to review the Schedule 1 values on an annual basis. On 20 December 2021, the Regulator released updated values for Schedule 1 of the Instrument applicable from 21 December 2021.

3.5 Retail electricity price regulation

Under the ESI Act, the Regulator is required to approve Aurora Energy's standing offer retail electricity prices. During 2021-22, the Regulator released a number of papers and reports to assist with this task.

3.5.1 Standing Offer Price Methodology Review

In September 2021, the Regulator released its Standing Offer Price Methodology Review Paper. The Paper set out the Regulator's proposed methodology to determine the maximum standing offer prices Aurora Energy, as the regulated offer retailer, can charge small customers on mainland Tasmania on standard retail contracts between 1 July 2022 and 30 June 2025.

3.5.2 2022 Electricity Price Investigation Final Report and Determination

The Regulator conducted an investigation during 2021-22 to determine a method for calculating the maximum notional revenue Aurora Energy could recover from small customers consistent with the methodology set out in its Standing Offer Price Methodology Review Paper.

In February 2022, the Regulator released its draft investigation report and draft determination and invited interested parties to make submissions on the draft report and draft determination as part of a public consultation process.

After considering issues raised during consultation, the Regulator released its Final Report and Determination on 29 April 2022. The Final Report and Determination set out the Regulator's decisions on how maximum electricity prices are to be set for residential customers and small business customers on mainland Tasmania on standard retail contracts between 1 July 2022 and 30 June 2025.

3.6 Electricity price approvals

The Regulator made the following price approvals during 2021-22.

3.6.1 2022-23 Standing Offer retail prices

In accordance with the ESI Act, the annual standing offer price approval process set out in the Regulator's Price Approval Guideline² and the *Aurora Energy Pty Ltd 2022 Standing Offer Price Determination* (the Determination), Aurora Energy is required to submit its draft standing offer prices for the Regulator's approval.

The Regulator verified that Aurora Energy's proposed standing offer prices for the period from 1 July 2022 to 30 June 2023 complied with the Determination, Price Approval Guideline and the ESI Act.

On 17 June 2022, the Regulator approved an 11.88 per cent increase in standing offer prices for residential and small business customers for the period from 1 July 2022 to 30 June 2023.

3.6.2 Bass Strait Islands electricity prices

Hydro Tasmania supplies electricity on the BSI through a Community Service Obligation contract with the Tasmanian Government. The ESI Act requires Hydro Tasmania to submit, for the Regulator's approval, a draft of any proposed amendments to Hydro Tasmania's electricity prices for the BSI.

² Guideline: Standing offer price approval process in accordance with the 2022 Standing Offer Determination, April 2022.

Due to the timing of approvals, in 2021-22 the Regulator was not required to approve electricity prices for the BSI for the entire 2022-23 financial year. The Regulator did approve Hydro Tasmania's proposal prices and service fees remain at 2020-21 levels for the period from 1 July 2021 to 31 July 2021.

The Regulator subsequently approved Hydro Tasmania's electricity prices and service fees for the period from 1 August 2021 to 31 July 2022, which included decreasing electricity prices by the average of the price decrease for standing offer prices for residential and business customers on mainland Tasmania for 2021-22 (a decrease of 9.055 per cent). Electricity prices and service fees from 1 August 2022 to 31 July 2023 will be approved by the Regulator early in 2022-23.

3.7 Regulated feed-in tariff rate

Electricity retailers operating in Tasmania are required to pay, as a minimum, the regulated feed-in tariff rate to customers for electricity supplied to the distribution network by qualifying electricity generating systems (small-scale distributed generators such as solar PV, mini-hydro and wind).³ The feed-in tariff rate in Tasmania is a single-rate that does not vary across the day. Retailers can choose to offer feed-in tariff rates above the minimum regulated rate.

Under section 44G of the ESI Act, the Regulator must determine the minimum feed-in tariff rate.

3.7.1 2022 Regulated Feed-in Tariff Rate Investigation and Determination

During 2021-22 the Regulator conducted an investigation to determine a method for calculating the minimum feed-in tariff rate to apply between 1 July 2022 and 30 June 2025.

In January 2022, the Regulator released its draft investigation report and draft determination for consultation. The draft report discussed a range of costs and issues that were considered by the Regulator in its investigation and set out the Regulator's intended approach for determining the regulated feed-in tariff rate for customers in Tasmania.

The Regulator invited interested parties to make submissions on the draft report and draft determination as part of a public consultation process.

After considering issues raised during consultation, the Regulator made its 2022 price determination and released its Final Report on 21 April 2022. The Report set out the Regulator's decisions on the regulated feed-in tariff rate for small-scale distributed generation for mainland Tasmania for each of the 2022-23, 2023-24 and 2024-25 financial years. The Report explains each of the decisions made, including the Regulator's responses to stakeholder comments on the draft report.

On 17 June 2022, in accordance with the determination, the Regulator determined the regulated feed-in tariff rate for 2022-23, which was 8.883 cents per kilowatt hour, a 37 per cent increase from the minimum rate in 2021-22.

3.8 Electricity retail contestability

Since 1 July 2014, electricity retailers have been able to enter the Tasmanian market. OTTER maintains a website titled 'Power to Choose' at www.economicregulator.tas.gov.au/power, which provides customers with information about retail electricity competition in Tasmania.

³ Qualifying systems are defined under Section 44B of the ESI Act.

During 2021-22, four retailers entered the Tasmanian residential and/or small business market and acquired one or more customers:

- CovaU Energy;
- Elysian Energy;
- GlowPower; and
- Smart Energy.

The Regulator does not licence electricity retailers in Tasmania. However, these retailers have a statutory obligation to provide information to the Regulator, some of which the Regulator includes in its annual Energy in Tasmania reports.

In cases where the Regulator receives complaints about a retailer, the Regulator may refer these complaints to the Tasmanian Ombudsman.

4 GAS REGULATION

The Regulator's functions as regulator of the gas supply industry in Tasmania are set out in the *Gas Industry Act 2019*. These functions exclude price regulation, but include:

- administering the licensing system for gas licensees;
- establishing, publishing and monitoring standards and codes in respect of the gas activities carried out by gas licensees;
- reporting on the state of the gas industry; and
- granting gas infrastructure licences and gas retail licences.

The Regulator is required to act in a fair and equitable manner, taking proper account of the interests of gas consumers, except as they relate to safety which is the responsibility of the Director of Gas Safety under the Gas Safety Act.

The regulatory framework for Tasmania's gas market is established under the Gas Industry Act, Gas Safety Act and four associated codes.

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 for the transfer of customers between retailers. The Transfer Code also establishes a metering data provider scheme and the certification of an allocation agent.

4.1 Changes to the gas regulatory framework

There were no changes to gas legislation during 2021-22.

4.2 Gas Code amendments

The Regulator amended the Transfer Code to allow customers to nominate a retrospective transfer date on customer transfer notices. Previously the Transfer Code only allowed the nomination of prospective transfer dates when arranging customer transfers. The revised Transfer Code provides for prospective transfer dates, expediting the transfer process and potentially saving customers the cost of a special meter reading. The amended Transfer Code took effect on 10 November 2021.

4.3 Gas licensing

The Regulator administers the licensing system for gas entities in accordance with the Industry Act. The Industry Act allows the Regulator to grant gas infrastructure licences (for gas transmission and distribution activities) and gas retail licences. When issuing gas licences, the Regulator's considerations

do not extend to local government, planning or environmental matters. There were no licences approved, transferred or renewed during 2021-22.

Weston Energy Pty Ltd surrendered its gas retail licence, and the Regulator accepted that surrender, which took effect on 30 June 2022.

4.3.1 Licences

As at 30 June 2022, the entities listed below held a gas licence.

Entity	Licence Type	Description
Aurora Energy	Retail	To sell gas by retail in Tasmania
Globird Energy Pty Ltd	Retail	To sell gas by retail in Tasmania
Origin Energy Retail Pty Ltd	Retail Distribution Operations	For the retailing and distribution of liquid petroleum gas in an isolated network
Tas Gas Networks Pty Ltd	Distribution Construction Distribution Operations	For the operation and construction of a natural gas pipeline, off-take station and meter station in Ulverstone, which supplies the Simplot plant in that area
Tas Gas Networks Pty Ltd	Transmission Construction Transmission Operations	To construct and operate the gas distribution system in Tasmania
Tas Gas Retail Pty Ltd	Retail	To sell gas by retail in Tasmania
TGP Pty Ltd	Transmission Construction Transmission Operations	For the operation of the Tasmanian Gas Pipeline and a construction licence to upgrade the Bell Bay Meter Station and install a main line valve bypass at Port Latta

4.4 Performance monitoring and reporting

Regulated gas entities are required under the Industry Act and/or their respective licences to lodge an annual return with the Regulator. The annual returns comprise both industry data and performance information.

Performance information from the 2020-21 annual returns was included in the Regulator's *Energy in Tasmania 2020-21* report.

While Tasmanian gas prices are unregulated, the Regulator monitors Tas Gas Retail's and Aurora Energy's gas prices. The Regulator includes a retail gas price comparison for both residential and small business customers in its annual *Comparison of Electricity and Gas Prices Available to Small Customers in Australia* reports.

5 WATER AND SEWERAGE REGULATION

The Regulator's functions and powers under the *Water and Sewerage Industry Act 2008* include:

- 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 Customer Service Code;
- monitoring and enforcing water and sewerage entities' compliance with licence conditions; and
- monitoring the industry's performance.

The regulatory framework does not cover water used for irrigation or for electricity generation or private water supplies (such as private bores and tanks), small private sewage treatment plants or services relating to the provision of re-use water, recycled water or stormwater.

Several other industry regulators oversee the Tasmanian water and sewerage sector. These include the Environment Protection Authority Tasmania, the Director of Public Health and the Delegate for Dam Safety Regulation.

5.1 Tasmanian Water and Sewerage Industry Customer Service Code

The Customer Service Code sets out a customer service standards framework for the sector, and specifies minimum service standards and conditions for regulated services. As the only licensed entity, The Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater), must comply with these standards and conditions. The Customer Service Code was amended during 2021-22, as set out below.

5.1.1 Amendments to Schedule I of the Customer Service Code

Following the completion of its 2022 water and sewerage price investigation, the Regulator amended the Customer Service Code to reflect revised minimum service standards to apply for the fourth regulatory period.

The new minimum service standards provide for:

- improved service levels for water main breaks;
- improved service levels for unplanned water supply interruptions;
- a new minimum standard for planned water supply interruptions based on the time nominated to affected customers;
- improved service levels for unaccounted for water;
- a new service standard for real (water) losses;
- improved service levels for sewerage mains breaks and chokes;
- improved service levels for the containment of sewage spills;
- a new service standard for critically notifiable sewage spills;
- new service standards for customer complaints, separated into water and sewerage categories;

- a new service standard for calls resolved upon first contact; and
- a new service standard for customer satisfaction score.

The Regulator published Version 8 of the Customer Service Code on 23 June 2022 which took effect on from 1 July 2022.

5.2 Licences

TasWater held the only water and sewerage licence in Tasmania during 2021-22.

5.2.1 Independent reviews and audits

The Regulator seeks regular assurance that TasWater's compliance and management plans are adequate, and that TasWater is complying with relevant plans, by requiring TasWater to engage suitably qualified independent reporters to review those plans and to audit their performance reporting. The reporters evaluate and report on the risks of non-compliance by examining TasWater's processes, policies and procedures and by reviewing management plans, compliance plans and performance outcomes.

One independent audit relating to TasWater was completed during 2021-22, as set out below.

5.2.1.1 TasWater's performance data

The *Urban National Performance Framework – Urban Auditing Requirements* require TasWater's performance data to be audited at least once every three years. To satisfy this requirement, a selection of TasWater's performance indicators are audited every year.

In September 2021, BDO submitted its audit report on the findings from its audit of six National Performance Report (NPR) indicators.

BDO found that the performance indicators reviewed were presented fairly and in accordance with the NPR Definitions Handbook and the Customer Service Code. BDO made three review findings and made four recommendations in relation to the capture of data for NPR indicator reporting. Each of these findings and recommendations had been previously identified in earlier audits and were either not material or related to inherent, ongoing, issues that TasWater is currently working to address. The Regulator is monitoring TasWater's progress in implementing BDO's recommendations.

5.3 Changes to the water and sewerage regulatory framework

There were no changes to water and sewerage legislation during 2021-22.

5.4 National performance reporting

The Regulator is the jurisdictional coordinator for Tasmania in relation to the National Framework for Reporting on the performance of urban water utilities. The performance data and benchmarking reports produced under the Framework are an important resource, used by governments and the urban water sector. The Bureau of Meteorology provides support for the Framework and its collection of performance data, as well as the production and publication of the Urban Water National Performance Report (NPR).

The Regulator's Office (OTTER) provides a Tasmanian representative for the Technical Reference Group, the governing body for the NPR Framework for urban water utilities.

Under the National Performance Reporting Framework, OTTER coordinates the provision of TasWater's annual performance data to the Bureau of Meteorology to include in its annual national performance reports for urban water utilities. In carrying out this role during 2021-22, OTTER did not identify any material issues.

5.5 Report on the State of the Tasmanian Water and Sewerage Industry 2020-21

Section 70 of the W&SI Act requires the Regulator to prepare a report on the state of the water and sewerage industry either at the request of the responsible Minister or in the lead up to a price determination investigation. In a jointly signed letter dated 10 December 2021, the then Minister for Primary Industries and Water and the then Minister for Finance requested the Regulator prepare a state of the industry report in respect of the 2020-21 financial year.

On 10 June 2022, the Regulator released the *Report on the State of the Tasmanian Water and Sewerage Industry 2020-21*. The Report provides an overview of TasWater's performance across the key areas of pricing, customer service, network reliability and efficiency, financial performance and its compliance with drinking water quality, dam safety and environmental obligations. It also sets out key priorities for improved performance by TasWater.

5.6 2022 TasWater Price Investigation and Determination

During 2021-22, the Regulator completed its 2022 Price Determination Investigation to set TasWater's maximum prices and service standards for the period from 1 July 2022 to 30 June 2026.

As part of the investigation, the Regulator assessed TasWater's proposed Price and Service Plan. The investigation included a consultant's review of TasWater's operating expenditure and capital expenditure. Following its assessment of TasWater's Plan and after considering the consultant's report, the Regulator released its 2022 Water and Sewerage Price Investigation Draft Report on 28 February 2022.

The Regulator invited interested parties to make submissions on the draft report as part of a public consultation process.

After considering issues raised in submissions, the Regulator released its Final Report and made a Price Determination on 10 May 2022. TasWater submitted a revised Price and Service Plan on 8 June 2022 for the Regulator's review and approval. The Regulator approved the revised Price and Service Plan on 27 June 2022.

6 TAXI INDUSTRY REGULATION

6.1 Owner-Operator Taxi Licence Reserve Price Investigation Final Report and Price Determination

In November 2020, the *On-Demand Passenger Transport Services Industry (Miscellaneous Amendments) Act 2020* inserted provisions into the *Taxi and Hire Vehicle Industries Act 2008* (Taxi Act) that require the Regulator to determine reserve prices for new owner-operator taxi licences issued by the Transport Commission for each of the 24 taxi areas in Tasmania.

Under the Taxi Act, the Regulator must make the first reserve price determination before 1 December 2021 with the reserve prices to apply for December 2021 and then for the following four calendar years. The period of the determination is therefore from 1 December 2021 to 31 December 2025. The Taxi Act contains the terms of reference for the first reserve price determination, including the objectives of the determination.

The objectives of the determination are to:

- (a) assist in the development of efficient pricing and competition for taxi licences; and
- (b) promote a safe taxi transport system that responds adequately to consumer demand for taxi services.

In July 2021, the Regulator released the Issues Paper for public consultation. Two submissions were received, including one from the Transport Commission.

The Regulator engaged in targeted stakeholder consultations during August and September 2021. After considering all consultation responses, the Regulator released a Draft Report and Determination for a second public consultation in October 2021.

The Draft Report and Determination set out the Regulator's proposed approach to determine the reserve prices, how the proposed approach satisfies the objectives of the determination, and draft reserve prices. One submission was received.

The Regulator released the Final Report and Determination in November 2021, which set out the Regulator's reserve prices for new owner-operator taxi licences for each of the 24 taxi areas from 1 December 2021 to 31 December 2025.

6.2 Taxi fare methodology inquiry

In July 2021, the Minister for Finance, in accordance with section 44 of the *Economic Regulator Act 2009*, issued a direction to the Regulator to conduct an inquiry into, and recommend appropriate methodologies for setting, maximum taxi fares in Tasmania. This was the second time the Regulator has conducted a taxi fare methodology inquiry, with the previous inquiry being conducted in 2012-13.

The Regulator released a Consultation Paper and a draft report from its consultant, the Centre for International Economics (CIE), for public consultation in November 2021. One submission was received, which was from the Transport Commission which sets maximum taxi fares.

The Regulator's Final Report was completed and provided to the Minister and the Transport Commission in February 2022. The report set out a proposed approach for setting maximum taxi fares and processes for updating and reviewing the level of taxi fares. The report also recommended that the Transport Commission be provided with objectives in setting maximum taxi fares.

In the interest of transparency, the Regulator also sought approval from the Minister to publish the Final Report on its website. The Regulator released its Final Report and the CIE's Final Report in April 2022 after the Minister agreed to its publication.

7 ABOUT THE TASMANIAN ECONOMIC REGULATOR

Mr Joe Dimasi has been the Tasmanian Economic Regulator since 9 November 2015. He is also the Senior Commissioner for the Australian Capital Territory's Independent Competition and Regulatory Commission and a former Professorial Fellow at the Monash Business School.

7.1 Office of the Tasmanian Economic Regulator

The Department of Treasury and Finance (Treasury) provides staff to assist the Regulator in fulfilling its statutory functions.

As at 30 June 2022, OTTER had 10 staff working across two functional units.

7.1.1 Treasury services

OTTER staff are Treasury employees and subject to Treasury's human resource management policies and procedures. Treasury also provides OTTER with major corporate support services including accommodation, payroll services and information technology services.

In June 2013, the Regulator and Treasury entered into a Service Level Agreement defining the services provided by Treasury to OTTER, and the terms and conditions for the provision of those services. The two parties review and renew this Agreement annually.

7.1.1.1 Procurement

Where practical, the Regulator complies with the Treasurer's Instructions for the procurement of goods and services, including reporting requirements.

During 2021-22, the Regulator engaged the following consultants:

- the Centre for International Economics for the taxi fare methodology inquiry, at a total cost of \$95 920 including GST;
- the consortium of Carisbrooke Consulting Group, Utilities Regulation Advisory and Strategic Infrastructure Planning Advisory for the water and sewerage price investigation, at a total cost of \$307 382 including GST; and
- the Utilities Regulation Advisory and Oakley Greenwood for the retail electricity price investigation, at a total cost of \$71 032.50 including GST.

7.1.1.2 Regulator's costs

The Regulator recovers some of its costs from licence fees. For 2021-22, these fees were set according to the Regulator's Guideline titled *Structure of licence fees for the electricity, gas and water and sewerage sectors - applicable 1 July 2020 to 30 June 2025*. The Regulator recovers major investigation costs directly from the relevant entities.

The costs relating to taxi-related activities are recovered from the Department of State Growth.

The Regulator recovers other costs from Treasury, including the costs for:

- competitive neutrality investigations;
- promoting electricity contestability;
- customer education;
- regulating electricity feed-in-tariffs;
- the Energy Security Monitor and Assessor role; and
- providing advice to State Government agencies.

7.2 Key relationships

The Regulator seeks input from stakeholders, customers and customer representatives on a range of matters.

The Regulator continued to work with other Government agencies in Tasmania, and regulators in other jurisdictions in 2021-22, including:

- Australian Energy Market Commission (AEMC);
- Australian Energy Market Operator (AEMO);
- Australian Energy Regulator (AER);
- Department of Health (including the Director of Public Health);
- Department of Natural Resources and Environment Tasmania (including the Delegate for Dam Safety Regulation);
- Department of Treasury and Finance;
- Director of Gas Safety;
- Environment Protection Authority Tasmania;
- Renewables, Climate and Future Industries Tasmania;
- Ombudsman Tasmania; and
- WorkSafe Tasmania.

7.2.1 National Performance Reporting Technical Reference Group (Urban Water)

The Urban National Performance Report (NPR) Technical Reference Group oversees the collection of performance indicator data relating to urban water utilities and the co-ordination of performance reports produced annually by the Bureau of Meteorology.

All states and territories participate in the Group, as part of a commitment made under the National Water Initiative Agreement to report on the performance of water utilities independently, publicly and on an annual basis.

Staff from OTTER and the Department of Natural Resources and Environment Tasmania represent Tasmania on the group. The Regulator is the Tasmanian data co-ordinator and is responsible for ensuring that data submitted to the Bureau of Meteorology adheres to strict data quality requirements, including regular independent auditing of the data.

7.2.2 Jurisdictional water and sewerage regulators

During 2021-22, OTTER continued to participate in meetings with regulators in other states and territories responsible for the economic regulation of water and sewerage services.

At these meetings, common issues are discussed, together with examples of best practice regulation. These meetings assist the Regulator in deciding how to effectively undertake its functions and exercise its powers in its regulation of the Tasmanian water and sewerage industry.

7.2.3 Tasmanian Water and Sewerage Regulators Forum

The Tasmanian water and sewerage industry is overseen by several industry regulators including the Environment Protection Authority Tasmania, the Director of Public Health and the Delegate for Dam Safety. During 2016-17, the Regulator established the Tasmanian Water and Sewerage Regulators Forum with membership including the industry regulators and TasWater.

The objective of the Forum is to discuss strategic or priority issues associated with water and sewerage regulation. The Regulator also consults directly with industry regulators when proposing amendments to water and sewerage regulatory arrangements, and where required by legislation. During 2021-22, the Forum met once, in September 2021.

7.2.4 OTTER Customer Consultative Committee

The OTTER Customer Consultative Committee (OCCC), which is chaired by the Regulator, is an important part of the regulatory framework for the electricity, gas, and water and sewerage industries.

The OCCC generally meets on a quarterly basis and provides a forum for organisations representing customer interests to discuss issues with the Regulator and for the Regulator and regulated entities to provide information to OCCC members. During 2021-22, the OCCC consisted of representatives from the following organisations:

- Council of the Ageing Tasmania;
- Local Government Association of Tasmania;
- Tasmanian Chamber of Commerce and Industry;
- Tasmanian Council of Social Service Inc;
- Tasmanian Division of the Property Council of Australia;
- Tasmanian Small Business Council;
- Tasmanian Renewable Energy Alliance; and
- The Salvation Army Tasmania.

Representatives from the Tasmanian Ombudsman's office also attend OCCC meetings.

The OCCC met three times in 2021-22. These meetings were particularly important in 2021-22 as they enabled the Regulator to receive comments on its investigations into electricity prices and water and sewerage prices, including on the draft reports and determinations. OCCC meeting agendas, minutes and a quarterly document summarising the Regulator's activities are available on the Regulator's website.

7.2.5 Australian Energy Market Commission

Under the National Electricity Law (NEL), National Gas Law, and the National Energy Retail Law, the AEMC is responsible for NEM rule making and market development.

From time to time, the AEMC may review the effectiveness of competition in the electricity markets, gas markets or retail energy markets in various jurisdictions.

Since 2013, the Regulator and the AEMC have operated under a Memorandum of Understanding (MoU) which sets out arrangements to promote effective communication, cooperation and coordination between the organisations in the performance of their respective roles and functions in the electricity and gas supply industries.

7.2.6 Australian Energy Regulator (AER)

Tasmania has been a participating jurisdiction in the NEM since May 2005. The NEL and the National Electricity Rules therefore apply to all electricity businesses operating in Tasmania. Under the NEL, the Regulator is the 'jurisdictional regulator'.

Tasmania has also been a signatory to the Australian Energy Market Agreement since its inception on 30 June 2004. In accordance with the Agreement, the economic regulation of transmission and distribution networks, and non-price regulation of retail functions, progressively transfers to the AER.

Economic regulation of Tasmanian electricity transmission transferred to the ACCC in 2003 and subsequently to the AER in 2005. The AER has also been responsible for economic regulation of Tasmanian electricity distribution since 2012.

On 1 July 2012, Tasmania implemented the national framework for the sale and supply of electricity to retail customers. This resulted in a further transfer of non-economic regulatory functions to the AER.

OTTER continues to work co-operatively with the AER including participating in stakeholder consultations, providing background information and historical data when requested and other regular liaison.

7.2.7 Renewables, Climate and Future Industries Tasmania

Renewables, Climate and Future Industries Tasmania (ReCFIT) advises the Government on the State's strategic direction on climate change, renewable energy growth, emissions reductions and the development of new industries in Tasmania.

ReCFIT operated with administrative support from the Department of Treasury and Finance in 2021-22.

Representatives from ReCFIT and OTTER regularly liaise on energy matters, including on matters relating to energy security.

7.2.8 Ombudsman Tasmania

Under the *Energy Ombudsman Act 1998*, the Ombudsman receives, investigates and resolves complaints concerning any service relating to the sale and supply of electricity or gas by an energy entity. For the water and sewerage industry, the *Ombudsman Act 1978* provides for the Ombudsman to initiate, investigate and resolve complaints concerning the provision of regulated water and sewerage services.

In 2005, the Regulator signed an MoU with the former Energy Ombudsman setting out a framework for co-operation between the two Offices.

The Regulator revised its MoU with the Ombudsman in 2011 to extend its coverage from energy to the water and sewerage industry, and again in 2016 to update relevant dates and signatory information.

The MoU provides for the sharing of information and relevant reports of investigations between the two organisations. It also provides for the Ombudsman to make information available to the Regulator regarding any systemic issues identified regarding industry compliance with its regulatory obligations.

Members of the Ombudsman's office provide updates on complaints and emerging issues at the quarterly OCCC meetings.

7.2.9 Customer education

OTTER seeks to raise customer awareness about electricity retail contestability and maintains a website titled 'Power to Choose' at www.economicregulator.tas.gov.au/power. Since the introduction of the NECF on 1 July 2012, OTTER has continued to respond to customers' queries about retail contestability.

7.3 Consultation policy and procedures

The Regulator consults and engages with its stakeholders and the community whenever relevant, and acknowledges the importance of sharing information about its policies and processes. The *Consultation Policy and Procedures of the Tasmanian Economic Regulator Guideline* outlines the consultation policy and procedures for engaging and informing entities, consumers and other persons affected by the exercise of the Regulator's powers.

7.3.1 Policy on the treatment of confidential submissions

In August 2003, the Regulator published its *Policy on the Treatment of Confidential Submissions*. The Policy provides guidance on the Regulator's responsibilities during consultation and outlines the principles governing confidential submissions. The current version, Version 4.0, took effect on 26 February 2021 following the introduction of minor administrative amendments to reflect the proclamation of the *Gas Industry Act 2019* on 3 February 2021.

7.4 Right to information

The *Right to Information Act 2009* (RTI Act) provides access to information held by government bodies through:

- authorising and encouraging greater routine disclosure of information held by public authorities without the need for requests or applications;
- authorising and encouraging greater active disclosure of information held by public authorities in response to informal requests without the need for applications;
- giving members of the public an enforceable right to information held by public authorities; and
- providing that access to information held by government bodies is restricted only in circumstances as defined in the RTI Act.

The Regulator, as a public authority, is required by the RTI Act to make information available to the public through proactive disclosure. It routinely makes information of public interest available on the OTTER website, which helps build public understanding of what the Regulator does and how it does it.

Under the requirements of the RTI Act, there are circumstances where the Regulator may not release information it holds, including where:

- the Regulator classifies the information as confidential under the ESI Act;
- the Regulator gives a direction prohibiting or restricting the publication of information provided as part of a monopoly provider investigation, a prescribed body inquiry, or a competitive neutrality complaint investigation under the Economic Regulator Act; or
- the information is confidential, the person who provided it stated, at the time, that it is confidential, and its release is not otherwise authorised under the W&SI Act.

The Regulator updated its *Information Disclosure Policy and Procedures* in December 2015 to reflect changes to government policy on the publication of information released under the RTI Act.

The Regulator did not receive any requests under the RTI Act during 2021-22.

7.5 Media releases

The media releases issued by the Regulator during 2021-22 are available on the Regulator's website at <https://www.economicregulator.tas.gov.au/about-us/media-releases>.

8 MAJOR PROJECTS AND TASKS FOR 2022-23

The major projects and tasks the Regulator is required to complete during 2022-23 are set out below. As in past years, the Regulator may be required to undertake other major projects and tasks, including providing reports and advice to the State Government, consistent with the Regulator's statutory functions.

Expected Release Date	Major Project/Task
July 2022	Regulator's approval of Bass Strait Islands electricity prices for the period from 1 August 2022 - 31 August 2023
September 2022	Typical Electricity Customers in Tasmania 2022 report
October 2022	Electricity and gas price comparison report
October 2022	Regulator's Annual Report for 2021-22
November 2022	Regulator's approval of Motor Accident Insurance Board's maximum premiums to apply from 1 December 2022
November 2022	Monitor and Assessor's energy security review Annual Report for the period from 1 November 2021 to 31 October 2022
February 2023	Energy in Tasmania Report 2021-22
April 2023	State of the Water and Sewerage Industry Report 2021-22
June 2023	Regulator's determination of the regulated feed-in tariff rate to apply from 1 July 2023
June 2023	Regulator's approval of Aurora Energy's standing offer prices to apply from 1 July 2023

In addition to these projects and tasks the Regulator is conducting three inquiries under Section 12(j) of the W&SI Act in relation to the following issues:

- sewerage and trade waste charging by TasWater;
- water and sewerage service charges that apply to unconnected properties within serviced land; and
- TasWater's approach to estimating regulatory depreciation allowances for its regulated assets.

During 2022-23, the Regulator will also commence discussions with TasWater and Aurora Energy on the development of new cost information systems for these entities that will provide more detailed information to assist the Regulator's assessment of costs in future pricing investigations. This work is a result of decisions set out in the Regulator's 2022 Water and Sewerage Price Determination Investigation Final Report and the 2022 Retail Electricity (Standing Offer) Price Investigation Final Report.

9 FINANCIAL INFORMATION

Statement of Certification

The accompanying Financial Statements of the Tasmanian Economic Regulator have been prepared in compliance with the provisions of the *Economic Regulator Act 2009*.

The Statements are in agreement with the relevant accounts and records so as to present fairly the financial transactions for the year ended 30 June 2022 and the financial position as at 30 June 2022.

At the date of signing, I am not aware of any circumstances that would render the particulars included in the Financial Statements misleading or inaccurate.



Joe Dimasi

Tasmanian Economic Regulator

29 September 2022



Independent Auditor's Report
To the Members of Parliament
Tasmanian Economic Regulator
Report on the Audit of the Financial Report

Opinion

I have audited the financial report of the Tasmanian Economic Regulator, which comprises the statement of financial position as at 30 June 2022, statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the statement of certification by the Tasmanian Economic Regulator (the Regulator).

In my opinion, the accompanying financial report:

- (a) present fairly, in all material respects, the financial position of the Tasmanian Economic Regulator as at 30 June 2022 and its financial performance and its cash flows for the year then ended
- (b) is in accordance with the *Economic Regulator Act 2009* and Australian Accounting Standards.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Tasmanian Economic Regulator in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

The *Audit Act 2008* further promotes the independence of the Auditor-General. The Auditor-General is the auditor of all Tasmanian public sector entities and can only be removed by Parliament. The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

My audit is not designed to provide assurance on the accuracy and appropriateness of the budget information included in the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Regulator for the Financial Report

The Regulator is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the financial reporting requirements of the *Economic Regulator Act 2009* and for such internal control as determined necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Regulator is responsible for assessing the Tasmanian Economic Regulator's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Tasmanian Economic Regulator is to be dissolved by an Act of Parliament, or the Regulator intends to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tasmanian Economic Regulator's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Regulator.
- Conclude on the appropriateness of the Regulator's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Tasmanian Economic Regulator's ability to continue as a going concern. If I

conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Tasmanian Economic Regulator to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Regulator regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Rod Whitehead
Auditor-General
Tasmanian Audit Office

29 September 2022
Hobart

Statement of Comprehensive Income

	Notes	2022 Budget \$'000	2022 Actual \$'000	2021 Actual \$'000
Income from continuing operations				
Fees and fines	1.1	2 176	2 296	1 372
Other revenue	1.2	405
Total revenue from continuing operations		2 176	2 296	1 777
Expenses from continuing operations				
Employee benefits	2.1	1 641	1 574	1 228
Supplies and consumables	2.2	525	689	290
Other expenses	2.3	10	13	415
Total expenses from continuing operations		2 176	2 276	1 933
Net result from continuing operations		...	20	(156)
Comprehensive result		...	20	(156)

This Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Statement of Financial Position

	Notes	2022 Budget \$'000	2022 Actual \$'000	2021 Actual \$'000
Assets				
<i>Financial Assets</i>				
Cash and cash equivalents	6.1	626	257	239
Receivables	3.1	15	...	67
Other financial assets	3.2	118	444	262
Total assets		759	701	568
Liabilities				
Payables	4.1	...	1	...
Employee benefits	4.2	275	348	237
Other liabilities	4.3	479	2	1
Total liabilities		754	351	238
Net assets		5	350	330
Equity				
Accumulated funds		5	350	330
Total equity		5	350	330

This Statement of Financial Position should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Statement of Cash Flows

	Notes	2022 Budget \$'000	2022 Actual \$'000	2021 Actual \$'000
Cash flows from operating activities				
Cash inflows				
Fees and fines		2 152	2 181	1 171
Other cash receipts		405
Total cash inflows		2 152	2 181	1 576
Cash outflows				
Employee benefits		(1 617)	(1 463)	(1 219)
Supplies and consumables		(525)	(688)	(290)
Other cash payments		(10)	(12)	(415)
Total cash outflows		(2 152)	(2 163)	(1 924)
Net cash from (used by) operating activities	6.2	...	18	(348)
Net increase (decrease) in cash held and cash equivalents				
		...	18	(348)
Cash and deposits at the beginning of the reporting period		641	239	587
Cash and deposits at the end of the reporting period	6.1	641	257	239

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Budget information refers to original estimates and has not been subject to audit.

Statement of Changes in Equity

	Notes	Accumulated Funds \$'000	Total Equity \$'000
Balance as at 1 July 2021		330	330
Total Comprehensive result		20	20
Balance as at 30 June 2022		350	350

		Accumulated Funds \$'000	Total Equity \$'000
Balance as at 1 July 2020		486	486
Total Comprehensive result		(156)	(156)
Balance as at 30 June 2021		330	330

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Note I Income from transactions

Income is recognised in the Statement of Comprehensive Income when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

Income is recognised in accordance with the requirements of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities*, dependent on whether there is a contract with a customer as defined in AASB 15.

I.1 Fees and fines

Revenue is raised in accordance with the *Electricity Supply Industry Act 1995*, *Gas Industry Act 2019*, *Water and Sewerage Industry Act 2008*, *Taxi and Hire Vehicle Industries Act 2008* and the *Economic Regulator Act 2009*.

Licence fees recover the Regulator's reasonable costs of administering the *Electricity Supply Industry Act 1995*, *Gas Industry Act 2019* and *Water and Sewerage Industry Act 2008*. Revenue from annual licence fees is recognised at the time the charge is levied on the licensee.

Regulatory fees for the recovery of the Regulator's costs in undertaking investigations and inquiries under the *Electricity Supply Industry Act 1995*, *Water and Sewerage Industry Act 2008*, *Taxi and Hire Vehicle Industries Act 2008* and the *Economic Regulator Act 2009* are recognised in the quarter following the expense being incurred.

Regulatory fees for the recovery of the Regulator's costs in undertaking activities under ministerial direction are recognised in the quarter following the expense being incurred.

The Regulator also recovers the cost of work performed under the *Energy Co-ordination and Planning Act 1995*. The revenue is recognised in the quarter following the expense being incurred.

The Regulator recognises revenue in relation to regulatory fees when it issues invoices after the end of each quarter, or licence fee invoices at the end of the financial year.

	2022 \$'000	2021 \$'000
Fees		
Recoveries from competitive neutrality activities	97	346
Recoveries from electricity related activities	974	851
Recoveries from gas related activities	39	52
Recoveries from water and sewerage activities	1 185	123
Total	2 296	1 372

I.2 Other revenue

Revenue from miscellaneous sources is recognised when it is earned and controlled by the Regulator and can be deployed for the achievement of its objectives.

	2022 \$'000	2021 \$'000
Recovery of Director of Gas Safety related activities	...	405
Total	...	405

Note 2 Expenses from transactions

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in asset or an increase of a liability has arisen that can be measured reliably.

2.1 Employee benefits

Employee benefits include, where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and any other post-employment benefits.

(a) Employee expenses

	2022 \$'000	2021 \$'000
Wages and salaries	1113	890
Annual leave	85	76
Long service leave	90	40
Sick leave	13	4
Superannuation – defined contribution schemes	99	70
Superannuation – defined benefit schemes	71	67
Parental leave	20	...
Other employee expenses	83	81
Total	1 574	1 228

Superannuation expenses relating to the defined benefit schemes relate to payments made to the Public Account. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The employer contribution for the period was 12.95 per cent (2021: 12.95 per cent) of salary.

Superannuation expenses relating to defined contribution schemes are paid directly to the relevant superannuation fund at a rate of 10.0 per cent (2021: 9.5 per cent) of salary. OTTER is also required to pay to the Public Account a “gap” payment equivalent to 3.45 per cent (2021: 3.45 per cent) of salary in respect of employees who are members of defined contribution schemes.

(b) Remuneration of Key management personnel

2022	Short-term benefits		Long-term benefits		Total
	Salary	Other Benefits	Superannuation	Other Benefits and Long Service Leave	
	\$'000	\$'000	\$'000	\$'000	
<i>Key management personnel</i>					
Joe Dimasi	87	...	9	...	96
Total	87	...	9	...	96

2021	Short-term benefits		Long-term benefits		Total
	Salary	Other Benefits	Superannuation	Other Benefits and Long Service Leave	
	\$'000	\$'000	\$'000	\$'000	
<i>Key management personnel</i>					
Joe Dimasi	81	...	8	...	89
Total	81	...	8	...	89

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Regulator, directly or indirectly.

Remuneration during 2021-22 for key personnel is set by the *State Service Act 2000*. Remuneration and other terms of employment are specified in employment contracts. Remuneration includes salary and other non-monetary benefits. Long-term employee expenses include long service leave and superannuation obligations.

(c) Related party transactions

There are no related party transactions requiring disclosure.

2.2 Supplies and consumables

	2022	2021
	\$'000	\$'000
Audit fees – financial audit	9	9
Consultants	410	36
Communications	2	2
Information technology	...	105
Travel and transport	12	15
Advertising and promotion	16	7
Other supplies and consumables	239	116
Total	689	290

2.3 Other expenses

Expenses from ordinary activities are recognised when it is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred and the consumption or loss of future economic benefits can be measured reliably.

	2022 \$'000	2021 \$'000
Transfers to other agencies	...	405
Salary on-costs - Workers compensation	13	10
Total	13	415

Note 3 Assets

Assets are recognised in the Statement of Financial Position when it is probable that the future economic benefits will flow to the Regulator and the asset has a cost or value that can be measured reliably.

3.1 Receivables

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Receivables are held with the objective to collect the contractual cash flows and are subsequently measured at amortised cost using the effective interest method. Any subsequent changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process. An allowance for expected credit losses is recognised for all debt financial assets not held at fair value through profit and loss. Expected credit losses have not been recognised in the current year. The expected credit loss would be based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

	2022 \$'000	2021 \$'000
Receivables	..	67
Total	..	67
Settled within 12 months	..	67
Total	..	67

3.2 Other financial assets

The Regulator records accrued revenue at the expected recovery amount.

	2022 \$'000	2021 \$'000
Accrued revenue	444	262
Total	444	262
Settled within 12 months	444	262
Total	444	262

Note 4 Liabilities

Liabilities are recognised in the Statement of Financial Position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

4.1 Payables

Payables, including goods received and services incurred but not yet invoiced, are recognised at amortised cost which, due to the short settlement period, equates to face value, when the Regulator becomes obliged to make future payments as a result of a purchase of assets or services.

	2022 \$'000	2021 \$'000
Payables	1	...
Total	1	...
Settled within 12 months	1	...
Total	1	...

4.2 Employee benefits

Key estimate and judgement

Liabilities for wages and salaries and annual leave are recognised when an employee becomes entitled to receive a benefit. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Other employee entitlements are measured as the present value of the benefit at 30 June 2022, where the impact of discounting is material, and at the amount expected to be paid if discounting is not material.

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

	2022 \$'000	2021 \$'000
Accrued salaries	33	24
Annual leave	101	81
Long service leave	213	132
Other – Purchased Leave Scheme	1	...
Total	348	237
Expected to settle wholly within 12 months	188	116
Expected to settle wholly after 12 months	160	121
Total	348	237

4.3 Other liabilities

(i) Employee on-costs

On-costs, such as workers compensation premiums, are recognised when the employment to which they relate has occurred. Employee on-costs are calculated on the value of the expected employee benefits to be settled.

Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. On-costs calculated on the long service leave liability expected to be settled after 12 months are measured as the present value of expected future payments in respect of services provided by employees up to the reporting date.

	2022 \$'000	2021 \$'000
Other liabilities		
Employee benefits – on-costs	2	1
Total	2	1
Settled within 12 months	1	1
Settled in more than 12 months	1	...
Total	2	1

Note 5 Commitments and Contingencies

5.1 Schedule of Commitments

	2022 \$'000	2021 \$'000
By type		
<i>Contractual Commitments</i>		
Administration and Facilities	223	222
Total contractual commitments	223	222
By maturity		
<i>Contractual Commitments</i>		
One year or less	223	222
Total contractual commitments	223	222

OTTER pays the Department of Treasury and Finance for the use of its premises. It pays facilities, information technology and other administration costs under an Annual Service Level Agreement.

There are no contingent assets or liabilities.

Note 6 Cash Flow Reconciliation

Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Purpose Account. Deposits are recognised at amortised cost, being their face value.

6.1 Cash and cash equivalents

Cash and cash equivalents includes the balance of the Specific Purpose Account held by the Regulator.

	2022 \$'000	2021 \$'000
Specific Purpose Account balance		
Government Economic Regulator Sub Account	257	239
Total cash and cash equivalents	257	239

6.2 Reconciliation of Net result to Net cash from operating activities

	2022 \$'000	2021 \$'000
Net result	20	(156)
Decrease (increase) in Receivables	67	(52)
Decrease (increase) in Other financial assets	(182)	(148)
Increase (decrease) in Payables	1	...
Increase (decrease) in Employee benefits	111	8
Net cash from (used by) operating activities	18	(348)

Note 7 Financial Instruments

7.1 Risk exposures

(a) Risk management policies

The Regulator has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Regulator has overall responsibility for the establishment and oversight of the Regulator's risk management framework. Risk management policies are established to identify and analyse risks faced by the Regulator, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

(b) Credit risk exposures

Credit risk is the risk of financial loss to the Regulator if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
Financial Assets		
Receivables	Receivables are recognised at the nominal amounts due, less any provision for impairment. Collectability of debts is reviewed on a monthly basis. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms are generally 30 days.
Cash and cash equivalents	Cash and cash equivalents are recognised at face value. It is a requirement for any changes in deposit strategy to be approved by the Treasurer.	Cash means notes, coins and any deposits held at call with a bank or financial institution

The carrying amount of financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Regulator's maximum exposure to credit risk without taking into account any collateral or other security.

(c) Liquidity risk

Liquidity risk is the risk that the Regulator will not be able to meet its financial obligations as they fall due. The Regulator's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due.

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows)
Financial Liabilities		
Payables	Payables, including goods received and services incurred but not yet invoiced, are recognised at amortised cost, which due to the short settlement period, equates to face value, when the Regulator becomes obliged to make future payments as a result of a purchase of assets or services. The Regulator regularly reviews budgeted cash outflows to ensure that there is sufficient cash to meet all obligations.	Settlement is usually made within 14 days.

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The primary market risk that the Regulator is exposed to is interest rate risk.

7.2 Categories of Financial assets and liabilities

	2022 \$'000	2021 \$'000
Financial assets		
Cash and cash equivalents	257	239
Accrued revenue	444	262
Total	701	501

7.3 Reclassifications of Financial assets

The Regulator has not reclassified any of its financial assets.

Note 8 Events Occurring After Balance Date

There have been no events subsequent to balance date which would have a material effect on the Regulator's Financial Statements as at 30 June 2022.

Note 9 Significant Accounting Policies

The following summary explains the significant accounting policies that have been adopted in the preparation of this general purpose financial report. Unless otherwise stated, the accounting policies are consistent with those applied in the previous year.

The Regulator is independent of the Tasmanian Government and the industries it regulates. The Regulator has responsibilities under the *Economic Regulator Act 2009*, the *Water and Sewerage Industry Act 2008*, *Electricity Supply Industry Act 1995*, *Gas Industry Act 2019*, *Taxi and Hire Vehicle Industries Act 2008* and the *Energy Co-ordination and Planning Act 1995*.

9.1 Basis of Accounting

The Financial Statements are a general purpose financial report and have been prepared in accordance with:

- the *Economic Regulator Act 2009*; and
- Australian Accounting Standards issued by the Australian Accounting Standards Board.

The Financial Statements have been prepared as a going concern. The continued existence of the Regulator in its present form, undertaking its current activities, is dependent on Government policy and on continuing appropriations by Parliament.

All activities of the Regulator are transacted through the Government Economic Account, a Sub Account in the Department of Treasury and Finance Financial Management Account.

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards.

Compliance with AEIFRS may not result in compliance with International Financial Reporting Standards, as AEIFRS include requirements and options available to not-for-profit organisations that are inconsistent with IFRS. The Regulator is considered to be not-for-profit and has adopted some accounting policies under AEIFRS that do not comply with IFRS.

The Financial Statements have been prepared on an accrual basis, except where stated, and are in accordance with the historical cost convention.

The Financial Statements were signed by the Regulator on 11 August 2022.

9.2 Functional and Presentation Currency

These financial statements are presented in Australian dollars, which is the Regulator's functional currency.

9.3 Changes in Accounting Policies

(a) Impact of new and revised Accounting Standards

The Regulator adopts all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operation. There have been no new Standards issued by the AASB that are relevant to the operations of the Regulator during the current annual reporting period.

(b) Impact of applicable new and revised Accounting Standards yet to be applied

The Regulator has not applied any new or revised Standards and Interpretations issued by the Australian Accounting Standards Board that are not yet effective.

9.4 Judgements and Assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by the Regulator that have significant effects on the Financial Statements are disclosed in the relevant notes to the Financial Statements. The Regulator has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

9.5 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date.

9.6 Comparative Figures

Comparative figures have been adjusted to reflect any changes in accounting policy or the adoption of new standards.

9.7 Rounding

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. As a consequence, rounded figures may not add to totals. Amounts less than \$500 are rounded to zero and are indicated by the symbol "...".

9.8 Taxation

The Regulator is exempt from all forms of taxation except Fringe Benefits Tax and the Goods and Services Tax.

9.9 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax, except where the GST incurred is not recoverable from the Australian Taxation Office. Receivables and payables are stated inclusive of GST. The net amount recoverable, or payable, to the Australian Taxation Office is recognised as an asset or liability within the Statement of Financial Position.

In the Statement of Cash Flows, the GST component of cash flows arising from operating, investing or financing activities which is recoverable from, or payable to, the Australian Taxation Office is, in accordance with the Australian Accounting Standards, classified as operating cash flows.

GLOSSARY

Term	Definition
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
Aurora Energy	Aurora Energy Pty Ltd
Customer Service Code	Tasmanian Water and Sewerage Industry Customer Service Code
Treasury	Department of Treasury and Finance
Economic Regulator Act	<i>Economic Regulator Act 2009</i>
ESI Act	<i>Electricity Supply Industry Act 1995</i>
Hydro Tasmania	Hydro-Electric Corporation
MoU	Memorandum of Understanding
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Electricity Market
OCCC	OTTER Customer Consultative Committee
OTTER	Office of the Tasmanian Economic Regulator
ReCFIT	Renewables, Climate and Future Industries Tasmania
Regulator	Tasmanian Economic Regulator
TasNetworks	Tasmanian Networks Pty Ltd
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
TEC	<i>Tasmanian Electricity Code</i>
Transfer Code	Gas Customer Transfer and Reconciliation Code
W&SI Act	<i>Water and Sewerage Industry Act 2008</i>

