

TASMANIAN ECONOMIC REGULATOR ANNUAL REPORT 2014-15



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Office of the Tasmanian Economic Regulator

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The Hon Peter Gutwein, MP
Treasurer
House of Assembly
Parliament House
HOBART TAS 7000

Dear Treasurer

We are pleased to present you with the 2014-15 Annual Report of the Tasmanian Economic Regulator, which has been prepared in accordance with section 22 of the *Economic Regulator Act 2009*. As a result of the amending legislation passed during 2014-15, this will be the last report made by ourselves as the three members comprising the Tasmanian Economic Regulator. We therefore wish to record our sincere appreciation to the staff of the Office of the Tasmanian Economic Regulator, for their assistance and support throughout our term of office.

Yours sincerely



Glenn Appleyard
CHAIRMAN



Peter Hoult
MEMBER



Alan Smart
MEMBER

12 August 2015

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THE REGULATOR'S ROLES AND RESPONSIBILITIES

Overview

The Regulator's functions under the *Economic Regulator Act 2009* (ER Act) include:

- (a) conducting monopoly provider investigations and providing a final report in respect of each investigation;
- (b) conducting prescribed body inquiries and providing a report in respect of each inquiry;
- (c) conducting taxi fare methodology inquiries and providing a report in respect of each inquiry; and
- (d) investigating competitive neutrality principles complaints and, if required, providing a report in respect of a complaint investigation.

An independent economic, technical and safety regulator for the Tasmanian electricity supply industry was first established in July 1998, consistent with reform of the electricity supply industry and National Competition Policy, which required that regulatory functions be removed from Government business enterprises.

The Regulator's role was expanded in mid-2001 to include responsibilities under the *Gas Act 2000* (Gas Act) and *Gas Pipelines Act 2000* (Gas Pipelines Act) for the regulation of the natural gas industry in Tasmania and further extended in July 2008 as part of the Government's reform of the State's water and sewerage sector, to include responsibilities for the economic regulation of that sector.

The ER Act commenced on 1 June 2010 and established a new three person independent statutory body, the Tasmanian Economic Regulator (Regulator). This body assumed the functions of the former Government Prices Oversight Commission (GPOC).

In summary, the Regulator now has regulatory responsibility under the *Electricity Supply Industry Act 1995* (ESI Act); the Gas Act; the Gas Pipelines Act; and the *Water and Sewerage Industry Act 2008* (W&SI Act).

Electricity

Entry into the National Electricity Market (NEM), national energy regulatory reform, and state-based regulatory reform have had an impact on the functions of the Regulator and continue to do so.

Economic regulation (pricing and access) of electricity transmission services was transferred from the Regulator to the Australian Competition and Consumer Commission in 2003. On 1 January 2008, amendments to the ESI Act and the *Electricity – National Scheme (Tasmania) Act 1999* transferred the economic regulation of Tasmania's distribution network to a single national regulator, the Australian Energy Regulator (AER).

Tasmania implemented the National Energy Customer Framework (NECF) for the sale and supply of electricity to retail customers on 1 July 2012. This resulted in a further transfer of non-economic regulatory functions to the AER. Technical and safety regulation, including the setting of some performance standards, remains with the states and territories.

The Regulator's functions under electricity legislation have historically reflected the fact that the major Government owned electricity entities have significant market power in Tasmania. Retail competition has been progressively introduced in Tasmania in the retail sector. Retail competition was introduced for all customers on mainland Tasmania from 1 July 2014. However, during 2014-15 most customers remained on regulated standing offer contracts.

The ESI Act is supported by regulations in respect to price control, standing offer customer protection, retail contestability and licence exemptions, and the Tasmanian Electricity Code (TEC) that encompasses technical specifications and procedures not covered by arrangements in the NEM.

The Regulator is the 'jurisdictional regulator' for the purposes of the National Electricity Law (NEL).

Until 1 June 2010, several safety functions were vested with the Regulator under the *Electricity Industry Safety and Administration Act 1997* (EISA Act) and the ESI Act. The EISA Act provides for: electrical contractors and workers to be appropriately qualified and regulated; establishes safety standards for electrical equipment and appliances; and provides for the investigation of electrical safety accidents in the electricity industry.

Safety-related responsibilities were transferred to WorkSafe Tasmania (WT) (formerly the Workplace Standards Tasmania) via an amendment to the EISA Act and ESI Act in 2009.

Functions under the *Electricity Supply Industry Act 1995*

The Regulator's functions under the ESI Act and subordinate legislation include:

- (a) administering the licensing system for electricity entities;
- (b) monitoring and providing reports in relation to the development of competition in respect of the electricity supply industry;
- (c) monitoring and regulating technical standards in the electricity supply industry;
- (d) monitoring and enforcing the compliance of electricity entities with their licence conditions;
- (e) issuing, maintaining, administering and enforcing the TEC; and
- (f) investigating the pricing policies of electricity entities in respect of declared electrical services and regulating the prices that may be charged by those entities for those services.

The Regulator's objectives in exercising its powers and functions under the ESI Act are to –

- (a) promote efficiency and competition in the electricity supply industry;
- (b) establish and maintain a safe and efficient system of electricity generation, transmission, distribution and supply;

- (c) establish and enforce proper standards of safety, security, reliability and quality in the electricity supply industry; and
- (d) protect the interests of consumers of electricity.

Gas

In March 2001, Duke Energy entered into a development agreement with the State to bring natural gas to the State in the wholesale and transmission sectors.

Construction of the transmission pipeline was completed early in 2003.

In 2003, the State Government entered two development agreements with Powerco Ltd (now Tas Gas Networks Pty Ltd) for the construction and operation of gas distribution networks. These networks are now operational and customers are being supplied with gas.

The Regulator's role was expanded in mid-2001 to include responsibilities under the Gas Act and Gas Pipelines Act for the regulation of the natural gas industry in Tasmania.

Functions under the *Gas Act 2000* and *Gas Pipelines Act 2000*

In administering the Gas Act and Gas Pipelines Act, gas codes and other related regulatory instruments, several functions are conferred on the Regulator, including:

- (e) administering the gas entity licensing system established by the Gas Act;
- (f) establishing, monitoring and publishing standards and codes in respect of services provided by gas entities; and
- (g) granting of pipeline licences.

In exercising these functions, the Regulator must have regard to the objectives of the legislation, which include to:

- (a) facilitate the development of a gas supply industry in Tasmania;
- (b) promote efficiency and competition in the gas supply industry;
- (c) promote the establishment and maintenance of a safe and efficient system of gas distribution and supply;
- (d) establish and enforce proper standards of safety, reliability and quality in the gas supply industry;
- (e) protect the interests of consumers of gas;
- (f) create an effective, efficient and flexible regulatory system for the construction and operation of pipeline facilities and of pipelines for transporting natural gas and other substances to which the Act applies;
- (g) ensure as far as reasonably practicable security of supply for users of gas; and

(h) protect the public from risks inherent in regulated activities.

Water and Sewerage

The Tasmanian water and sewerage industry has undergone significant structural and regulatory reform over recent years.

As part of this reform program, the Regulator's role was extended in July 2008 to include responsibility for the economic regulation of the water and sewerage sector.

From 1 July 2009, three water and sewerage local government owned corporations were established:

- Ben Lomond Water (operating in the northern region of the State);
- Cradle Mountain Water (operating in the north western region); and
- Southern Water (operating in the southern region).

These corporations provided water and sewerage services that were previously provided by 28 local councils and three bulk water authorities. A common service provider corporation (Onstream) was also established as a subsidiary of the three corporations to provide services such as HR, payroll, billing etc to all three corporations.

As part of this reform, an economic regulatory framework was applied to the industry, in addition to existing regulatory arrangements in relation to public health, environmental protection, dam safety and occupational health and safety.

The economic regulatory framework is focussed on ensuring competitive market outcomes from the sector in relation to both price and service as well as ensuring the financial sustainability of the water and sewerage corporations and providing sufficient funding to meet other regulatory obligations.

The economic regulatory framework for the industry is administered by the Regulator under the provisions of the W&SI Act and regulations under that Act. Under these arrangements, providers of regulated water and sewerage services are required to be licensed. The licences then bind the water and sewerage providers to comply with a number of regulatory obligations.

In relation to service, the economic regulatory framework requires licensed water and sewerage providers (regulated entities) to comply with a number of service standard obligations set out in the Water and Sewerage Customer Service Code (Customer Service Code) issued by the Regulator. In addition regulated entities are required to adopt appropriate management practices in relation to asset management, emergency management and regulatory compliance. The performance of the industry is also reviewed and reported on through annual State of the Industry Reports prepared by the Regulator.

The economic regulatory framework also provides for the regulation of prices for water and sewerage services. Initially when the regulated entities started operations, price regulation was undertaken by the Tasmanian Government through Interim Price Orders (IPO) issued by the Treasurer. This was a transitional measure only and, from 1 July 2012, water and sewerage prices have been set independently by the Regulator through Price Determinations that applied for the first regulatory period (1 July 2012 to 30 June 2015).

In May 2012, the owner councils agreed to amalgamate the three regional corporations and the common service provider into a single corporation. Legislation was subsequently passed to create a single corporation, the Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater), which commenced operations on 1 July 2013. The three water corporations surrendered their licences on 30 June 2013 and the Regulator issued a water and sewerage licence to TasWater effective from 1 July 2013. The legislation also included transitional provisions that ensured that the Price Determinations that applied to the three previous corporations would continue to apply to TasWater until 30 June 2015.

Functions under the *Water and Sewerage Industry Act 2008*

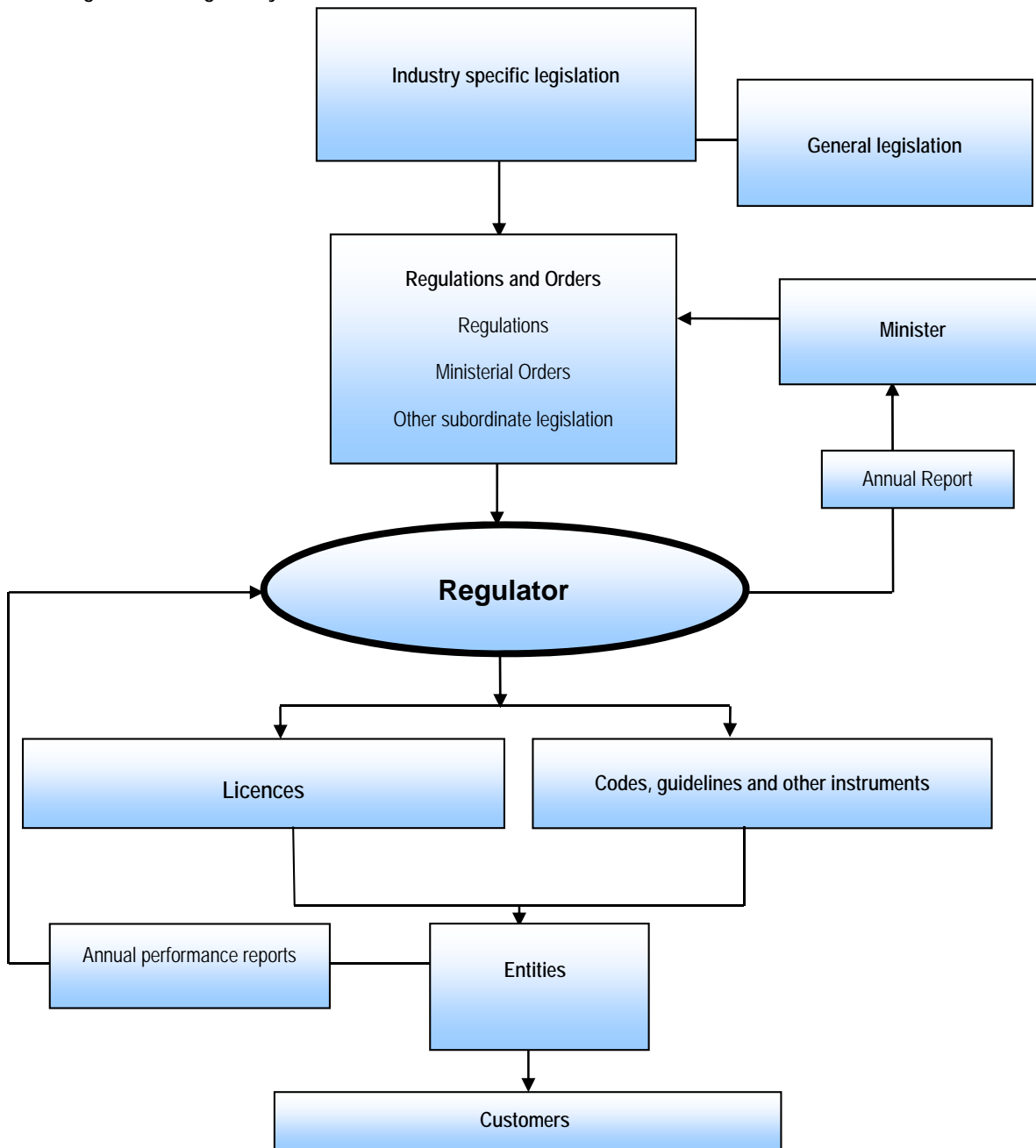
The W&SI Act establishes the economic regulatory framework for the provision of water and sewerage services. The framework is similar to that applied to the Tasmanian electricity supply industry. The functions of the Regulator under the Act include:

- (a) administering the licensing system;
- (b) establishing and administering the customer service code;
- (c) regulating prices, terms and conditions for providing regulated services;
- (d) making price determinations;
- (e) monitoring the performance of the water and sewerage industry and reporting on the performance of regulated entities; and
- (f) undertaking inquiries in relation to the regulation of the water and sewerage industry.

The Tasmanian legislative and regulatory framework

The following diagram outlines the various types of regulatory instruments governing the energy supply industry and water and sewerage sector in Tasmania. It illustrates the relationship between legislation, including both general and industry specific law that applies to these industries, regulations and Orders in Council, and other instruments such as licences, guidelines and codes which may be issued by the Regulator.

Figure 1 The regulatory framework



Whilst the Regulator has certain statutory responsibilities, a major part of the responsibility for implementing and developing the gas, electricity, and water and sewerage regulatory schemes rests with industry participants.

The Regulator does not seek to intervene in the day-to-day management of these industries. Rather, the Regulator seeks to ensure that all stakeholders are provided with sufficient information to properly assess the performance of the industry participants in meeting their regulatory obligations. The primary emphasis is on transparency and disclosure rather than investigations and sanctions.

THE REGULATOR

The ER Act established the Regulator on 1 June 2010. The Regulator replaced the GPOC and the statutory positions of Electricity Regulator, Director of Gas and Water and Sewerage Economic Regulator. The Regulator consists of three part-time appointees, the Chairman, Mr Glenn Appleyard, and two members, Messrs Peter Hoult and Alan Smart.

Mr Appleyard held several senior roles in both the State and Commonwealth public services including Deputy Secretary of the Tasmanian and Victorian departments of Treasury and Finance, Regional Director of the Australian Bureau of Statistics and Deputy Secretary, Department of Primary Industries, Parks, Water and Environment (DPIPWE). He is currently a member of the Commonwealth Grants Commission, the Independent Hospital Pricing Authority and the Australian Energy Markets Commission Audit Committee.

Mr Hoult has held several senior roles in the Tasmanian State Service, including Secretary of the Department of Health and Human Services and Secretary of the Department of Justice. Mr Hoult is presently the Chairman of the Tasmanian Gaming Commission.

Mr Smart is Principal and Marketing Director with ACIL Allen Consulting and consults in economics, policy and strategy in the energy, water and infrastructure sectors. Mr Smart has also held senior executive positions in the Commonwealth public service including Chief Executive of the Pipeline Authority and Deputy Commissioner of the River Murray Commission.

The Regulator met on 9 occasions during 2014-15 (attendance frequency in brackets):

- Mr Glenn Appleyard (9)
- Mr Peter Hoult (8)
- Mr Alan Smart (9)

The Regulator's statutory roles and responsibilities were outlined in the previous chapter.

TER Functions

In 2014-15 the Government, through the Department of Treasury and Finance, conducted a review into the role of the Tasmanian Economic Regulator. Following public consultation and key stakeholder discussions, the review culminated in the Government passing the *Economic Regulator Amendment Act 2015* (ER Amendment Act) through Parliament, the Bill received Royal Assent on 19 May 2015 and became effective on 1 July 2015.

The ER Amendment Act makes a number of broader reforms affecting the Regulator's primary role and responsibilities. The industry specific changes are discussed separately in the Annual Report concerning changes within the electricity, gas, and water and sewerage sectors. Other important changes include the following, the Regulator:

- will no longer be a panel of three people, rather the Regulator will consist of a single person appointed by the Treasurer with Acting or Assistant Regulators appointed by the Treasurer as appropriate;
- will be required to have regard to the costs and benefits of his or her actions before performing any function or exercising any power under the ER Act;
- may inform stakeholders and the broader community about activities that previously required newspaper advertisement in such a manner as the Regulator considers appropriate, except in the case of public hearings; and
- may appoint members of any advisory committee that he or she establishes.

The Regulator has been undertaking a review of its processes, guidelines, and website information to prepare for the changes.

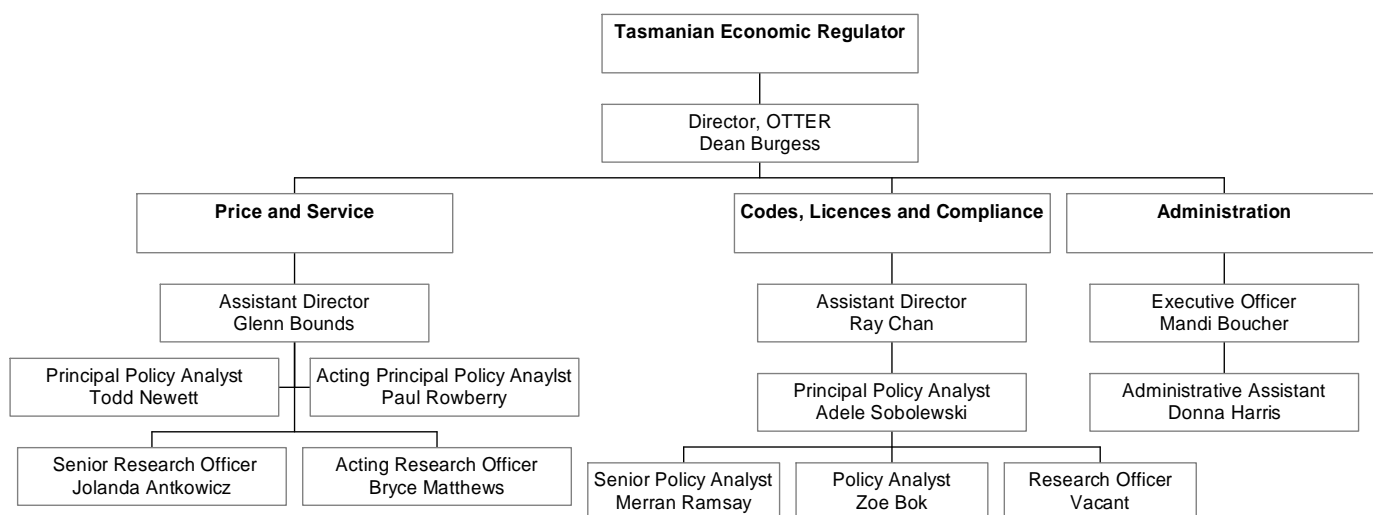
OTTER staff

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

The Office of the Tasmanian Economic Regulator (OTTER) comprises a director and twelve permanent staff, supplemented by fixed term employees as required.

OTTER is comprised of the two functional units (Price and Service; and Codes, Licences and Compliance) supported by an administrative unit.

Figure 2 OTTER organisational chart as at 30 June 2015



Key relationships and acknowledgments

The Regulator has welcomed the input from customers and their representatives through consultation on various matters throughout the year.

Officers of the entities that fall within the Regulator's jurisdiction demonstrated a high standard of professionalism and goodwill in their dealings with the Regulator and OTTER enabling the ongoing implementation of regulatory arrangements.

The Regulator continues to maintain productive working relationships with Government agencies in Tasmania and regulators in other jurisdictions including:

- Department of Treasury and Finance;
- Energy Policy Branch, Department of State Growth;
- Department of Primary Industries, Parks, Water and Environment (DPIPWE);
- Ombudsman Tasmania;
- Environment Protection Authority;
- Department of Health and Human Services;
- WorkSafe Tasmania, Department of Justice;
- Australian Energy Regulator (AER);
- Australian Energy Market Commission (AEMC); and
- other Australian regulators.

SUMMARY OF ACHIEVEMENTS

The Regulator's and OTTER's major achievements for 2014-15 are set out in the following table.

Table 1 Summary of achievements in 2014-15

Project	Output	Outcomes	Link to objectives and functions
Energy regulation			
Standing offer prices	Approval of standing offer prices for the period 1 July 2015 to 30 June 2016 in accordance with the 2013 Standing Offer Determination.	Standing offer prices set in accordance with the Regulator's determination of maximum prices for services delivered under standard retail contracts to small customers.	Approval of standing offer prices in accordance with determination. Protecting the interests of electricity consumers.
Regulated feed-in tariff (FiT) rates	Approval of the FiT rate for the period 1 July 2015 to 30 June 2016 in accordance with the 2013 FiT Determination for standard FiT customers.	Efficient provision of electricity retail services to FiT customers. FiT rates set in accordance with the Regulator's determination of standard FiT customers.	Approval of FiT rates in accordance with determination.
Approval of the amended tariff schedule for the Bass Strait Islands (BSI)	Approval of Hydro Tasmania's amended tariff schedule on the BSI in respect of charges for Tariff 51 from 1 July 2015.	Protection of regulated tariffs in respect of both price and conditions of supply.	Protect the interests of electricity consumers.
Monitoring and reporting on the outcomes from the Regulator's administration of regulated wholesale contract activities	Monitor and report on the offering and entering into regulated financial contracts by Hydro Tasmania and the calculation of prices charged by Hydro Tasmania under those regulated contracts.	Educated stakeholders on prices and volumes of regulated contracts offered by Hydro Tasmania on a weekly basis. Confirmation of integrity of the system by ensuring that the prices and volumes offered are consistent with the regulatory requirements.	Establish and maintain an effective wholesale electricity market. Monitor and provide reports in relation to the development of competition in respect of the electricity supply industry.

Project	Output	Outcomes	Link to objectives and functions
Approval of a separate standard form of the Schedule to the ISDA Master Agreement under the wholesale contract regulatory instrument	Approved the existing Schedule, between Hydro Tasmania and ERM Power Pty Ltd and between Hydro Tasmania and Macquarie Bank, as a separate standard form of the Hydro Tasmania Schedule.	Separate standard form of the Hydro Tasmania Schedule for the approved regulated contract types.	Establish and maintain an effective wholesale electricity market. Monitor and provide reports in relation to the development of competition in respect of the electricity supply industry.
Revocation of declaration of frequency control ancillary services (FCAS) as a declared electrical service	Revoked the declaration of FCAS as a declared electrical service, effective 1 February 2016.	Minimising the cost of regulation while maintaining a market monitoring regime to promote efficient market outcomes.	Promoting efficiency and competition in the electricity supply industry. Protecting the interests of electricity consumers.
Energy in Tasmania - Performance Report 2013-14	A comprehensive review of the State's energy supply industry. Report assessing the reliability of the Tasmanian power system.	Confidence by stakeholders of integrity of the system. Energy entities within Tasmania are accountable for delivery of services measured against appropriate standards. Independent assessment of the medium term outlook for Tasmanian power system reliability.	Collecting information and statistics, publishing reports and disseminating information relating to the performance of the industry. Protect the interests of electricity consumers. Monitoring, reviewing and reporting on the performance of the electricity supply industry in terms of reliability of the power system. Protecting the interests of electricity consumers.

Project	Output	Outcomes	Link to objectives and functions
APAYG price comparison report	Report that compares the electricity prices for customers on regulated prices with prices paid by APAYG customers.	Educated customers by providing electricity consumers with comparative cost information to assist in choosing between regulated prices and APAYG prices which are not price regulated.	Protecting the interests of electricity consumers. Collecting information and statistics, publishing reports and disseminating information relating to the performance of the industry.
Price comparison reports	Comparison of 2014 Australian electricity standing offer gas and electricity prices.	Educated customers by providing a comparison of the rates payable by Tasmanian non-contestable customers to the standing offer rates charged in other states and territories.	Collecting information and statistics, publishing reports and disseminating information relating to the performance of the industry.
Compliance monitoring and enforcement	Independent appraisal of: <ul style="list-style-type: none"> ▪ Aurora Energy (Tamar Valley) Pty Ltd – compliance and asset management plans; ▪ Basslink Pty Ltd – compliance and asset management plans; ▪ Woolnorth Wind Farm Holding's Bluff Point Wind Farm – compliance plan; ▪ Hydro Tasmania – regulated wholesale contract pricing arrangements regarding regulated contract volumes and the associated 'traffic light' volume indicators provided for in the Wholesale Contract Regulatory Instrument; 	Entities are compliant with their regulatory obligations and that their management plans are fit for purpose.	Monitoring the compliance of entities with their licence conditions. Protecting the interests of gas and electricity consumers.

Project	Output	Outcomes	Link to objectives and functions
	<ul style="list-style-type: none"> ▪ Tasmanian Gas Pipeline Pty Ltd's (TGP) – compliance plan; and ▪ Audit of Hydro Tasmania's compliance with its 2013-14 Enhancements Compliance Plan. 		
Tasmanian Electricity Code (TEC)	<p>Amended the TEC, Chapter 8A (Vegetation Management) effective 14 January 2015, to implement fire risk areas, vegetation management practices and the customer obligations mandated in Chapter 8A of the TEC.</p> <p>Facilitated ministerial amendment to Chapter 9 (Retailing) of the TEC to strengthen customer protections on the BSI by mirroring those protections provided for customers on Mainland Tasmania under the NECF.</p>	Achieve industry objectives for the on-going development of, and changes to, the Code.	<p>Protecting the interests of electricity consumers.</p> <p>Monitoring and regulating technical standards in the electricity supply industry.</p> <p>Administering and maintaining the TEC.</p>
Customer service charter for the electricity distribution sector	Approval of customer charter for TasNetworks Pty Ltd effective 24 July 2014.	A customer service charter which articulates the obligations, respective rights and responsibilities of the licensed electricity distributor and of customers.	<p>Monitoring the compliance of entities with their licence conditions.</p> <p>Protecting the interests of electricity consumers.</p>

Project	Output	Outcomes	Link to objectives and functions
Hydro Tasmania's BSI terms and conditions and customer charter policy	Approval of the new terms and conditions pertaining to tariff customers on the BSI and BSI Customer Charter, effective 29 May 2015.	Articulation of the obligations, respective rights and responsibilities of licensed entities and of customers.	Monitoring the compliance of entities with their licence conditions. Protecting the interests of electricity consumers.
Review of the Regulator's Regulatory Reporting Guideline	Amended Guideline relating to the reporting requirements imposed under the Basslink Ministerial Notice to remove identified duplications.	Achievement of efficient management practices on how the Regulator will exercise its regulatory powers to conduct review of compliance and management plans. Improve the quality of performance measurement.	Monitor the performance of the electricity, gas, water and sewerage industries and report on the performance of regulated entities. Collect information relating to the performance of the industry. Administering the licensing system.
Electricity licensing	The Regulator renewed the electricity generation licence held by Hydro Tasmania for a further ten years, effective 26 November 2014.	Effective regulation of electricity supply in Tasmania.	Administer the licensing system for electricity entities established by the ESI Act.
Gas licensing	The Regulator amended the gas pipeline (construction) licence, effective 12 May 2015, held by TGP to remove the connection to the offtake facility at Cressy.	Effective regulation of electricity supply in Tasmania.	Administer the licensing system for gas entities established by the Gas Act

Project	Output	Outcomes	Link to objectives and functions
Economic regulation of the water and sewerage sector			
Conduct of the second water and sewerage price determination investigation into prices and service standards	<p>Conduct of investigation and making of a price determination for the regulatory period, 1 July 2015 to 30 June 2018.</p> <p>Draft Report on the Regulator's conclusions from its water and sewerage price investigation.</p> <p>Final Report on the investigation.</p> <p>A determination of prices and service standards for the provision of water and sewerage services to customers from 1 July 2015 to 30 June 2018.</p>	Efficient and sustainable provision of reliable and secure water and sewerage services. Price and standards of service are set at levels that will ensure the financial sustainability of TasWater whilst providing sufficient funds to meet other regulatory obligations.	<p>Making price determinations and regulation of prices, terms and conditions for regulated services.</p> <p>Protect the long term interests of customers.</p>
Price and Service Plan	Approval of a revised TasWater price and service plan, effective 18 June 2015, that sets out proposed prices and services to comply with the Regulator's Final Report and Price Determination for the second regulatory period.	Clearly explained TasWater's obligations with respect to the content of its price and service plan.	<p>Regulation of prices, terms and conditions for regulated services.</p> <p>Protect the long term interests of water and sewerage customers.</p> <p>Efficient and sustainable provision of reliable and secure water and sewerage services.</p>
Customer service code	Amendment of the customer service code, effective 29 April 2015, to include fast track provisions to avoid unnecessary consultation on amendments to the Code in cases where the	Application of minimum service standards and conditions of supply for regulated water and sewerage services.	<p>Regulation of prices, terms and conditions for regulated services.</p> <p>Establishment and administration of the customer service code.</p> <p>Protect the long-term interests of water and sewerage customers.</p>

Project	Output	Outcomes	Link to objectives and functions
	<p>amendments are non-discretionary or where consultation on the proposed amendments has already been undertaken as part of another process. In addition, a series of minor administrative amendments were proposed, as well as an amendment concerning the timing of the issuing of accounts.</p> <p>Further amendment of the customer service code, effective 1 July 2015, reflecting the revised minimum service standards for application in the second regulatory period, the issue of accounts and a minor editorial amendment.</p>		
Revised customer charter	Approval of amendments to TasWater's customer charter to reflect revised customer service standards and minor changes including adjustment of bills and issuing of accounts relating to the provisions of the customer service code.	Articulation of the obligations, respective rights and responsibilities of TasWater and of customers in respect of the provision of water and sewerage services.	<p>Regulation of prices, terms and conditions for regulated services.</p> <p>Establishment and administration of the customer service code.</p> <p>Protect the long-term interests of water and sewerage customers.</p>

Project	Output	Outcomes	Link to objectives and functions
Compliance monitoring and enforcement	Independent appraisal of TasWater's compliance plan and emergency management plan.	Entities are compliant with their regulatory obligations.	Regulation of prices, terms and conditions for regulated services. Monitoring the compliance of entities with their licence conditions. Protect the long-term interests of water and sewerage customers.
Tasmanian Water and Sewerage State of the Industry Report 2013-14	A comprehensive review of the State's water and sewerage sector.	Increased stakeholder awareness of the state and performance of the State's water and sewerage sector.	Monitor the performance of the water and sewerage industry and report on the performance of regulated entities.
Competitive Neutrality and monopoly pricing policies			
Approval of MAIB insurance premiums	Approval of MAIB's proposed premiums for the period 1 December 2014 to 30 November 2015.	Proposed premiums that are consistent with the Government's MAIB Order which specifies maximum premiums that may be charged by the MAIB.	Approval of prices or pricing policies of a monopoly service provider for which an order has been made by the Government.
Approval of Metro Tasmania bus fares	Approval of Metro Tasmania's bus fares and pricing policies from 4 January 2015.	Proposed fares that are consistent with the Government's Metro Pricing Order that specifies maximum prices for full adult fares that may be charged by Metro Tasmania.	Approval of prices or pricing policies of a monopoly service provider for which an order has been made by the Government.

ELECTRICITY REGULATION

Regulatory framework

In administering the ESI Act, the TEC and other related regulatory instruments, the Regulator's objectives include:

- promoting efficiency and competition in the electricity supply industry;
- establishing and maintaining a safe and efficient system of electricity generation, transmission, distribution and supply;
- establishing and enforcing proper standards of safety, security, reliability and quality in the electricity supply industry; and
- protecting electricity consumers interests.

The Regulator's functions include:

- administering the licensing system for electricity entities;
- monitoring and providing reports in relation to the development of competition in respect of the electricity supply industry;
- monitoring and regulating technical standards in the electricity supply industry;
- monitor and enforce the compliance of electricity entities with their licence conditions;
- performing and exercising the functions and powers of jurisdictional regulator in respect of Tasmania under the National Electricity Rules (NER);
- issuing, maintaining and enforcing the TEC; and
- carrying out other functions assigned to the Regulator under the ESI Act, the regulations and the TEC.

The Regulator's functions under electricity legislation reflect that some electricity entities have significant market power in the Tasmanian electricity market. In this environment, most customers currently require the protection of regulated prices in respect of both price and conditions of supply as customers cannot negotiate on an equal footing with the service providers. However, larger customers can negotiate successfully even when dealing with a monopoly provider.

While the Regulator has certain statutory responsibilities, the main responsibility for compliance with regulatory obligations rests with the entities. The approach taken in all licences has been 'light handed'. That is, the Regulator does not seek to intervene in the day-to-day management of the entities, but rather seeks to ensure that all stakeholders are provided with sufficient information to properly assess the

performance of the entities in meeting their regulatory obligations. Consequently, the Regulator's primary emphasis is on transparency and disclosure, rather than investigations and sanctions.

Regulator reforms - electricity

Following the Government's review of the Regulator's roles and functions, there are a number of legislative changes that will be introduced for the electricity industry as part of the implementation of the ER Amendment Act. These amendments necessitate planning and preparatory work by the Regulator, including reviewing processes, guidelines, and information on the Regulator's website, to reflect that the Regulator:

- will have a new power to impose a monetary penalty on electricity entities that contravene their licence conditions or their obligations under the ESI Act;
- at least once every three years, on his or her own initiative, or if directed by the Minister for Energy and the Treasurer, is to conduct a review into, and report on, the reliability of network services;
- may prepare a State of the Industry Report on the electricity industry on his or her own initiative or at the direction of the Minister for Energy and the Treasurer;
- may prepare a Price Comparison Report comparing electricity (and gas) prices available to small customers across Australian jurisdictions on his or her own initiative or if directed to do so by the Pricing Minister; and
- is to prepare an annual Prepayment Price Comparison Report comparing the electricity costs facing prepayment meter (Aurora Pay As You Go) customers and standing offer price customers in Tasmania.

National Energy Customer Framework

The Council of Australian Governments (COAG) agreed in 2006 to develop a new National Energy Customer Framework (NECF) governing the sale and supply of energy (electricity and natural gas) to retail customers. The COAG tasked the Ministerial Council on Energy with responsibility for developing and implementing the NECF. The legislative package was introduced to the South Australian Parliament and passed on 9 March 2011 with Royal Assent received on 17 March 2011.

The NECF legislative framework commenced on mainland Tasmania from 1 July 2012, but was not applied to the gas industry. NECF replaced the majority of the Tasmanian electricity regulatory framework that regulated the customer, retailer, and distributor relationship. However, retail pricing remains a jurisdictional responsibility.

Since the implementation of NECF, the Regulator has continued to undertake the following activities:

- (1) administering the licensing system for:
 - generation;
 - transmission;

- distribution; and
 - retail (on the Bass Strait Islands (BSI) only));
- (2) monitoring and enforcing the compliance of licensees with their licence conditions - which includes appraising management and compliance plans and issuing guidelines;
 - (3) performance monitoring and reporting (retail related reporting is aligned with national retail data requirements, but may also report and assess matters which are of specific interest to Tasmania);
 - (4) conducting reliability review and reporting;
 - (5) monitoring and reporting on incidents;
 - (6) conducting and preparing special reports as requested by the Minister;
 - (7) undertaking other prescribed functions, including:
 - Retail Pricing Investigations;
 - making and administering Price Determinations;
 - enforcing compliance with the Guaranteed Service Level Incentive Scheme;
 - approving, and enforcing compliance with, standing offer prices for small customers on mainland Tasmania;
 - approving, and enforcing compliance with, tariffs (prices and terms and conditions) for the BSI;
 - providing customer education on contestability;
 - ensuring Hydro Tasmania complies with its Enhancement Compliance Plan;
 - monitoring the development of competition; and
 - (8) performing and exercising the functions and powers of the Jurisdictional Regulator in respect of Tasmania under the NER.

Electricity licensing

Licensees

The ESI Act provides for the Regulator to issue licences for generation, transmission, distribution, and retail (on the BSI) operations in the Tasmanian electricity supply industry.

In 2014-15, there were ten existing generation licensees in place.

- The Hydro-Electric Corporation (Hydro Tasmania) holds a generation licence for the operation of hydroelectric generators on mainland Tasmania. Hydro Tasmania also holds retail, distribution

and generation licences for the electricity generation and supply assets and retail operations on King Island and Flinders Island.

- Aurora Energy (Tamar Valley) Pty Ltd holds a generation licence for the operation of four open cycle gas turbines and a combined cycle gas turbine (total installed capacity of 399 MW).
- Woolnorth Bluff Point Wind Farm Pty Ltd holds a generation licence to operate 37 wind turbine generators near Studland and Calm Bays (64.75 MW).
- Woolnorth Studland Bay Wind Farm Pty Ltd holds a generation licence to operate 25 wind turbine generators near Studland Bay (75 MW).
- LMS Energy Pty Ltd (formerly LMS Generation Pty Ltd) holds a generation licence to operate two landfill gas-fuelled generators at Remount Road, Launceston (2.2 MW).
- AGL Energy Services Pty Ltd holds a generation licence to operate landfill gas-fuelled generators at Jackson St, Glenorchy (1.6 MW) and at McRobies Gully, Hobart (1 MW).
- Cascade Renewable Energy Pty Ltd holds a generation licence to operate an impulse type hydro turbine connected to the existing irrigation pipe from the Cascade Dam (1.15 MW).
- Musselroe Wind Farm Pty Ltd holds a generation licence for up to 80 wind turbines at the Musselroe Wind Farm in Cape Portland (168 MW).
- Tasmanian Irrigation Pty Ltd holds a generation licence to operate a mini-hydro generator at Meander Dam, Huntsman Road (2 MW) and at the Lower Midlands (6078 kW).
- Simplot Australia Pty Ltd holds a generation licence for a 7.9 MW gas turbine generator at the Simplot Ulverstone Production Facility.

Basslink Pty Ltd (Basslink) is the holder of a Tasmanian electricity transmission licence to undertake the transmission of electricity over those sections of the Basslink interconnector system located within the Tasmanian jurisdiction.

In addition, Tasmanian Networks Pty Ltd (TasNetworks) holds licences for both electricity transmission and distribution in Tasmania.

Licence amendments

There were no electricity licence amendments in 2014-15.

New licensees

There were no new electricity licences issued in 2014-15.

Licence surrenders

There were no electricity licences surrendered in 2014-15.

Licence renewals

On 17 October 2014, the Regulator renewed the electricity generation licence held by Hydro Tasmania for a further ten years, effective on 26 November 2014.

Licence non-approvals

For the period 2014-15, all electricity licence applications received (for renewal) were approved.

Licence transfers

On 1 July 2014, the transfer of the electricity transmission licence held by the former Transend Networks Pty Ltd and the electricity distribution licence held by Aurora Energy Pty Ltd (Aurora Energy) to TasNetworks became effective.

Electricity retail contestability

Electricity retail competition

On 1 July 2014, retail competition was extended to all electricity customers on mainland Tasmania. From this time, all customers on mainland Tasmania have had the option of entering into a market retail contract with Aurora Energy or a new entrant retailer. Under the National Customer Energy Framework, regulated (standing offer) prices remain available for small customers who have not entered into a market retail contract.

Contestable customer education

The Regulator continues to maintain the 'Power to Choose' website in line with its function to provide customers with information that the Regulator thinks relevant in respect of matters relating to retail competition. OTTER also responds to telephone and written enquiries that it receives on behalf of the Regulator on matters relating to the retail electricity market.

Standards and guidelines

Amendments to the Tasmanian Electricity Code

Amendments to Chapter 8A

In December 2014, the Regulator consulted on proposed amendments to Chapter 8A (Vegetation Management) of the Tasmanian Electricity Code (TEC) after receiving a code change proposal from TasNetworks in September 2014.

The proposed amendments implemented changes to fire risk areas, vegetation management practices and the customer obligations mandated in Chapter 8A of the TEC.

The amendments were developed in conjunction with the Tasmanian Fire Service (TasFire) and followed a vegetation management workshop attended by officers from OTTER, TasNetworks, TasFire, the Department of State Growth and WorkSafe Tasmania.

Consultation on the code change proposal closed on 19 December 2014. No submissions were received other than a letter of endorsement from TasFire. The Regulator amended the TEC accordingly, effective 14 January 2015.

Ministerial amendment to Chapter 9

On 22 April 2015, the Minister for Energy rescinded and substituted Chapter 9 (Retailing) of the TEC, with consequential amendments to Chapter 14 (Glossary).

The code changes, made by ministerial amendment, were developed by the Department of State Growth and aim to strengthen customer protections on the BSI by mirroring those protections provided for customers on Mainland Tasmania under the NECF. The amendments include changes to the BSI Retailer's Terms and Conditions, Customer Charter and Hardship Policy and became effective on 29 May 2015.

Amendment to the Electricity Supply Industry Information and Performance Reporting Guideline

As a result of a Department of Treasury and Finance review of the reporting requirements imposed under the Basslink Ministerial Notice, Hydro Tasmania made a number of suggestions to the Regulator aimed at streamlining reporting requirements with respect to its wholesale contracting activities.

The Regulator reviewed the requirements imposed under its Electricity Supply Industry's Performance and Information Reporting Guideline and under the Ministerial Notice together with Hydro Tasmania's suggestions and subsequently made amendments to the Guideline to remove the identified duplications.

Performance monitoring and reporting

Quarterly and annual performance reporting

In accordance with clause 12.8.2 of the TEC, all entities licensed under the ESI Act are required to report to the Regulator on their performance by 30 September each year. During 2014-15, the Regulator also used its general information gathering powers under section 15 of the ESI Act to require Aurora Energy, Hydro Tasmania (Bass Strait Islands) and ERM Power Retail to submit quarterly performance reports.

Performance reports outline an entity's actual performance compared to a number of performance targets/indicators and must be prepared in accordance with any guidelines produced by the Regulator. In this regard, the Regulator's Electricity Supply Industry Performance and Information Reporting Guideline, provides guidance to licence holders on the requirements for quarterly and/or annual performance reporting including explanatory contextual information.

The respective performance targets/indicators that are reported against are determined by the Regulator in consultation with the relevant entity.

Monitoring the electricity market and the development of competition

Under Tasmanian legislation, the Regulator has a number of obligations to monitor the development of competition and the ongoing performance of the NEM within Tasmania. By the end of June 2015,

Tasmania had completed ten full years of operation in the NEM. Monitoring of the NEM focuses on the conditions that affect competition within the NEM in Tasmania. The Regulator also utilises the results of monitoring undertaken by other regulatory bodies, in particular the AER and Australian Energy Market Operator (AEMO).

In July 2012, Tasmania implemented the NECF, with the regulation and authorisation of electricity retailing moving to the AER. Under NECF, the Regulator has continued to carry out its retail price regulation role and the administration of the electricity licensing and compliance regime for generation, transmission, distribution and, on the BSI, electricity retailing. The Regulator also retained its performance, reliability and incident monitoring and reporting responsibilities.

Observations and analysis of the electricity market are reported in the Energy in Tasmania Performance Report 2013-14 including data on energy market turnover, wholesale electricity spot prices, energy demand, Basslink flows and ancillary services.

Tasmanian energy supply industry performance report 2013-14

In January 2015, the Regulator published its annual review of the State's energy supply industry. The Energy in Tasmania - Performance Report 2013-14 provides a whole-of-industry snapshot by including information on electricity and gas as well as other fuel sources, such as petroleum, coal and wood.

The Energy in Tasmania - Performance Report reviews the service standards, quality, reliability and pricing in the energy supply industry in Tasmania and seeks to make the Tasmanian energy entities publicly accountable for their performance. The report draws upon annual performance reports and annual returns submitted by regulated electricity and gas entities to the Regulator, and where applicable provides interstate comparisons.

The Report also incorporates the Regulator's reliability review, previously reported separately, which looks at the power system's technical performance throughout the year.

The Regulator reviewed the 2012-13 report in May 2014. However due to impending review of the Economic Regulator's functions the Regulator decided to continue the report in its current format for 2013-14 with some minor changes which included:

- conducting the reliability review in-house to reduce regulatory costs for electricity entities;
- improving data collection, thereby reducing manual data manipulation;
- rationalising the report's structure to minimise duplication; and
- improving the report's readability.

Tasmanian Market Watch - weekly market bulletins and data analysis

In order to meet its objectives of protecting electricity consumer's interests, the Regulator keeps itself informed on a range of issues relating to the electricity supply industry, including the dynamics and operations of the wholesale electricity and ancillary services markets.

Since July 2011, the Regulator has published a weekly electricity market bulletin, 'Tasmanian Market Watch' (Market Watch), that summarises the outcomes of the NEM in the Tasmanian region, as well as other information on factors affecting the electricity supply industry in Tasmania.

The Regulator became responsible for regulating Hydro Tasmania's wholesale contract activities from 1 January 2014 and continued to carry out this role during 2014-15. The outcomes from its monitoring of Hydro Tasmania's wholesale electricity contract pricing activities were added to the Market Watch in August 2014 in the form of a graph of prices the week for all four regulated contracts for all quarters Hydro Tasmania must offer regulated contracts (ie quarters that satisfy the open interest test) and a diagram showing the applicable traffic light indicator for the next eight quarters.

Market Watch and a supplementary user guide and glossary are available on the Regulator's website, as is information on wholesale price regulation.

Monitoring and reporting wholesale contract regulation

From 1 January 2014 the Regulator became responsible for administering the electricity wholesale contracting regulatory framework.

This involves regulating certain financial contracting Hydro Tasmania undertakes with electricity retailers in the Tasmanian market.

In particular, section 43L(3) of the ESI Act requires the Regulator to monitor and report on Hydro Tasmania's offering of, and entering into, regulated financial contracts with retailers and the subsequent calculation of prices Hydro Tasmania charges under those regulated contracts.

The regulatory framework is designed to support the introduction of competition to the Tasmanian retail electricity market by creating an environment whereby a retailer operating in Tasmania faces the same risks with respect to electricity purchases as a retailer operating in another NEM state or territory.

The Regulator monitors Hydro Tasmania's activities in wholesale contracting on an ongoing basis.

Comparison of Australian standing offer energy prices

The Regulator produces a six monthly report which compares prices paid by residential electricity and gas customers in Tasmania with the prices paid in other Australian jurisdictions, including a comparison of prices taking into account concessions available in each jurisdiction. The report also compares prices paid by small business customers for electricity and natural gas. Comparison reports were released in September 2014 and March 2015 and are available on the Regulator's website: www.economicregulator.tas.gov.au.

APAYG price comparison reports

In addition to its regulated standing offer price product, Aurora Energy also has a Pay As You Go (APAYG) product for residential customers which offers Time of Use pricing and the ability to prepay before using the power.

The Regulator does not regulate APAYG prices, but monitors and reports on price movements. The comparison of APAYG costs with regulated prices is provided to assist customers assess if they should stay on APAYG or switch to standing offer prices.

The report compared APAYG rates effective from 19 July 2014 with the standing offer prices available for residential customers as at 1 July 2014.

Incident reporting

Incidents that occur in the electricity supply industry may impact on the level of reliability, security and quality of electricity supplied to electricity consumers, and can identify vulnerable areas in the electricity supply chain. Significant incidents or recurring smaller incidents may highlight, among other things, poor maintenance procedures, inadequate services and facilities or inadequate processes and procedures.

The Regulator considers it important that electricity entities adequately respond to incidents and has issued a Guideline on Incident Reporting for the Tasmanian Electricity Supply Industry. The Guideline requires the relative electricity entity to investigate the incident and provide a report outline the nature of the incident, the impact of the incident on the supply of electricity and or customers, and the steps the entity has undertaken or will undertake to eliminate or control the underlying cause of the incident.

Summaries of significant incidents are published on the Regulator's website. Some incidents are also investigated by AEMO resulting in a report being published on its website. During 2014-15 there were two incidents that met the 'significant incidents' criteria, with AEMO investigating one of these incidents. The Regulator monitors the implementation of recommendations arising out AEMO's investigation of incident reports.

Price regulation

Revocation of declaration of Frequency Control Ancillary Services (FCAS) as a declared electrical service

AEMO is responsible for ensuring that the Tasmanian power system operates within the frequency operating standards it has set. To do this, AEMO purchases services from NEM participants.

In response to concerns raised in 2009 about FCAS price spikes that occurred at that time, the Regulator declared raise contingency FCAS to be a declared electrical service and conducted an FCAS investigation, resulting in an FCAS price determination. The determination, the 2011 FCAS Price Determination, expires on 31 January 2016.

In accordance with the *Electricity Supply Industry (Pricing and Related Matters) 2013* the Regulator is required, at least six months prior to the expiry of an existing determination, to seek submissions from interested parties on whether an existing declaration of a service as a declared electrical service should be retained or revoked.

The Regulator published a Consultation Paper on 27 April 2015 outlining the circumstances that, in the Regulator's view, warranted the revocation of the declaration. The Regulator invited submissions on this proposal during a consultation period which ended on 15 May 2015.

Two submissions were received and, after considering the issues raised, the Regulator decided to revoke the declaration in accordance with section 40AD(4) of the ESI Act. The revocation takes effect from 1 February 2016 on the expiry of the determination. The Regulator will, however, continue to monitor raise FCAS pricing to ensure that regulatory action can be taken if evidence is found of inappropriate FCAS pricing.

The Regulator published a Statement of Reasons on its website on 24 June 2015 providing the reasons for the revocation and also published a Notice of Revocation in the Tasmanian Government Gazette.

Approval of a separate standard form of the Schedule to the ISDA Master Agreement under the Wholesale Contract Regulatory Instrument

The Wholesale Contract Regulatory Instrument lists four approved types of contract that are available to retailers to manage the financial risks they face when retailing electricity to small customers in Tasmania. The Wholesale Contract Regulatory Instrument also specifies the approved standard form of each of the approved contract types together with the alterations that may be made to each of those standard forms.

The Wholesale Contract Regulatory Instrument allows a separate standard form of the Hydro Tasmania Schedule, to be approved by the Regulator as a separate standard form of each contract.

Hydro Tasmania and Aurora Energy as well as Hydro Tasmania and ERM Power and Hydro Tasmania and Macquarie Bank are parties to an existing International Swaps and Derivatives Association (ISDA) 2002 Master Agreement and an associated Schedule (existing Schedule).

Hydro Tasmania and ERM Power jointly wrote to the Regulator on 17 March 2015 seeking the Regulator's approval of the existing Schedule as a separate standard form of the Hydro Tasmania Schedule (Clauses 5.1(b) and 5.1 (c) of the Wholesale Contract Regulatory Instrument), to apply to the four approved regulated contract types.

After reviewing the joint request and being satisfied that it met the criteria contained in the ESI Act and in the Wholesale Contract Regulatory Instrument the Regulator gave its approval on 27 March 2015 and published details on its website shortly thereafter.

On 28 April 2015, Hydro Tasmania and Macquarie Bank also jointly wrote to the Regulator to seek approval of the existing Schedule as a separate standard form of the Hydro Tasmania Schedule. The Regulator gave its approval on 15 May 2015 and published details on its website shortly thereafter.

Standing offer price approvals

Approval of standing offer prices to apply from 1 July 2015 to 30 June 2016

On 29 May 2015 the Regulator received Aurora Energy's Standing Offer Pricing Proposal setting out its proposed standing offer prices for the period 1 July 2015 to 30 June 2016.

This was a draft proposal as, at that stage, the AER had not approved TasNetworks Distribution's Pricing Proposal for 2015-16 such that the final distribution costs for 2014-15 were not available. The AER approved TasNetworks Distribution's Pricing Proposal on 12 June 2015 and Aurora Energy submitted its final Standing Offer Pricing Proposal on 15 June 2015.

The Regulator reviewed the Standing Offer Pricing Proposal and verified that the proposed standing offer prices complied with the requirements set out in the *2013 Interim Price-regulated Retail Service Price Determination* (2013 Standing Offer Price Determination).

On 19 June 2015 the Regulator approved standing offer prices for the period 1 July 2015 to 30 June 2016 which represented a 1.95 per cent price increase compared to prices applying for the period 1 July 2014 to 30 June 2015. The price increase was primarily due to increases, relative to 2014-15, in network charges (a small decrease in transmission costs offset by a larger increase in distribution costs) and renewable energy program costs, which have been partially offset by a decrease in Aurora Energy's costs of buying electricity.

Copies of Aurora Energy's pricing proposal and supporting documents are available on the Regulator's website.

Regulated Feed-in Tariff rate

In June 2015 the Regulator determined and published the Feed-in Tariff (FIT) rate to apply from 1 July 2015 for standard FIT customers, which is the third period of the regulatory period covered by the Regulator's *2013 Regulated Feed-in Tariff Determination for Standard Feed-in Tariff Customers* which was made in December 2013.

The regulated FIT rate to apply from 1 July 2015 (5.500 c/KWh) was slightly lower than the rate that applied for the period 1 July 2014 to 30 June 2015 (5.551 c/KWh) due to a small reduction in the wholesale electricity price (WEP) for the 2015-16 financial year. Movements in the WEP have a major impact on the calculation of the regulated FIT rate as outlined in the formula set out in the FIT Determination.

Bass Strait Island tariffs

Under the ESI Act, Hydro Tasmania is required to submit a draft of any proposed amendments to the BSI tariff schedule for the Regulator's approval.

In August 2014, Hydro Tasmania sought the Regulator's approval for its proposed amended tariff schedule for the BSI Tariff (tariff 51) and fee-based charges, to apply from 1 September 2014.

The Regulator approved the proposed amended tariff schedule on 7 August 2014.

In April 2015, Hydro Tasmania sought the Regulator's approval for its proposed amended tariff schedule for the BSI Tariff (tariff 51) and fee-based charges, to apply from 1 July 2015.

The Regulator approved the proposed amended tariff schedule on 17 June 2015.

The supply of electricity on the BSI has not been declared under the provisions of the Price Control Regulations, as the Regulator was of the view at the time that the price for this service was effectively regulated through the provision of a Community Service Obligation (CSO) contract between Hydro Tasmania and the Government.

In giving approval for any amendments to the BSI tariff schedule the Regulator is therefore not required to consider the prices contained in that schedule, or whether the prices agree with the CSO contract.

Given this, the Regulator relies instead on advice from Treasury that the proposed tariffs comply with Government policy in relation to BSI pricing.

Compliance monitoring and enforcement

Independent appraisal of compliance and management plans of electricity supply entities

The Regulator seeks assurance that entities' management plans and compliance plans are adequate and that entities are complying with those plans by engaging suitably qualified, independent appraisers. These appraisers evaluate the risks of non-compliance by examining the relevant entity's processes, policies and procedures. In addition the appraisers review management plans and compliance plans, and performance outcomes.

The Regulator is not required to approve the appraisal reports it receives. Rather, the Regulator considers the reports, raises any particular areas of concern with the relevant entity, and then monitors the implementation of the recommended outcomes. During 2014-15, the Regulator completed a number of independent appraisals.

In November 2014, Ascension Consulting Pty Ltd forwarded its final report for the independent appraisal of Aurora Energy (Tamar Valley) Pty Ltd's (AETV's) compliance and asset management plans to the Regulator. The appraiser found that AETV has a strong compliance culture and its documentation, systems and processes adhere to relevant Australian Standards. The review also identified several improvement opportunities and the Regulator will monitor AETV's implementation of these suggested improvements.

On 19 November 2014, WorleyParsons' provided its final report for the independent appraisal of Basslink's compliance and asset management plans to the Regulator. The appraiser found that Basslink's compliance plan is designed, implemented and maintained in accordance with the principles outlined in Australian Standard AS3806-2006. With respect to Basslink's asset management plan, the appraiser found that the plan did not define the level of service nor how performance would be monitored against the required service level. However, WorleyParsons considered Basslink to be an industry leader in aspects of its asset management practices. As part of its review, the appraiser identified a series of recommendations for Basslink's consideration. The Regulator will monitor Basslink's implementation of these suggested improvements.

Ascension Consulting Pty Ltd provided the Regulator with its final report for the independent appraisal of Woolnorth Wind Farm Holding's Bluff Point Wind Farm Compliance Plan on 24 June 2015. The appraiser found that Bluff Point Wind Farm has a strong compliance culture and that there was evidence in the review that the compliance plan was being implemented. As part of its review, the appraiser identified a series of recommendations for Bluff Point Wind Farm's consideration. The Regulator will consider the final report in 2015-16.

Independent Appraisal of Wholesale Regulated Contract Volume Procedures

On 5 August 2014, the Regulator required Hydro Tasmania to undertake and complete an independent appraisal of its compliance with the Wholesale Contract Regulatory Instrument in relation to regulated contract volumes and the associated 'traffic light' volume indicators. Hydro Tasmania nominated

Ernst & Young to undertake the audit and on 11 May 2015, the Regulator was provided with the final report for the appraisal.

In general, the appraiser concluded that there was process and control maturity across model governance, model inputs and offer receipt; and management reporting processes have been classified between 'developing' and 'established'. However, the appraiser made a number of observations, such as the fact that key model input processes are reliant on manual processes, independent model input checks are yet to be implemented and there is a key person risk in the process. Based on these findings, the appraiser identified a series of recommendations for Hydro Tasmania's consideration. The Regulator required Hydro Tasmania to keep it informed about progress in completing these tasks.

Hydro Tasmania's enhancement compliance audit

Even though the energy market is contestable, Hydro Tasmania remains the dominant generator in Tasmania and the capacity of Basslink to facilitate competition from interstate generators depends on the ability of retailers to enter into hedge contracts. Hydro Tasmania has purchased the rights to interregional settlement residues in return for a facility fee payable to Basslink's owners. In response to concerns about market power, the Tasmanian Government has prohibited Hydro Tasmania from giving certain bidding instructions to Basslink. Hydro Tasmania is obliged to sell down the rights to import inter-regional residues to allow other generators and retailers to hedge transactions with mainland generators.

On 31 July 2005, the Treasurer issued a Notice under section 36 of the ESI Act, detailing the principles that Hydro Tasmania must follow in relation to the operation of Basslink. The Notice stated that the functions of the Regulator are to monitor and enforce the compliance of Hydro Tasmania with section 37 of the ESI Act, which requires Hydro Tasmania to draft a compliance plan, 'Enhancements Compliance Plan', for approval by the Treasurer that specifies the manner in which Hydro Tasmania will comply with the principles contained in the Notice. Hydro Tasmania's compliance with its 'Enhancements Compliance Plan' is audited by a person approved by the Regulator.

The then Treasurer issued revised Ministerial Notices to Hydro Tasmania on 8 February 2008 and 9 May 2008.

On 24 June 2014, the Regulator approved the Terms of Reference for the Auditor-General to audit Hydro Tasmania's compliance with its 2013-14 Enhancements Compliance Plan.

The Auditor-General's report concluded that Hydro Tasmania had, in all material respects, complied with its compliance plan for the operating period ending 30 June 2014.

Compliance Enforcement Policy

To ensure clarity on the enforcement action of the Regulator for the purpose of securing compliance, the Regulator issued, in November 2010, a Compliance Enforcement Policy applicable to the electricity, gas and water and sewerage industries.

The policy specifically sets out the framework that the Regulator intends to use when dealing with contraventions of compliance obligations. It further guides licensees as to the types of processes the Regulator intends to follow in response to information it is provided, or has obtained, regarding compliance contraventions prior to taking enforcement action. The Policy also informs licensees of the

factors the Regulator may take into account in deciding whether enforcement action should be taken and the form of that action.

Amendment to Hydro Tasmania's BSI terms and conditions, customer charter and credit management policy

On 22 April 2015, the Minister for Energy rescinded and substituted Chapter 9 (Retailing) of the TEC.

Chapter 9, Part A, of the TEC is specific to the BSI and imposes obligations on the electricity retailer to develop and maintain a customer charter and policies pertaining to tariff customers on the BSI. Consequential to the ministerial amendments, a number of these existing Hydro Tasmania (as the licenced retailer for the BSI) documents required amendment.

Accordingly, on 10 April 2015, in anticipation of the ministerial code change, Hydro Tasmania submitted the following documents for the Regulator's approval/comment:

- BSI Terms and Conditions (for approval);
- BSI Customer Charter (for approval); and
- BSI Credit Management Policy (for comment).

For record only, Hydro Tasmania also lodged its Hardship Policy (approved by the AER) to be applied on the BSI.

On 24 April 2015, pursuant to a transitional provision included in Part A, Chapter 9 of the TEC, the Regulator approved the new BSI Terms and Conditions and BSI Customer Charter, to take effect on 29 May 2015.

TasNetworks Customer Charter Approval

On 1 July 2014, the network businesses of Aurora Energy and Transend Networks Pty Ltd (Transend) amalgamated to form TasNetworks. The merger took effect by way of two Notices of Transfer issued by the Treasurer, pursuant to section 19(1) of the *Electricity Reform Act 2012*, transferring all assets, rights and liabilities from the network businesses to TasNetworks. This included the electricity distribution licence held by Aurora Energy and the electricity transmission licence held by Transend. The Notices were published in the Government Gazette of 25 June 2014, effective 1 July 2014. Consequently, the Regulator amended the licences of Aurora Energy and Transend to transfer these two licences to TasNetworks, effective 1 July 2014.

Under Clause 8.3.1 of the TEC, all licensed electricity distributors are required to have a customer charter, approved by the Regulator. Accordingly, on 11 July 2014, TasNetworks, in its capacity as a licensed distributor for mainland Tasmania, submitted its Customer Charter for approval. On 24 July 2014, the Regulator approved the Customer Charter.

Compliance breaches

Hydro Tasmania – FCAS pricing and the quarterly wholesale trading activity report

In letters dated 17 February 2015 and 3 March 2015, Hydro Tasmania wrote to the Regulator advising of identified compliance breaches within the organisation. These were in relation to an error in Hydro Tasmania's FCAS regulated pricing calculation and an error in, as well as the late provision to the Regulator of, Hydro Tasmania's quarterly wholesale trading activity report (for quarter four, 2014).

The correspondence outlined that an audit of the calculation of the FCAS safety net price had highlighted an error in that computation on two occasions since the year 2011. This was explained by Hydro Tasmania as being due to a missing formula in a spreadsheet column and the use of an incorrect period to retrieve FCAS source data.

Notwithstanding the error in the calculation, it was noted that, on this occasion, there were no associated financial impacts as no parties (that is, other Tasmanian generators) had purchased contracts during the period in question. Furthermore, that the errors had, in fact, caused a lower price to be posted on Hydro Tasmania's external webpage. Therefore, had contracts been purchased it would have been to the purchaser's advantage and resulted in Hydro Tasmania foregoing some revenue.

In addition, Hydro Tasmania advised that it had reinforced the controls around the FCAS regulated pricing calculation to reduce the likelihood of any future errors of this nature.

In its correspondence of 3 March 2015, Hydro Tasmania noted that an error identified in relation to its wholesale trading activity report for quarter four, 2014 had resulted in the report showing zero 'Regulated Contracts Sold' for the period instead of the correct number of two.

Hydro Tasmania assessed the impact of this error as minimal as the incorrect figure was not used for any decision making. Hydro Tasmania also indicated that it would be implementing a checklist for verification of report data by an independent party (within the business). This process was to be in place by 13 March 2015.

With respect to the late provision, to the Regulator, of the quarterly report for quarter four, 2014, Hydro Tasmania advised that it was an unintentional case of human error. Hydro Tasmania also advised that it had subsequently provided for additional controls within its input data gathering spreadsheet for the regulated pricing process with additional 'reminder' prompts for the report to be compiled and sent.

In light of the mitigation actions Hydro Tasmania took since the aforementioned issues were identified, the Regulator decided not to pursue any compliance action against Hydro Tasmania in this regard. However, the Regulator did write to Hydro Tasmania, acknowledging the errors and noting the measures that Hydro Tasmania had taken action to avoid similar issues occurring in the future.

Hydro Tasmania – submission of draft enhancement compliance plan

The Minister's Notice issued under Section 36 of the ESI Act requires Hydro Tasmania to prepare a draft Enhancement Compliance Plan that gives effect to the principles established in the Notice and submit it to the Treasurer by 31 March each year. On 18 June 2015, Hydro Tasmania advised the Regulator that due to an administrative oversight, the draft Enhancement Compliance Plan 2014-15 was submitted to

the Treasurer after 31 March 2015. The Regulator subsequently required Hydro Tasmania to bring this compliance breach to the attention of the auditor as part of the Enhancement Compliance Plan Audit for 2014-15.

The cost of electricity regulation

Structure of electricity licence fees

Licensed electricity supply entities meet the Regulator's budgeted revenue requirements through the annual payment of licence fees. Fees are imposed in accordance with a 'structure of licence fees' developed by the Regulator in consultation with licensees and subsequently published on the Regulator's website www.economicregulator.tas.gov.au. The 'Structure of licence fees for the electricity, gas and water and sewerage sectors' paper, dated March 2014, took effect on 1 July 2014.

The TEC sets out the process for the development and review of the structure of licence fees.

The Regulator's expenditure and receipts are managed through an account in the Special Deposits and Trust Fund. The balance in that account is dependent on the timing of receipts.

The following table compares the Regulator's resources used on electricity regulation over the past eight years. Staff levels and expenditure fluctuate from year to year, being highly dependent on the timing of price investigations and reviews.

Table 2 Resources engaged in the regulation of the electricity supply industry (including electricity price investigations)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
FTEs	8.8	4.8	5.82	5.55	4.52	3.92	6.57	3.66
Expenditure	\$1.32M	\$0.63M	\$0.86M	\$0.70M	\$0.76M	\$0.59M	\$1.00M ¹	\$0.51M

1. Increase in 2013-14 was due to the significant work required to develop supporting regulatory frameworks following the implementation of electricity reforms in 2013.

GAS REGULATION

Regulatory framework

Powerco Tasmania Pty Ltd (now Tas Gas Networks Pty Ltd) completed the initial roll out of natural gas distribution infrastructure in Tasmania in 2007 enabling the retail of natural gas to 42 000 households and small commercial customers.

The gas retail market has been fully contestable from the outset. The Regulator has issued five gas retail licences (including a licence to retail liquid petroleum gas (LPG) only) since 2003. However, two licences have since been surrendered (in 2009 and 2010).

The gas retail market is supported by distribution use-of-system agreements developed by Tas Gas Networks Pty Ltd (Tas Gas Networks), which larger customers and retailers can reference in their negotiations. It is also supported by ring-fencing of distribution information and operations such that retailers have confidence that their commercial information is protected from disclosure, and that any related entity of Tas Gas Networks (distributor) is not placed in an advantageous position either by way of information, costs, or service preference.

Given the natural monopoly inherent in gas transmission assets, the likelihood of competition in the gas transmission market is small. However, there is potential for other operators to construct and operate sections of transmission pipeline that connect to the Tasmania Gas Pipeline owned and operated by Tasmanian Gas Pipeline Pty Ltd (TGP). Consequently, Tas Gas Networks was granted a construction licence in September 2011 and an operations licence in May 2012 for the construction and operation of a new section of transmission pipeline supplying natural gas to the Simplot site in Ulverstone.

Four Tasmanian gas codes support the Gas Act: Gas Retail Code, Gas Distribution Code, Gas Customer Transfer and Reconciliation Code (Transfer Code), and Gas Bulk Customer Transfer Code (Bulk Transfer Code).

The Gas Distribution Code and Gas Retail Code set out the minimum standards for operating a distribution system, and the terms and conditions under which distribution services are provided, and gas retailed, to customers.

The Transfer Code establishes the rules and procedures for:

- metering and the allocation and reconciliation of gas quantities between retailers at receipt points; and
- transfer of customers between retailers.

It also establishes a metering data provider scheme and the certification of an allocation agent to receive metering data and reconcile the data for settlement purposes.

The Bulk Transfer Code provides the regulatory framework for transferring customers in bulk between gas retailers.

To facilitate market development some matters have required direct intervention and support from the Regulator. This is reflected in the Transfer Code which requires periodic review to ensure rules and protocols enable Tasmania's gas market to operate effectively.

Regulator reforms - gas

There are a number of legislative changes that will be introduced to the gas industry as part of the implementation of the ER Amendment Act. These amendments necessitate planning and preparatory work including reviewing processes, guidelines, and information on the Regulator's website to reflect that the Regulator:

- will have a new power to impose a monetary penalty on gas entities that contravene their licence terms, the Gas Act or Gas Pipelines Act; and
- may prepare a State of the Industry Report on the gas and gas pipeline industries on his or her own initiative or at the request of the Minister for Energy.

Gas licensing

Existing licence holders

Transmission – construction and operation

The Gas Pipelines Act provides for the Regulator to issue licences for operations in the gas transmission industry, including the construction and operation of pipelines and treatment, storage and refining facilities.

BOC Limited holds a pipeline licence to operate the Westbury pipeline facility to process natural gas.

TGP Pty Ltd holds a pipeline licence for the operation of the Tasmanian Gas Pipeline and a construction licence for the upgrade of the Bell Bay Meter Station.

Tas Gas Networks holds pipeline licences 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.

Distribution and retail

The Gas Act provides for the Regulator to issue licences for operations in the gas distribution and retail industry. At 30 June 2015, there were two licensed natural gas distributors - Tas Gas Networks and Origin Energy Retail Pty Ltd (for distributing LPG in an isolated network).

Tas Gas Networks (then Powerco Tasmania Pty Ltd) holds licences to construct and operate the gas distribution system in Tasmania.

At 30 June 2015, there were three licensed gas retailers - Aurora Energy, Tas Gas Retail Pty Ltd (Tas Gas Retail) and Origin Energy Retail Pty Ltd (for retailing LPG in an isolated network).

New Licensees

No new gas retail, distribution or transmission licences were issued in 2014-15.

Licence amendments

On 12 May 2015, the Regulator made amendments to the gas pipeline (construction) licence held by TGP Pty Ltd to remove the connection to the offtake facility at Cressy.

Licence surrenders

There weren't any gas licences surrendered in 2014-15.

Licence renewals

No gas licences were renewed in 2014-15.

Licence non-approvals

For the period 2014-15, all gas licence applications (for amendment) received were approved.

Allocation Agent Certification

The Transfer Code provides for the Regulator to certify an Allocation Agent. In the absence of daily and monthly metered quantities of gas for all customers, the Allocation Agent estimates and allocates gas quantities to retailers at a receipt point, on a daily and monthly basis. When the customer's gas meters are read, which may be months after the estimate, the Allocation Agent adjusts the amounts previously estimated as required. This allocation and the monthly/yearly reconciliations will determine each retailer's liability for distribution and transmission charges.

Tas Gas Networks (then Powerco Tasmania Pty Ltd) agreed in 2006 to undertake the role of Allocation Agent in Tasmania and was issued a Certification of Allocation Agent which was later renewed for a further three years in 2009, 2012 and again in 2015.

Performance monitoring and reporting

Annual returns

Regulated natural gas entities are required under the Gas Act, the Gas Pipelines Act and/or their licence to lodge an annual return with the Regulator. The annual return comprises both industry data and performance information.

Energy in Tasmania Performance Report 2013-14

Regulated natural gas entities in Tasmania are required to report annually to the Regulator on their performance. The information in the annual performance reports is compiled in a comprehensive annual report on the energy supply industry in Tasmania (*Energy in Tasmania - Performance Report 2013-14*).

Comparison of Australian standing offer energy prices (gas)

The Regulator produces a six monthly report which compares prices paid by residential electricity and gas customers in Tasmania with the prices paid in other Australian jurisdictions, including a comparison of prices taking into account concessions available in each jurisdiction. The report also compares prices paid by small business customers for electricity and natural gas. Comparison reports were released in September 2014 and March 2015 and are available from the Regulator's website: www.economicregulator.tas.gov.au.

Compliance monitoring and enforcement

The Gas Act, Gas Pipelines Act and related regulations and codes impose obligations on natural gas entities, give rights to customers and regulate the relationships between the natural gas entities and others seeking to participate in the natural gas supply industry in Tasmania.

The Regulator places significant responsibility on licensees to develop, implement and maintain effective compliance programs and ensure there are appropriate processes and procedures in place to monitor compliance.

The Regulator published its Compliance Enforcement Policy in November 2010 and as previously noted, the Regulator undertook a review of its compliance monitoring and enforcement approach, which resulted in amendments being made to the Regulatory Reporting Guideline that enhanced the Regulator's use of a risk assessment process when setting the reporting requirements for regulated entities.

The Regulator primarily seeks compliance by means of a co-operative approach with entities but does not exclude the possibility of instigating enforcement proceedings in matters warranting such action.

Independent appraisal of compliance plans of gas entities

The Regulator seeks assurance that gas licensees' compliance plans are adequate and licensees are complying with them through the engagement of suitably qualified, independent experts. These appraisers evaluate the risk of non-compliance of the industry by examining the entities' processes, policies and procedures. In addition, the experts review compliance plans and performance outcomes.

In 2014-15, an independent appraisal of TGP's Compliance Plan was completed by Nine Lives Systems Pty Ltd. In general, the Reporter noted a high level of compliance in TGP's implementation of its management plans and associated procedures. However, the Reporter noted that several instances of non-conformance and opportunities for improvement identified in the previous (2011) report had either not been addressed, or addressed but not adequately implemented. In addition, the Reporter identified a number of instances where the Compliance Plan could be improved. TGP has responded to the Reporter's findings by providing an action plan for addressing the issues raised by the Reporter. The Regulator will monitor TGP's implementation of these suggested improvements.

Compliance breaches

Aurora Energy – delays in billing

In February 2015, Aurora Energy advised OTTER that in late January it had incurred a non-compliance with delayed billing of natural gas customers.

Section 8.1 of the Gas Retail Code stipulates that bills have to be issued within a three month period. Aurora Energy operates a billing system whereby the meter reading provided by Tas Gas Networks is the trigger for the issuing of a bill, whether the readings are estimates or actual readings. Aurora Energy stated that basing a bill on the reading provided by the network operator ensures consistency and accuracy in the consumption data on which bills are based.

Aurora Energy advised the OTTER that it had an instance where over 600 customers had a delayed meter reading provided by Tas Gas Networks, to the extent that the bills went out late to customers by up to 10 days. Aurora Energy considered the impact on customers in these circumstances is minimal. Its credit collection cycles were not affected by these delays and only commence one week after the non-payment of bills. Aurora Energy noted that its billing officers were working with their operational counterparts at Tas Gas Networks to continually identify delayed meter readings. Aurora Energy had been monitoring these arrangements through monthly reporting and offering the range of consumer protection measures to ensure that customers were not adversely affected as a result of the billing delays. In June 2015, Aurora Energy advised the OTTER that it has not had any further problems getting the bills out to customers within the three month period.

Tasmanian Gas Networks – ring fencing compliance

Under its gas distribution licence conditions, Tas Gas Networks is required to comply with all applicable laws which include The National Third Party Access Code for Natural Gas Pipeline Systems (the Access Code). The Access Code requires Tas Gas Networks to implement, maintain and monitor ring-fencing arrangements between itself and licensed gas retailers. This code requirement includes arrangements relating to the activities of, and information made available to, Tas Gas Retail in order to ensure free and fair competition in the Tasmanian gas industry.

Early in November 2014, OTTER received information alleging that Tas Gas Networks might have had breached its Ring Fencing Policy in December 2013. The allegation was that in December 2013, staff of Tas Gas Networks and Tas Gas Retail jointly visited a number of industrial gas customers in the State. Some of these customers were/are also customers of another Tasmanian gas retailer. The OTTER investigated this allegation and found no evidence to show that Tas Gas Networks had breached its Ring Fencing Policy as alleged.

However, to avoid any similar concerns arising in future, Tas Gas Networks advised the OTTER that it would make a change to its Ring Fencing Policy such that if Tas Gas Networks is requested to introduce a retailer to a customer, it would inform that customer's retailer of that request, prior to the introduction being made.

Compliance issues – gas (retail) customer charters non-compliance

Under the Gas Retail Code, gas retailers are required to prepare a customer charter that is to include specific information. A gas retailer's customer charter is not required to be approved by the Regulator and it is the gas retailer's responsibility to ensure that its customer charter complies with the Gas Retail Code. Tasmanian gas retailers, Tas Gas Retail and Aurora Energy, have published their Customer Charters on their respective websites.

Following a customer complaint regarding Tas Gas Retail increasing its Fixed Residential Fee, a desktop review of both retailers' Customer Charter and, *prima facie*, found neither to be wholly compliant with Gas Retail Code requirements.

Aurora Energy was advised of five areas of concern and Tas Gas Retail was advised of two areas of concern. Each entity was advised that the inconsistencies should be reviewed as a part their mandatory annual customer charter review. Aurora Energy has completed its review and the new version of its customer charter made available on its website. Tas Gas Retail has made a change to the gas customer bill description of its fixed daily tariff that negated one of its inconsistencies and, at the time of writing, is yet to have completed its annual review of the customer charter to ensure consistency with the Code.

The cost of gas regulation

The costs associated with the regulation of the gas supply industry by the Regulator under the Gas Act and the Gas Pipelines Act are recovered through the payment of licence fees by those entities that transport and retail gas.

Since 2010-11, the Director of Gas Safety (DoGS) has recovered the reasonable costs of administration of the Gas Acts through licence fees, as permitted by these Acts. The Regulator collects the licence fees and transfers the DoGS component to the Department of Justice.

Resources engaged in the regulation and development of the gas supply industry is summarised in the following table.

Table 3 Resources engaged in the regulation of the gas supply industry

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
FTEs	0.76	0.60	0.46	0.72	0.56	0.73	0.83	0.60
Expenditure	\$0.081M	\$0.066M	\$0.067M	\$0.100M	\$0.096M	\$0.112M	\$0.126M ¹	\$0.085M

1. An increase in 2013-14 was due to the work required to amend some supporting regulatory frameworks, which applied across the electricity, gas and water and sewerage sectors, following the implementation of electricity reforms in 2013.

WATER AND SEWERAGE REGULATION

Regulatory framework

In 2008, major reform of the Tasmanian water and sewerage industry was implemented through two pieces of legislation:

- the *Water and Sewerage Corporations Act 2008* (Water and Sewerage Corporations Act) which addressed the structural elements of the reforms; and
- the W&SI Act which covers the regulatory elements.

At that time, water and sewerage services were delivered by 28 local councils and three council-owned bulk water authorities. Under the Water and Sewerage Corporations Act, from 1 July 2009, three council-owned regional corporations commenced the delivery of water and sewerage services.

The W&SI Act provides an economic regulatory framework for the provision of water and sewerage services and is similar to regulatory frameworks used in other jurisdictions. In particular, the W&SI Act provides for the following:

- a licensing regime;
- an independent Economic Regulator with responsibilities to ensure effective and efficient outcomes for the sector and the protection of customers;
- a customer service standards framework, including a customer service code, to ensure that service providers meet a minimum level of service;
- independent price regulation from 1 July 2012;
- an annual state of the industry report prepared by the Economic Regulator in consultation with the other industry regulators;
- a formal complaints and disputes process, with the Tasmanian Ombudsman assigned the role of Ombudsman for the sector to arbitrate any unresolved disputes between customers and service providers; and
- the regulatory framework to require mandatory asset management planning in the sector.

The regulatory framework does not cover water used for irrigation or electricity generation purposes, nor does it cover private water supplies (such as private bores and tanks) and small private sewage treatment plants or services relating to the provision of re-use water, recycled water or stormwater.

Regulator reforms - water and sewerage

The implementation of the, previously described, ER Amendment Act will impact the regulation of the water and sewerage industry through changes to the legislatively required frequency of reporting on the state of the industry. The Regulator will no longer be required under the W&SI Act to prepare an annual state of the industry report, rather it is to prepare that report either at least three months before a regulated entity is required to submit a price and service plan or at any other time that the Regulator is directed to do so by the Minister for Primary Industries and Water and the Treasurer. The Regulator is, at the time of writing, undertaking associated planning and preparatory work including reviewing processes, guidelines, and information on its website to accommodate the amendment.

Water and sewerage licensing

Licensees

Unless otherwise exempted, the W&SI Act requires any person or entity owning or operating water and sewerage infrastructure, or supplying water and sewerage services to others, to be licensed. The Minister for Primary Industries and Water may issue an Exemption Order to specify particular services that will not be covered by the economic regulatory framework.

Licences place a number of regulatory obligations on licensees by reference to various regulatory instruments, such as codes and guidelines, as well as requiring the preparation of management plans in relation to matters such as asset management, emergency management and compliance.

In May 2012, the owner councils of Ben Lomond Water, Cradle Mountain Water and Southern Water agreed to amalgamate the three Water Corporations and the common service provider into a single corporation. Legislation was passed subsequently to enable a single corporation to commence operations on 1 July 2013. Accordingly, the three Water Corporations surrendered their licences on 30 June 2013.

In April 2013, the Regulator issued an operating licence to Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater), which took effect on 1 July 2013. No amendments have been made to the licence since this time.

Standards and guidelines

Approval of customer charter (TasWater)

Under the Customer Service Code (the Code) issued by the Regulator, a regulated water and sewerage entity is required to develop, issue and comply with a customer charter which meets the procedural and substantive requirements of the Code.

The customer charter is to document and explain how the regulated entity will conduct business with its customers, and outline processes and responsibilities. The customer charter will also explain the rights of customers and the commitment of the regulated entity in providing water and sewerage services.

The Code specifies that, before adopting any variation to a customer charter, a regulated entity must submit it to the Regulator for the Regulator to review and approve.

As a consequence of the Regulator's completion of its second Price Determination investigation, amendments to the TasWater's customer charter were required to reflect revised customer service standards, and further minor changes introduced to the issue and adjustment of bills provisions of the Code.

After liaising with the Office of the Tasmanian Economic Regulator on the drafting of the customer charter to ensure its compliance with the obligations of the Code, TasWater submitted, on 26 June 2015, an updated customer charter (Version 2.1) for the Regulator's consideration and approval.

TasWater's customer charter was approved by the Regulator on 30 June 2015 with an effective date of 1 July 2015.

Price regulation

Under the W&SI Act, the Regulator must fix the duration of the second and subsequent regulatory periods and publish details of the regulatory period. On 5 June 2013 the Economic Regulator declared in the Tasmanian Government Gazette that the second regulatory period will cover the three year period from 1 July 2015 to 30 June 2018 inclusive.

The W&SI Act also requires the Regulator to notify the regulated entity, the Treasurer and the public of its intention to conduct a price determination investigation and to make a price determination. Notification must be provided at least 11 months before the current price determination expires (in this case, at least 11 months before 30 June 2015). In this regard, the Regulator gave notice of its intention to conduct a price determination investigation and make a price determination in the three regional Tasmanian newspapers on 3 May 2014.

2015 price determination investigation into prices and service standards for the provision of water and sewerage services

The second price determination for the Tasmanian water and sewerage industry covers a three year period from 1 July 2015 to 30 June 2018. The investigation was conducted in response to a proposed price and service plan submitted by TasWater.

In accordance with the Price and Service Plan Guideline, TasWater submitted its proposed price and service plan on 29 August 2014. However, TasWater did not provide copies of the required draft policies with respect to Service Extension and Expansion, Water Metering, Service Introduction Charges and Developer Charges until 3 October 2014.

The Regulator commenced its investigation in September 2014 and released its Draft Report and draft Price Determination for public consultation on 9 January 2015. As part of its investigation the Regulator also engaged an external consultant, Jacobs Group (Australia), to undertake an independent review of TasWater's proposed operating and maintenance expenditure and capital expenditure (including asset values). The objective of Jacobs' review was to ensure that TasWater's annual regulated revenue allowances were based only on efficient costs and asset values. Jacobs' final report was submitted to the Economic Regulator in December 2014 and was published on the Regulator's website at that time.

The investigation was completed in April 2015 with the Final Report and Price Determination published on 30 April 2015. The Economic Regulator also published a Statement of Reasons on this date outlining the issues raised in submissions and the Regulator's response to each of those issues.

Price and service plan (1 July 2015 to 30 June 2018)

On 29 May 2015, as required by the Regulator's Price and Service Plan Guideline, TasWater submitted a revised Price and Service Plan setting out its proposed prices and services for the second regulatory period. The Regulator, after ensuring that the revised plan complied with its Final Report and Price Determination, approved the revised Price and Service Plan on 18 June 2015.

Performance monitoring

Annual Performance Report

TasWater is required to provide an annual report to the Regulator on its performance against measures outlined in the Performance and Information Reporting Guideline for the preceding financial year by no later than 30 September each year.

The Regulator is required under the W&SI Act to publish an annual report ("State of the Industry Report") on the water and sewerage industries performance utilising the information provided in TasWater's annual performance reports. The performance information provided also contributes to performance reporting under the NWI and the National Performance Framework.

State of the Industry Report 2013-14

The State of the Industry Report provides an overview of the performance of the water and sewerage industry and identifies key priorities for improving performance. The objective of the Report is to publicly assess the performance of licensed providers of water and sewerage services. The Report addresses the key areas of affordability, customer service, network reliability and efficiency, drinking water quality and environmental performance for the industry.

The 2013-14 Report was the seventh in the series and covered TasWater's first year of operation since the amalgamation of the previous regional corporations on 1 July 2013.

During 2013-14 TasWater continued to face a number of significant challenges similar to those faced by the previous regional corporations with respect to its infrastructure and customer service. The Report noted that many of the infrastructure assets TasWater inherited were ageing and still require significant investment over at least the next decade to ensure that they meet contemporary health, environmental and dam safety compliance requirements.

Increased investment in water infrastructure in recent years has greatly reduced the percentage of the Tasmanian population receiving water that is not of drinking water quality. However, this percentage increased slightly in 2013-14 to 1.4 per cent and this percentage continues to be significantly higher than the Australian average.

Despite the investment of a further \$38 million in sewerage infrastructure during 2013-14, the performance of Tasmania's wastewater assets, which was already poor, continued to deteriorate.

Performance in this area had not been helped by delays to major infrastructure upgrades and maintenance works.

Call centre performance and complaints resolution performance gains were consolidated during 2013-14. Typically, customers experienced less than 30 minutes of water service interruptions throughout the year and TasWater responded quickly to sewerage service interruptions.

National Performance Report

Tasmania has a range of objectives and commitments under the NWI Agreement to ensure the ongoing efficient management of the State's water resources. The reporting of performance data on the pricing and service quality of licensed providers of water and sewerage services is a key element of Tasmania's NWI implementation program and feeds into the publication of the annual National Performance Report (NPR).

For the 2013-14 NPR, the performance reported by TasWater was limited to finances, asset data and basic customer data and water quality health indicators. Prior to 2013-14, the only independently audited financial and public health information relating to Tasmania's previous regional corporations that met the NPR audit requirements were the corporations' financial indicators and the public health indicators (audited by the Tasmanian Audit Office and Director of Public Health respectively).

A first tranche of TasWater's performance indicators was audited by Deloitte Touche Tohmatsu (Deloitte) in July 2014 as part of a three year program, which will result in all of the TasWater's performance indicators being audited (see detail below). For TasWater's data to be eligible for reporting under the national performance reporting framework it must be subject to an audit at least once every three years in accordance with the National Water Commission's (NWC) Urban National Performance Framework – Urban Auditing Requirements. Prior to the conduct of this review, TasWater's performance indicators had not been subjected to the independent appraisal process. This has meant that the number of indicators reported in respect of Tasmania in the annual NPR for Urban Utilities has been minimal. Deloitte's report stated that apart from several minor exceptions and having regard to the assessment criteria set out in the Urban Auditing Requirements, the information reported by TasWater was presented fairly.

TasWater engaged Wise Lord & Ferguson to review the second tranche of TasWater's performance indicators in April 2015 with the final report due on 14 August 2015. The remaining performance indicators will be appraised during late 2015-16 early 2016-17.

In its 2014 Federal Budget the Australian Government announced the abolition of the NWC. The NWC was the lead Commonwealth agency with respect to the administration of the national performance reporting database and the production of the annual Urban Water Performance Report. Following a series of discussions with regulators and government departments from other jurisdictions, the NWC's former functions in relation to national performance reporting were transferred to the Bureau of Meteorology (BOM).

To give effect to this change, an agreement was entered into between the BOM, the Regulator and the Department of Primary Industries Water & Environment (DPIPWE) for the BOM to take on the administrative and database related activities previously undertaken by the NWC and Deloitte

respectively. The Regulator and DPIPW, along with regulators and water policy departments interstate also agreed to terminate the previous Urban Water Utilities Deed.

Call centre performance reporting

In response to concerns raised by stakeholders about the performance of the previous regulated entities' call centres, the Regulator requested the submission of quarterly performance reports commencing from the first quarter of the 2012-13 reporting period.

By 30 June 2013, performance had improved significantly and the previous regulated entities' call centres were meeting the applicable service standards and TasWater continued to meet these standards during 2013-14.

The Regulator decided to monitor the performance of TasWater's call centre operations on a quarterly basis during 2014-15 noting that TasWater consolidated its call centre operations into a single state-wide call centre in August 2014.

During 2014-15, the (regional) transitional service standards specified in the Regulator's Final Investigation Report (May 2012) of between 75 and 85 per cent of calls being answered within 30 seconds was met with overall performance for the year seeing 88.4 per cent of calls answered within 30 seconds.

Compliance monitoring and enforcement

Customer service code (consultation on proposed administrative and fast track amendments) – billing and service standards

The W&SI Act establishes an economic regulatory framework for the provision of water and sewerage services. This incorporates a customer service standards framework for the sector, including the requirement that the Regulator issue a Customer Service Code (Code), specifying Minimum Service Standards and conditions for regulated services with which a water and sewerage corporation must comply.

As part of its ongoing administration and oversight of the Code, in early 2015 the Regulator proposed a series of Code amendments to address a number of issues it had identified. These included proposals to insert fast track provisions to avoid unnecessary consultation on amendments to the Code in cases where the amendments are non-discretionary (eg they reflect changes in legislation), or where consultation on the proposed amendments has already been undertaken as part of another process. In addition, a series of minor administrative amendments were proposed, as well as an amendment concerning the timing of the issuing of accounts.

To assist interested persons in making submissions with respect to the proposed Code amendments, the Regulator published a consultation paper on its website on 27 February 2015. The consultation period closed on 20 March 2015. One submission was received as part of that process from TasWater.

A revised version of the Code (Version 3) was published on 29 April 2015.

Consequent to the completion of its second Price Determination Investigation on prices and service standards for water and sewerage services, the Regulator further amended the Code to take effect on 1 July 2015. The amendments reflected the revised minimum service standards for application in the second regulatory period (1 July 2015 to 30 June 2018). In addition, clause 5.3.2 of the Code, concerning the issue of accounts, was amended to address a matter raised by a stakeholder during the consultation process undertaken by the Regulator in its development of Version 3 of the Code. One further minor editorial amendment was also required to sub clause 5.7.1(d).

The amendments regarding the minimum service standards provisions, clause 5.3.2 and sub clause 5.7.1(d) were made in accordance with the fast track provision of the Code as the Regulator had previously consulted with all relevant licensees or interested parties in relation to these matters or, with respect to sub clause 5.7.1(d), the amendment was deemed to be of a minor nature and was required to correct a manifest error.

Subsequently, a revised Code (Version 4, effective 1 July 2015) was published by the Regulator on 24 June 2015.

TasWater's Regulatory Accounts

In accordance with the Regulator's Water and Sewerage Accounting Ring Fencing Guideline, May 2013 (Ring Fencing Guideline), TasWater was required to prepare and submit to the Regulator, by 31 October 2014, audited regulatory financial statements for the financial year ending 30 June 2014.

TasWater's requested an extension of time to lodge the accounts on 24 October 2014 although this request was not fully detailed by TasWater until 31 October 2014.

After considering TasWater's request, the Regulator approved an extension until 8 December 2014 which TasWater complied with by submitting the regulatory accounts on that date.

Independent appraisals

During 2014-15 the Regulator required TasWater to engage appraiser to review its performance indicators (see above) as well as its compliance and management plans.

The Regulator seeks assurance that TasWater's compliance and management plans are adequate and that it is complying with the obligations outlined in those plans through the engagement of suitably qualified, independent appraisers. These appraisers evaluate the risk of non-compliance by examining TasWater's processes, policies and procedures.

Wise Lord & Ferguson provided the Regulator with its final reports for the independent appraisal of TasWater's compliance plan and emergency management plan on 30 June 2015. In regards to TasWater's compliance plan, the appraiser reported that key compliance oversight responsibility had been well defined and that reporting channels were well established. However, in regards to TasWater's emergency management plan, Wise Lord & Ferguson found that there was one instance of minor non-compliance. Specifically, the appraiser found that new draft emergency management plan and detailed sub-plans were a work in progress. As part of its review, the appraiser identified a series of recommendations for TasWater's consideration. The Regulator will consider Wise Lord & Ferguson's final report and monitor TasWater's implementation of the final report recommendations during 2015-16.

In June 2015 the Regulator approved TasWater engaging GHD to independently appraise TasWater's asset management plan. The asset management plan was submitted to the Regulator on 29 June 2015. GHD's report is scheduled to be submitted to the Regulator by 31 August 2015.

TasWater's developer charges compliance

As documented in the Regulator's Annual Report 2013-14, compliance enforcement action commenced in August 2013 against TasWater as a consequence of TasWater not correctly applying its Developer Charges Pricing Policy.

As part of the compliance enforcement negotiations, TasWater provided the Regulator with an undertaking that it would identify any over-charging due to non-compliance and subsequently refund all relevant parties by end June 2014.

In early July 2014, the Regulator enquired about TasWater's progress in meeting its 'refund of over-charges obligation' by the agreed date. TasWater provided a written status report to the Regulator indicating that no refunds had been made as at 15 July 2014. The Regulator subsequently sought confirmation from TasWater that all refunds would be made to affected developers/customers by the end of the first quarter of 2014-15.

In late August 2014 TasWater confirmed that all overcharges for developer charges had been refunded, and that these refunds would be accounted for in 2013-14 as an accrued liability.

Compliance breaches

TasWater's submission of price and service plan and notice to show cause

As part of the 2015 Water and Sewerage Price Determination, TasWater was required by the W&SI Act to submit its draft Price and Service Plan 2015-2018 (draft PSP) to the Regulator by the date as specified by the Regulator in a notice.

In accordance with the W&SI Act, the Regulator gave notice to TasWater on 1 November 2013, requiring TasWater to submit its draft PSP by 29 August 2014.

The draft PSP was submitted on 29 August 2014. However, the Regulator found that TasWater had failed to include a number of prescribed policies, a copy of the service replacement contract, and information as required by the W&SI Act and/or the Price and Service Plan Guideline 2013 (PSP Guideline).

TasWater is required by its Water and Sewerage Licence to comply with all applicable guidelines issued by the Regulator in accordance with the W&SI Act. The PSP Guideline was issued by the Regulator in 2013 under the W&SI Act for the preparation of TasWater's draft PSP.

In not complying with the requirements in the PSP Guideline in preparing the draft PSP, TasWater had therefore contravened the conditions of its Water and Sewerage Licence.

Under the W&SI Act, the Regulator may take licence enforcement action against a licensee if it is satisfied that the licensee has contravened the W&SI Act and the conditions of the licence held by the licensee.

Before deciding whether to take licence enforcement action, the Regulator wrote to TasWater giving it an opportunity to show cause. TasWater provided a submission to the Regulator in response. After considering TasWater submission, the Regulator was satisfied that TasWater had contravened the W&SI Act and its licence conditions in relation to the submission of its draft PSP.

However, the Regulator decided not to take punitive action against TasWater in this instance, taking into account, in particular, that:

- (1) this was the first formal notice of non-compliance to TasWater; and
- (2) TasWater had taken mitigating actions where the information concerned was subsequently provided or addressed during the Draft Report consultation process.

The cost of water and sewerage regulation

Licensed water and sewerage entities are required to pay licence fees. Unlike the electricity and gas supply industries, the Regulator does not determine the total amount of the licence fees payable by the water and sewerage sector. Therefore, the Regulator's structure of licence fees for the electricity, gas and water and sewerage sectors reflects how the Regulator currently determines its portion of these annual licence fees.

Under the W&SI Act, licence fees are determined by the Minister for Primary Industries and Water and are an amount that the Minister considers to be a reasonable contribution towards the cost of administering the WSI Act. That amount includes the costs to be incurred by the Regulator in administering the WSI Act, the costs incurred by the Ombudsman in investigating complaints, and the costs that arise from the regulation, by prescribed persons, of activities specified in the licence.

The following table shows the Regulator's expenditure on water and sewerage regulation over the past seven years. Staff levels and expenditure fluctuate from year to year, being highly dependent on the timing of price investigations and reviews. Expenditure for the 2011-12 financial year includes the costs of conducting the 2012 Price Determination investigation into prices and service standards for water and sewerage services. Expenditure for 2013-14 financial year also includes the costs of commencing the 2015 Price Determination with the bulk of expenditure for the investigation in 2014-15. The cost of resources engaged by the Regulator in conducting the investigation is met by those entities that are the subject of the investigation, in accordance with the *Water and Sewerage Industry (Pricing and Related Matters) Regulations 2011*.

Table 4 Resources engaged in the regulation and development of the water and sewerage sector

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
FTEs	3.36	3.64	3.70	4.72	3.89	2.34	7.09
Expenditure	\$0.37M	\$0.46M	\$0.53M	\$0.72M	\$0.59M	\$0.36M	\$1.163M ¹

¹ The costs of water and sewerage regulation in 2014-15 were significantly higher than previous years due to the conduct of the second water and sewerage price determination investigation. The costs of this investigation were also considerably higher than the first investigation which was conducted in 2011-12. This was primarily due to the Regulator undertaking a much more detailed assessment of proposed capital expenditure and operating costs as part of the second determination investigation. In addition, effort required by the Regulator in the second determination investigation was significantly more than was initially expected in relation to reviewing and correcting policies and the customer contract submitted by TasWater: assessing TasWater's proposed service standards; and ascertaining basic financial information from TasWater.

COMPETITIVE NEUTRALITY AND MONOPOLY PRICING POLICIES

In addition to its functions under gas, electricity and water and sewerage legislation, the Regulator has responsibilities under the ER Act that include activities in relation to:

- [Competitive Neutrality](#) - complaints investigated in accordance with Part 6 of the ER Act;
- [Investigations](#) - requested by the Government from time to time and conducted in accordance with Part 3 of the ER Act relating to monopoly services supplied by a monopoly provider (currently Metro Tasmania and the Motor Accidents Insurance Board); and
- [Inquiries](#) - requested by the Government from time to time and conducted in accordance with either Part 4 of the ER Act relating to the pricing policies of a prescribed body or Part 5 of the ER Act recommending appropriate methodologies for setting taxi fares.

GPOC undertook these functions under the *Government Prices Oversight Act 1995* until 1 June 2010, when it was replaced by the Economic Regulator under the ER Act.

Regulator reforms – competitive neutrality and monopoly pricing

There are a number of legislative changes that will be made to competitive neutrality and monopoly pricing regulation as part of the implementation of the ER Amendment Act. These amendments necessitate planning and preparatory work, including reviewing processes, guidelines, and information on the Regulator's website, relating to the following points of difference:

- the Regulator will no longer be responsible for undertaking Metro Tasmania pricing investigations; and
- in respect of competitive neutrality complaints that have been found justified, the prescribed body against whom the complaint was made must provide the Regulator with written notice of how it has made, or intends to make, changes in response to recommendations from the Regulator in his or her complaint investigation report. The Regulator must then provide a written account to the Treasurer and relevant Portfolio Minister of these actions and intended actions, identifying whether or not it has addressed all of the Regulator's recommendations. The Treasurer may, with the agreement of the Portfolio Minister, make a direction that the prescribed body must comply with.

Competitive neutrality complaints

In 1996, all Australian heads of government signed the Competition Principles Agreement that requires Government businesses to operate within a framework that ensures they do not enjoy any net competitive advantage simply as a result of their public ownership. This is the concept of competitive neutrality.

As a general principle, significant State and local government businesses should reflect full Commonwealth and state taxes or tax equivalents, be liable for debt guarantee fees, face the same regulatory framework as their private sector counterparts and earn a commercial return on the capital invested in them.

The ER Act empowers the Regulator to investigate alleged breaches of the National Competition Policy competitive neutrality principles by State and local government businesses.

Complaints mechanism guideline

The former Government Prices Oversight Commission issued a guideline in relation to the review of competitive neutrality complaints. The Guideline set out the processes for the review of complaints from businesses or persons about alleged breaches of, and non-compliance with, competitive neutrality principles under the National Competition Policy.

Following the proclamation of the ER Act in 2010, the Regulator updated the Guideline to reflect the Regulator's role and the requirements of Part 6 of the ER Act. The revised Guidelines were published in October 2010.

In November 2010 the Regulator advised all Tasmanian local government councils and agencies of the legislative changes and the role of the Regulator in investigating competitive neutrality complaints, including its role and approach to determining the business activities that are significant for the purposes of investigating competitive neutrality complaints.

Investigations

The Regulator did not receive any competitive neutrality complaints during 2014-15.

Monopoly pricing policies

One of the Regulator's roles under the ER Act is to investigate and make recommendations of maximum prices which may be charged by Government businesses that are monopoly suppliers of goods and services. The intent of the legislation is to protect the consumer from the impact of monopoly pricing or the effects of higher costs due to inefficient operations.

The ER Act also specifies that following consideration of the recommendations contained in the Regulator's final report to the Government on the investigation, the Government must make an order setting the maximum prices that are to apply for each of the periods covered by the Order. The Government business is required to seek the Regulator's approval of its proposed prices on an annual basis before setting its prices for the upcoming year.

Investigation into Metro Tasmania's pricing policies

As noted in the Regulator's 2013-14 Annual Report the Regulator's investigation report setting out the Regulator's recommendations with respect to Metro Tasmania's pricing policies was submitted to the Government on 30 May 2014 and published on the Regulator's website on 29 July 2014.

Further details about the Regulator's investigation and recommendations, which apply to the regulatory period 1 July 2014 to 30 June 2019, are available in the 2013-14 Annual Report and on the Regulator's website.

Following the passing of amendments to the ER Act, from 1 July 2015, the Tasmanian Economic Regulator is no longer responsible for conducting investigations into Metro Tasmania's pricing policies. Responsibility for the review of Metro Tasmania's pricing now lies with the Department of State Growth.

Approval of MAIB premiums

In September 2014, the Regulator was required to approve the proposed premiums of the MAIB for the second year of the pricing period covered by the Regulator's investigation undertaken in 2012-13. The Regulator provided its Final Report to the Government in June 2013. The *Economic Regulator (MAIB Premiums) Order 2013 (MAIB Premium Order)* was subsequently made on 1 October 2013 in accordance with section 36(2) of the ER Act. The MAIB Premium Order specified the maximum premiums MAIB could charge for each of the four years covered by the Order, ie 1 December 2013 to 30 November 2017 inclusive.

In September 2014, the MAIB sought the Regulator's approval of its proposed premiums for the period 1 December 2014 to 30 November 2015 in accordance with the ER Act.

The Regulator approved the proposed premiums after confirming that the proposed premiums were consistent with the MAIB Order.

Prior to approving the proposed premium, in August 2014, the Regulator endorsed a proposal from the MAIB for the MAIB Premium Order to be amended to clarify the basis upon which MAIB premiums are indexed and adjusted annually to remove ambiguity when calculating the rate for new MAIB premiums. Subsequently, the *Economic Regulator (MAIB Premiums) Amendment Order 2014* was issued by the Minister for Infrastructure in September 2014 clarifying the matter.

Approval of Metro Tasmania's prices

In November 2014 the Regulator approved Metro Tasmania's proposed pricing policies for the first year of the pricing period covered by the Regulator's investigation completed in May 2014.

Having considered the recommendations set down in the investigation's Final Report, the Government made the *Economic Regulator (Metro Bus Fares) Order 2014* on 28 October 2014.

In October 2014, Metro Tasmania sought approval, in accordance with the ER Act, of the pricing policies and prices it intended to apply from 4 January 2015.

The Regulator confirmed that Metro Tasmania's proposed prices complied with the maximum prices for full adult fares specified in Schedule 1 of the Metro Pricing Order and, ultimately, the new prices were implemented from 5 January 2015.

LIAISON AND CONSULTATION

Australian Energy Regulator

Tasmania has been a participating jurisdiction in the NEM since May 2005. As a participating jurisdiction in the NEM, electricity businesses operating in Tasmania are bound by the NEL and the NER.

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

The economic regulation of the transmission network transferred to the ACCC in 2003 and subsequently to the AER on its establishment. The AER is now also responsible for making distribution determinations for TasNetworks and the first determination took effect on 1 July 2012.

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

OTTER has been working co-operatively with the AER to provide background information and historical data (for example, revenue models from previous investigations and data on performance and financial ring fenced accounting data) to assist the AER.

Memorandum of Understanding with the AEMC

Under NEL, National Gas Law and the National Energy Retail Law, the Australian Energy Market Commission (AEMC) is responsible for Rule making and market development relating to the NEM.

From time to time, the AEMC may undertake reviews into the effectiveness of competition in the electricity and/or gas markets or retail energy market in various jurisdictions.

In early 2012, the AEMC commenced discussions with OTTER with respect to the development of a Memorandum of Understanding (MoU) setting out the arrangements between the AEMC and the Regulator 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. On 15 June 2012, the Regulator endorsed a draft MoU, subject to some minor amendments concerning certain factual matters. The MoU was subsequently finalised and executed by the Chairmen of both authorities on 5 April 2013.

Liaison with other Tasmanian regulators

The operation of the Tasmanian water and sewerage sector is overseen by several industry regulators including the Environment Protection Authority, Director of Public Health and the Delegate for Dam Safety Regulation. The Regulator consults directly with other industry regulators when proposing amendments to water and sewerage regulatory arrangements and where required by legislation.

The Regulator also liaised with the other industry regulators during the course of its 2015 Water and Sewerage Price Determination Investigation to assess the extent to which TasWater had engaged with those regulators in developing its price and service plan and to ensure that the consultation requirements set out in the Regulator's PSP Guideline had been met.

Jurisdictional water regulators

During 2014-15, OTTER continued to participate in interjurisdictional meetings with regulators in other states and territories who are responsible for the economic regulation of water and sewerage services.

The group meets periodically to discuss topical issues.

The Regulator considers these meetings fulfil a useful role in terms of facilitating the discussion of common issues and in sharing examples of best practice with other regulators. The Regulator considers the outcomes of these meetings when deciding how best to regulate the Tasmanian water and sewerage sector.

Water and Sewerage Performance Reporting Technical Working Group

OTTER chairs this working group, with membership including representatives from TasWater and key government stakeholders involved in the provision of water and sewerage performance information for the State of the Industry Report and the Urban Water National Performance Report. The objective of the working group is to improve the accuracy, consistency and efficiency of performance data collection and reporting in the water and sewerage sector.

Ombudsman

The *Energy Ombudsman Act 1998* provides for the Ombudsman to receive, investigate and resolve complaints concerning any service relating to the sale and supply of electricity or gas by an energy entity. In respect of 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.

The Regulator's MoU with the Ombudsman was revised in May 2011 to extend its coverage from energy matters to matters relating to the water and sewerage industry. The memorandum provides for the sharing of information and relevant reports of investigations. It also provides for the Ombudsman to make information available to the Regulator regarding any systemic issues identified in relation to industry compliance with the various regulatory instruments.

WorkSafe Tasmania (Electrical Safety and Director of Gas Safety)

WorkSafe Tasmania (WT) is an independent agency within the Department of Justice that administers the processes and requirements of the *Electricity Industry Safety and Administration Act 1997* (EISA Act) including electrical licensing and technical safety.

The Director of Gas Safety and the Gas Standards and Safety Unit of WT administer the safety aspects of the Gas Act and Gas Pipelines Act.

Meetings between officers of the OTTER and WT are held as required.

Energy Policy Branch (Department of State Growth)

The Energy Policy Branch (EPB), within the Department of State Growth, is primarily responsible for providing policy advice on energy issues to the Minister for Energy and the State Government.

The EPB also represents Tasmania on a range of policy investigations and procedural matters, is actively involved in implementing changes to the legislative framework (which regulates the Tasmanian energy sector), and has a role in planning preparedness for energy supply emergencies.

Representatives of the EPB and staff from the OTTER liaise on energy matters as required.

OTTER Customer Consultative Committee

The Regulator first established a Customer Consultative Committee in 1998 to advise the Regulator on issues of importance to electricity customers. The Committee's role has since been extended, with the approval of the Treasurer and Minister for Energy, to gas and water and sewerage matters.

The Regulator considers the OTTER Customer Consultative Committee (OCCC) to be an important part of the regulatory framework for the electricity, natural gas and water and sewerage industries. In particular, the OCCC forum ensures that organisations representing customer interests are informed as to developments in the various industries and the Regulator is informed of issues from the perspective of those groups.

During 2014-15, member organisations were briefed on various matters of interest to consumers, including TasNetworks's Transmission and Distribution Revenue Reset, statistical information relating to the performance of retail and distribution services, the Regulator's annual review of the State's urban water and sewerage industry for 2013-14, water and sewerage price determination investigation, gas regulatory arrangements in Tasmania and Government reforms of the Economic Regulator.

Member organisations are appointed jointly by the Treasurer in accordance with section 12 of the ESI Act and section 24 of the W&SI Act and the Minister for Energy under section 15 of the Gas Act. The following member organisations were reappointed for a further three years from 1 May 2013 (the OCCC met on four occasions during the year with attendance frequency shown in brackets):

- Anglicare Tasmania Inc (3)
- Hobart Community Legal Service (0)
- Tasmanian Farmers and Graziers Association (3)
- Tasmanian Chamber of Commerce and Industry (0)
- Tasmanian Council of Social Service Inc (3)
- King Island Council (0)
- Flinders Council (0)
- Local Government Association of Tasmania (1)

- Tasmanian Division of the Property Council of Australia (1)
- Tasmanian Small Business Council (3)

Representatives from both the Energy Ombudsman and the Australian Competition and Consumer Commission also attended, as observers, each of the four OCCC meetings held during 2014-15.

Customer education

OTTER has sought to raise customer awareness about electricity retail contestability and, in doing so, maintains an educational website entitled 'Power to Choose' at www.power.tas.gov.au. After the introduction of NECF on 1 July 2012, OTTER continues to assist customers with their queries concerning contestability.

Consultation policy and procedures guidelines

The Regulator first issued its Consultation Policy and Procedures of the Tasmanian Energy Regulator Guideline in December 2006 and it has been reviewed and varied several times since, usually in response to changes in the regulatory framework. The Regulator is committed to consulting and engaging with its stakeholders and the community, wherever relevant, and acknowledges the importance of information sharing about its policies and processes. The purpose of the Guideline is to facilitate the consultation policy and procedures that best engage and inform entities, consumers or other persons affected by the exercise of the Regulator's discretion when altering or affecting their rights or obligations. The Regulator applies the Guidelines in performing its functions and exercising its powers.

The Guideline was reviewed in 2014-15 to ensure its consistency with the incoming ER Amendment Act, however, no changes were required.

Policy on the treatment of confidential submissions

In August 2003, the Regulator published the Regulator's Policy on the Treatment of Confidential Submissions. The Policy provides guidance on the Regulator's responsibilities with respect to consultation and the principles governing confidential submissions.

Revised versions of the Policy have been published over time with the most recent, Version 3.0, taking effect on 1 July 2014.

Version 3.0 provided for the updating of a reference to a clause in the ESI Act, as the relevant clause had been amended in that Act in 2013.

In line with Version 4 of the 'Consultation Policy and Procedures of the Tasmanian Economic Regulator' Guideline, consultation with respect to amendment of the Policy was not undertaken as the amendment was deemed non-discretionary and had to be made as a consequence of matters beyond the Regulator's control.

Presentations to stakeholders

During the course of the year, OTTER officers gave briefings on matters associated with electricity and water and sewerage regulation to various stakeholders.

Media

During 2014-15 the Regulator released five media releases.

KEY PROJECTS AND TASKS FOR 2015-16

The Regulator will undertake the following key projects and tasks during 2015-16 to achieve its regulatory objectives with respect to the gas and electricity supply industries and the water and sewerage sector.

Table 5 Key projects and tasks for 2015-16

Activity	Key project or task	Timeframe for completion
Energy regulation		
APAYG price comparison report	Prepare and publish an annual report comparing electricity costs facing prepayment meter system (APAYG) customers and costs facing standing offer customers in Tasmania.	31 July 2015
Price comparison reports	Potentially prepare and publish a six monthly comparison of standing offer energy prices.	Timeframe subject to ministerial direction
Review of the Wholesale Contract Regulatory Instrument	Release Issues Paper for public consultation on Economic Regulator's review of the Wholesale Contract Regulatory Instrument.	6 December 2015
Energy in Tasmania - Performance Report	Publish a comprehensive report on the performance of the energy supply industry during 2014-15, including a review into network reliability services of the Tasmanian power system.	Timeframe subject to ministerial direction
Standing offer retail electricity price determination investigation	Publish draft report and draft determination for the standing offer retail electricity price determination investigation for public comment.	31 January 2016

Activity	Key project or task	Timeframe for completion
Electricity regulated feed-in tariff rate determination investigation	Publish draft report and draft determination for the electricity regulated feed-in tariff rate determination investigation for public comment.	31 January 2016
Review of the Wholesale Contract Regulatory Instrument	Approve the engagement of consultancy services to review and provide advice on the appropriateness of the Wholesale Contract Regulatory Instrument. ²	1 March 2016
Bass Strait Islands electricity tariffs	Approve Bass Strait Islands electricity tariffs.	Mid June 2016
Standing offer retail electricity price determination investigation	Publish final report and determination of standing offer retail electricity prices for the period 1 July 2016 to 30 June 2019 to apply from 1 July 2016.	29 April 2016
Electricity regulated feed-in tariff rate determination investigation	Publish final report and determination of regulated electricity feed-in tariff rates for the period 1 July 2016 to 30 June 2019 to apply from 1 July 2016.	29 April 2016
Standing offer retail electricity prices	Approve standing offer retail electricity prices to apply from 1 July 2016.	Mid June 2016
Electricity regulated feed-in tariff rate for standard FiT customers	Determine the regulated feed-in rate to apply from 1 July 2016 for eligible small scale renewable generation systems (mostly solar photo voltaic systems).	Mid June 2016

² The draft report on the Review of the Wholesale Contract Regulatory Instrument is to be released for public comment on 30 July 2016.

By 31 October 2016 the final report is to be published, and the section 43G (of the ESI Act) approval made in respect of the wholesale contracts that Hydro Tasmania must offer to retailers for the regulatory period commencing on 1 January 2019.

Activity	Key project or task	Timeframe for completion
Independent appraisals	Review of: <ul style="list-style-type: none"> ▪ TasNetworks: Compliance and Vegetation Management Plans; ▪ Hydro Tasmania: Asset Management Plan; ▪ Tas Gas Retail: Compliance Plan; ▪ Aurora Energy Pty Ltd – Gas Retail: Compliance Plan; ▪ TasWater: Third Tranche of Performance Indicators; ▪ Hydro Tasmania – Bass Strait Islands Operations: Compliance Plan, Customer Service and Emergency Management Plan; ▪ BOC Limited: Compliance Plan; and ▪ Origin Energy Retail: Compliance Plan. 	30 June 2016
Educate contestable customers	Undertake customer education for the introduction of full retail competition in the Tasmanian electricity sector. Provide and refine educational material.	On-going
Monitoring electricity wholesale market contracting	Monitor Hydro Tasmania's compliance with the electricity wholesale market contracting regulatory framework.	On-going
Regulation of wholesale financial contract arrangements	Regulate arrangements relating to Hydro Tasmania's offering of certain financial contracts to electricity retailers operating in Tasmania	On-going
Government policy	Respond to changes in Government policy.	As required

Activity	Key project or task	Timeframe for completion
Licensing	Consider applications for licences for new entry generators, gas distributors and electricity and gas retailers.	As required
Water and sewerage economic regulation		
State of the Industry Report	Review and report on the performance of the water and sewerage sector for 2014-15.	Timeframe subject to ministerial direction
Independent appraisal	Review of TasWater's third tranche of Performance Indicators.	Mid June 2016
Education of water and sewerage regulatory framework	Assist in the education of TasWater on regulatory matters.	On-going
Data and audit co-ordinator	Undertake the role of data and audit co-ordinator for national water performance reporting.	On-going
Other		
Licence fees for 2015-16	Determine licence fees for 2015-16 in accordance with the Regulator's Structure of Licence Fees applicable 1 July 2014 to 30 June 2017.	August 2015
Review of regulatory framework	Amend the regulatory framework administered by the Economic Regulator as required by the legislated outcomes of the Government's review of the role and structure of the Economic Regulator.	30 September 2015
Annual reporting	Publish TER's 2014-15 Annual Report.	November 2015

Activity	Key project or task	Timeframe for completion
Government's review of the role and structure of the Economic Regulator	Implement changes to the Economic Regulator's website and OTTER's processes and procedures as a consequence of the legislated outcomes of the Government's review of the role and structure of the Economic Regulator.	31 December 2015
Stakeholder management and education	Build stakeholders' understanding of various regulatory matters, including the pricing of electricity and water and sewerage services.	On-going
Competitive neutrality complaints	Respond to an unknown volume of competitive neutrality complaints.	As required

FINANCIAL STATEMENTS

For the year ended 30 June 2015

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Office of the Tasmanian Economic Regulator

Certification of Financial Statements

For the period ended 30 June 2015

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 2015 and the financial position as at 30 June 2015.

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.

A handwritten signature in black ink, appearing to read 'G Appleyard', written in a cursive style.

Glenn Appleyard
CHAIRMAN

10 August 2015

Independent Audit Report



Independent Auditor's Report

To Members of the Tasmanian Parliament

Tasmanian Economic Regulator

Financial Statements for the Year Ended 30 June 2015

Report on the Financial Statements

I have audited the accompanying financial statements of the Tasmanian Economic Regulator (the Regulator), which comprises the statement of financial position as at 30 June 2015 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by the Chairman.

Auditor's Opinion

In my opinion the Regulator's financial statements:

- (a) present fairly, in all material respects, its financial position as at 30 June 2015 and its financial performance, cash flows and changes in equity for the year then ended
- (b) are in accordance with the requirements of the *Economic Regulator Act 2009*, *Financial Management and Audit Act 1990*, and Australian Accounting Standards.

The Responsibility of the Chairman for the Financial Statements

The Chairman is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and Section 27 (1) of the *Financial Management and Audit Act 1990*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

...1 of 2

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the Chairman's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regulator's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chairman, as well as evaluating the overall presentation of the financial statements.

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

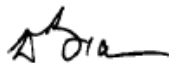
My audit is not designed to provide assurance on the accuracy and appropriateness of the budget information in the Regulator's financial statements.

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

Tasmanian Audit Office



H M Blake
Auditor-General

Hobart
26 September 2015

...2 of 2

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

Tasmanian Economic Regulator Statement of Comprehensive Income for the year ended 30 June 2015

	Notes	2015 Actual \$'000	2014 Actual \$'000
Revenue and other income from transactions			
Fees and fines	1.4(a), 3.1	1 889	1 910
Total revenue and other income from transactions		1 889	1 910
Expenses from transactions			
Employee benefits	1.5(a), 4.1	1 356	1 216
Supplies and consumables	4.2	505	458
Other expenses	1.5(b), 4.3	7	6
Total expenses from transactions		1 868	1 680
Net result from transactions (net operating balance)		21	230
Comprehensive result		21	230

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

Tasmanian Economic Regulator Statement of Financial Position as at 30 June 2015

	Notes	2015 Actual \$'000	2014 Actual \$'000
Assets			
<i>Financial assets</i>			
Cash and deposits	1.7(a), 8.1	236	76
Other financial assets	1.7(b), 5.1	207	360
<i>Non financial assets</i>			
Other assets	1.7(d), 5.2	206	6
Total assets		649	443
Liabilities			
Payables	1.8(a), 6.1	17	4
Employee benefits	1.8(b), 6.2	358	272
Other liabilities	1.8(d), 6.3	213	128
Total liabilities		588	404
Net assets (liabilities)		61	39
Equity			
Accumulated funds		61	39
Total equity		61	39

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

Tasmanian Economic Regulator Statement of Cash Flows for the year ended 30 June 2015

	Notes	2015 Actual \$'000	2014 Actual \$'000
Cash flows from operating activities		Inflows (Outflows)	Inflows (Outflows)
Cash inflows			
Fees and fines		2 135	1 705
Other cash receipts		1	1
Total cash inflows		2 136	1 706
Cash outflows			
Employee benefits		(1 269)	(1 236)
Supplies and consumables		(700)	(449)
Other cash payments		(7)	(7)
Total cash outflows		(1 976)	(1 693)
Net cash from (used by) operating activities	8.2	160	12
Cash flows from investing activities			
Net cash from (used by) investing activities		...	...
Cash flows from financing activities			
Net cash from (used by) financing activities		...	...
Net increase (decrease) in cash held and cash equivalents		160	12
Cash and deposits at the beginning of the reporting period		76	63
Cash and deposits at the end of the reporting period	8.1	236	76

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

Tasmanian Economic Regulator Statement of Changes in Equity for the year ended 30 June 2015

	Accumulated surplus / (deficit) \$'000	Total Equity \$'000
Balance as at 1 July 2014	39	39
Total comprehensive result	21	21
Balance as at 30 June 2015	61	61

	Accumulated surplus / (deficit) \$'000	Total Equity \$'000
Balance as at 1 July 2013	(192)	(192)
Total comprehensive result	230	230
Balance as at 30 June 2014	39	39

Notes to and forming part of the Financial Statements for the year ended 30 June 2015

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Note 1 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*, *Water and Sewerage Industry Act 2008*, *Electricity Supply Industry Act 1995* and the *Gas Act 2000*.

The *Economic Regulator Amendment Act 2015* made a number of broader reforms affecting the Regulator's primary role and responsibilities which took effect 1 July 2015. The specific changes are discussed separately in the Annual Report.

1.1 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 Special Deposits and Trust Fund Account T654 Government Economic Regulator 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 includes 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 Chairman 10 August 2015.

1.2 Functional and Presentation Currency

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

1.3 Changes in Accounting Policies

(a) Impact of new and revised Accounting Standards

In the current year, there were no new or revised Standards or interpretations issued by the Australian Accounting Standards Board that are relevant to the Regulator's operations.

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

The following new standard has been issued by the AASB and is yet to be applied:

- *AASB 15 Revenue from Contracts with Customers* - The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, an uncertainty of revenue and cash flows arising from a contract with a customer. This Standard applies to annual reporting periods beginning on or after 1 January 2017. Where an entity applies the Standard to an earlier annual reporting period, it shall disclose that fact. The financial impact is expected to be minimal.
- *2010-7, 2014-7 and 2014-8 Amendments to Australian Accounting Standards arising from AASB 9* - The objective of these Standards is to make amendments to various standards as a consequence of the issuance of *AASB 9 Financial Instruments* in December 2010. There is no financial impact.
- *2015-6 Amendments to Australian Accounting Standards – Extended Related Party Disclosures to Not-for-Profit Public Sector Entities* – The objective of this Standard is to extend the scope of *AASB 124 Related Party Disclosures* to include not-for-profit public sector entities. There will be no material financial impact.

1.4 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.

(a) Fees and Fines

Income from fees and fines is recognised on an accrual basis where possible, otherwise as it is received. Licence fees are transferred to revenue on a straight-line basis over the period that they relate to.

1.5 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.

(a) 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.

(b) 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.

1.6 Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

(a) Impairment – Financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that there are any financial assets that are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative affect on the estimated future cash flows of that asset.

An impairment loss, in respect of a financial asset measured at amortised cost, is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in the Statement of Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(b) Impairment – Non-financial assets

All non-financial assets are assessed to determine whether any impairment exists. Impairment exists when the recoverable amount of an asset is less than its carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. The Regulator's assets are not used for the purpose of generating cash flows; therefore value in use is based on depreciated replacement cost where the asset would be replaced if deprived of it.

All impairment losses are recognised in the Statement of Comprehensive Income.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.7 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.

(a) Cash and deposits

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

(b) Other financial assets

The Regulator records accrued revenue at the expected recovery amount.

(c) Receivables

Receivables are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables are not discounted back to their present value.

(d) Other assets

The Regulator records prepaid expenses and accrued revenue at the expected recovery amount.

1.8 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.

(a) 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.

(b) Employee benefits

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 2015, 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.

(c) Superannuation

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense when they fall due.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Regulator does not recognise a liability for the accruing superannuation benefits of employees. This liability is held centrally and is recognised within the Finance-General Division of the Department of Treasury and Finance.

The Regulator's superannuation obligations, in respect of the contributory service of current and past government employees, are recognised in the Administered Statements for Finance-General at the latest actuarial assessment of the members' entitlements, net of scheme assets. The valuation is determined by discounting to present value - the gross benefit payments at a current market-determined discount rate appropriate to the respective plan.

All gains or losses arising from the actuarial revaluation of superannuation liabilities are recognised in the Statement of Comprehensive Income of Finance-General.

(d) 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.

1.9 Leases

The Regulator is prohibited by Treasurer's Instruction *502 Leases* from holding finance leases.

The Regulator has entered into a number of operating lease agreements for property, plant and equipment, where the lessors effectively retain all the risks and benefits incidental to ownership of the items leased. Equal instalments of lease payments are charged to the Statement of Comprehensive Income over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

1.10 Judgements and Assumptions

In the application of Australian Accounting Standards, the Regulator is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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.

1.11 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.

1.12 Comparative Figures

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

1.13 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. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the financial statement will contain a note expressing the amount to the nearest whole dollar.

1.14 Taxation

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

1.15 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 ATO is recognised as an asset or liability within the Statement of Financial Position.

Note 2 Receipts and expenditure by electricity, gas and water and sewerage activities (cash basis only)

2.1 Statement of Receipts and Payments for Electricity Related Activities (including electricity pricing investigations)

	2015 Actual \$'000	2014 Actual \$'000
Receipts		
Fees and fines	782	634
Total receipts	782	634
Expenditure		
Employee benefits	404	777
Supplies and consumables		
Advertising and promotion	...	6
Communications	3	5
Consultants	...	5
Information technology	24	49
Maintenance and property services	32	68
Travel and transport	5	10
Other supplies and consumables	48	84
Total expenditure	515	1 003
Net cash provided (used) by electricity related activities	267	(369)

2.2 Statement of Receipts and Payments for Gas Related Activities

	2015	2014
	\$'000	\$'000
Receipts		
Fees and fines	295	214
Total receipts	295	214
Expenditure		
Employee benefits	65	95
Supplies and consumables		
Advertising and promotion	...	1
Communications	...	1
Information technology	3	5
Maintenance and property services	5	7
Travel and transport	1	1
Other supplies and consumables	203	66
Total expenditure	278	175
Net cash provided (used) by gas related activities	17	38

2.3 Statement of Receipts and Payments for Water and Sewerage Activities

	2015	2014
	\$'000	\$'000
Receipts		
Fees and fines	912	631
Total receipts	912	631
Expenditure		
Employee benefits	852	289
Supplies and consumables		
Advertising and promotion	5	3
Communications	5	2
Consultants	136	
Information technology	52	19
Maintenance and property services	78	27
Travel and transport	11	6
Other supplies and consumables	24	17
Total expenditure	1 163	363
Net cash provided (used) by water and sewerage related activities	(251)	268

Note 3 Income from transactions

3.1 Fees and fines

	2015	2014
	\$'000	\$'000
Fees		
Recoveries from competitive neutrality activities	9	70
Recoveries from electricity related activities	575	981
Recoveries from gas related activities	207	212
Recoveries from monopoly pricing policies	1	83
Recoveries from water and sewerage activities	1 096	565
Total	1 889	1 910

Note 4 Expenses from transactions

4.1 Employee benefits

	2015	2014
	\$'000	\$'000
Wages and salaries	911	869
Annual leave	85	52
Long service leave	63	(14)
Sick leave	4	21
Superannuation – defined contribution schemes	79	73
Superannuation – defined benefits scheme	57	56
Other employee expenses		
Board member fees	157	159
Total	1 356	1 216

Superannuation expenses relating to the defined benefits scheme relate to payments made to the Finance-General Division of the Department of Treasury and Finance. 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 12.75 per cent of salary.

Superannuation expenses relating to the defined contribution schemes are paid directly to the relevant superannuation fund at a rate of nine per cent of salary. In addition, the Regulator is also required to pay to the Finance-General Division a "gap" payment equivalent to 3.25 per cent of salary in respect of employees who are members of the defined contribution schemes.

4.2 Supplies and consumables

	2015	2014
	\$'000	\$'000
Audit fees – financial audit	7	10
Operating lease costs	115	160
Consultants	136	5
Property services	6	10
Communications	9	11
Information technology	84	77
Travel and transport	20	18
Advertising and promotion	6	12
Other supplies and consumables	121	106
Transfers to other Agencies	...	49
Total	505	458

4.3 Other expenses

	2015	2014
	\$'000	\$'000
Salary on-costs		
Workers compensation	7	6
Total	7	6

Note 5 Assets

5.1 Other financial assets

	2015	2014
	\$'000	\$'000
Accrued revenue	207	360
Total	207	360
Settled within 12 months	207	360
Total	207	360

5.2 Other assets

	2015	2014
	\$'000	\$'000
Prepayments	206	6
Total	206	6
Settled within 12 months	206	6
Total	206	6

Note 6 Liabilities

6.1 Payables

	2015	2014
	\$'000	\$'000
Creditors ¹	1	...
Accrued expenses	16	4
Total	17	4
Settled within 12 months	17	4
Total	17	4

Settlement is usually made within 30 days.

6.2 Employee benefits

	2015	2014
	\$'000	\$'000
Accrued salaries	44	32
Annual leave	73	60
Long service leave	226	181
Other – Purchased Leave Scheme	6	...
Other – State Service Accumulated Leave Scheme	9	...
Total	358	272
Expected to settle wholly within 12 months	168	120
Expected to settle wholly after 12 months	190	152
Total	358	272

6.3 Other liabilities

	2015	2014
	\$'000	\$'000
Revenue received in advance		
Other revenue received in advance	193	100
Other liabilities		
Employee benefits – on-costs	1	1
Lease incentive	19	26
Total	213	128
Settled within 12 months	200	108
Settled in more than 12 months	13	19
Total	213	128

Note 7 Commitments and contingencies

7.1 Schedule of commitments

	2015	2014
	\$'000	\$'000
By type		
<i>Operating lease commitments</i>		
Buildings	448	573
Office equipment	...	7
Total operating lease commitments	448	580
By maturity		
<i>Operating lease commitments</i>		
One year or less	126	129
From one to five years	323	451
Total operating lease commitments	448	580

The Regulator leases office accommodation under an operating lease. The current lease was renewed on 1 February 2014 and covers a five year period ending 31 January 2019. The first eight monthly lease payments were discounted and the total value of this discount is recognised over the length of the lease. Lease rentals are based on negotiated agreements that reflect the current market rent paid for comparable buildings within the precinct. Lease payments are made by monthly instalments in advance. On 30 January 2015, the Office of the Tasmanian Economic Regulator relocated to new premises. The Regulator is still obliged to meet lease costs associated with its previous premises until the lease for the former offices is terminated or the offices sub-leased. Until that time, lease rentals for the new premises will not be applied.

The Regulator leases office equipment for a three year lease period, paid in arrears. On expiry of the lease the Regulator has the option to return the equipment, purchase at fair market value or renew the lease arrangements at which time all terms are renegotiated.

Note 8 Cash flow reconciliation

8.1 Cash and deposits

Cash and deposits includes the balance of the Special Deposits and Trust Fund Accounts held by the Regulator, and other cash held, excluding those accounts which are administered or held in a trustee capacity or agency arrangement.

	2015	2014
	\$'000	\$'000
Special Deposits and Trust Fund balance		
T654 Government Economic Regulator Account	236	76
Total cash and deposits	236	76

8.2 Reconciliation of net result to net cash from operating activities

	2015	2014
	\$'000	\$'000
Net result	21	230
Decrease (increase) in Other financial assets	153	(174)
Decrease (increase) in Other assets	(200)	(6)
Increase (decrease) in Payables	13	(44)
Increase (decrease) in Employee benefits	86	(21)
Increase (decrease) in Other liabilities	85	27
Net cash from (used by) operating activities	160	12

Note 9 Financial instruments

9.1 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 deposits	Cash and deposits 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 Regulators 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	<p>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.</p> <p>The Regulator regularly reviews budgeted cash outflows to ensure that there is sufficient cash to meet all obligations.</p>	Settlement is usually made within 30 days.

The following tables detail the undiscounted cash flows payable by the Regulator by remaining contractual maturity for its financial liabilities. It should be noted that as these are undiscounted, totals may not reconcile to the carrying amounts presented in the Statement of Financial Position:

2015

	Maturity analysis for financial liabilities						Undiscounted Total	Carrying Amount
	1 Year	2 Years	3 Years	4 Years	5 Years	More than 5 Years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Financial liabilities								
Payables	17	...	...	...	...	...	17	17
Total	17	...	...	...	...	...	17	17

2014

Maturity analysis for financial liabilities								
	1 Year	2 Years	3 Years	4 Years	5 Years	More than 5 Years	Undiscounted Total	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities								
Payables	4	...	...	...	...	...	4	4
Total	4	...	...	...	...	...	4	4

(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.

9.2 Categories of financial assets and liabilities

	2015	2014
	\$'000	\$'000
Financial assets		
Cash and deposits	236	76
Accrued revenue	207	360
Total	443	436
Financial Liabilities		
Financial liabilities measured at amortised cost	17	4
Total	17	4

9.3 Reclassifications of Financial Assets

The Regulator has not reclassified any of its financial assets.

LEGISLATION

The following legislative instruments and other documents were relevant to the Regulator's activities in 2014-15.

- *Economic Regulator Act 2009*
- *Economic Regulator Amendment Act 2015*
- *Economic Regulator (MAIB Premiums) Order 2013*
- *Economic Regulator (Metro Bus Fares) Order 2014*
- *Electricity Reform Act 2012*
- *Electricity – National Scheme (Tasmania) Act 1999*
- *Electricity Supply Industry Act 1995*
- *Electricity Supply Industry Regulations 2008*
- *Electricity Supply Industry (Customer) Regulations 2012*
- *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013*
- *Electricity Supply Industry Restructuring (Savings and Transitional Provisions) Act 1995*
- *Electricity Industry Safety and Administration Act 1997*
- *Energy Ombudsman Act 1998*
- *Gas Pipelines Act 2000*
- *Gas Pipelines Regulations 2002*
- *Gas Act 2000*
- Certification granted under the Gas Customer Transfer and Reconciliation Code
- *HEC Enterprises Corporation Act 1995*
- *Motor Accidents (Liabilities and Compensation) Act 1973*
- National Electricity Rules
- National Electricity Law
- *Ombudsman Act 1978*
- *Public Interest Disclosures Act 2002*

- *Water and Sewerage Corporations Act 2008*
- *Water and Sewerage Corporation Act 2012*
- *Water and Sewerage Industry Act 2008*
- *Water and Sewerage Industry (Customer Service Standards) Regulations 2009*
- *Water and Sewerage Industry (Pricing and Related Matters) Regulations 2011*
- Orders in Council
- licences issued by the Regulator under sections 19 and 19A of the *Electricity Supply Industry Act 1995*
- licences issued by the Regulator under section 24 of the *Gas Act 2000*
- licences issued by the Regulator under section 10 of the *Gas Pipelines Act 2000*
- licences issued by the Regulator under section 35 of the *Water and Sewerage Industry Act 2008*
- codes and standards that the various licensees are required to observe under their respective licences; statements and guidelines, relating to the performance of the Regulator's functions and the exercise of its powers and any other documents published by the Regulator; and directions given by the Regulator.

SUPPLEMENTARY INFORMATION

Payments to consultants

The following payment in excess of \$10 000 made to consultants in 2014-15:

Table 6 Consultancies exceeding \$10 000

Consultant	Location	Description	Actual expenditure (GST exclusive) (\$)
Jacobs Group (Australia) Pty Ltd	VIC	Assist the Economic Regulator in the review of TasWater's operating expenditure and asset values	\$136 176

Application of Government procurement policies

The Regulator complies with the Treasurer's Instructions in purchasing goods and services.

Human resource management and policies

OTTER staff are employees of Treasury and are made available to the Regulator on a full-time basis. Consequently, OTTER staff are subject to the same human resource management policies and procedures as apply in the Department. Refer to the Annual Report of Treasury for information in this regard.

Public Interest Disclosures

The purpose of the *Public Interest Disclosures Act 2002* (PID Act) is to encourage and facilitate disclosures about any improper conduct of public officers or public bodies. Its purpose is also to protect 'whistleblowers'.

The Regulator did not receive any requests for public interest disclosures during 2014-15.

The Regulator is committed to the aims and objectives of the PID Act and recognises the value of transparency and accountability in administrative and management practices. The Regulator supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

The Regulator established procedures in accordance with section 60 of the PID Act and, on 1 July 2011, submitted them to the Ombudsman for approval. In accordance with section 60(3) of the PID Act, on 29 August 2014, the Regulator amended and submitted its procedures to the Ombudsman for review. The revised procedures were approved by the Ombudsman on 3 September 2014.

Right to Information

The *Right to Information Act 2009* 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 in only limited circumstances which are 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 available on the OTTER website which assists the public in understanding what it does and how it does it.

Some information is not released in this way, either because it is not of general public interest or because it is information that the Regulator would need to assess against the exemptions in the RTI Act prior to disclosure.

The Regulator did not receive any requests for information under the RTI Act in 2014-15.

Asset and risk management

Major corporate support services for OTTER, including the management of assets, are undertaken by the Treasury. Refer to Treasury's Annual Report for further information about this issue.

Allocation and recovery of the Regulator's costs

The Regulator is able to recover its reasonable costs in carrying out its functions under the ESI Act, the Gas Act, Gas Pipelines Act and W&SI Act through annual licence fees. The costs of price investigations conducted in the electricity sector are separately recovered from the entities that are the subject of an investigation and reflect the Regulator's actual costs in undertaking the investigation.

Costs in each of the electricity, gas and water and sewerage sectors are allocated in accordance with a *Structure of licence fees for the electricity, gas and water and sewerage sectors - applicable 1 July 2014 to 30 June 2017*.

The overarching principles in allocating the Regulator's costs to the various participants in each sector, for which the Regulator has responsibilities, are that the costs reflect the extent to which the Regulator's expenditure relates to a particular participant or group of participants and do not unreasonably discriminate against licensees.

Service Level Agreement

OTTER receives a number of administrative support services from Treasury, in particular, information technology, human resources, financial management and other corporate information support services. In June 2013, a Service Level Agreement was entered into between Treasury and the Regulator to define the services to be provided by Treasury to OTTER to support the Regulator and the terms and conditions under which those services will be provided. The Service Level Agreement was renewed in June 2015 for a further six months.

Correspondence

OTTER seeks to respond to 95 per cent of its incoming correspondence within 14 days of receipt and 100 per cent within 30 days. In 2013-14, this 14 day target was met 91.25 per cent of the time and the 30 day target was met 100 per cent of the time.

Publications

The Regulator aims to provide readily accessible information to stakeholders and interested parties about the activities of the Regulator, OTTER and the Regulator's advisory bodies through its website.

Guidelines, reports and consultation papers are published on the website. Submissions on various matters under consultation are also published, together with determinations, statements of reasons, incident report summaries and the various regulatory instruments, codes and licences that support the regulatory frameworks.

The following papers were published during the 2014-15 financial year (in reverse chronological date order):

- Operating Plan 2015-16 of the Office of the Tasmanian Economic Regulator, June 2015
- OTTER News, June 2015
- Revocation of the Declaration of Raise Contingency Frequency Control Ancillary Services as a Declared Electrical Service, Decision and Statement of Reasons, June 2015
- 2015 Price Determination Investigation, Regulated Water and Sewerage Services in Tasmania, Final Report, April 2015
- Tasmanian Water and Sewerage Corporation Pty Ltd (ACN 162 220 653), Water and Sewerage Services Price Determination, 1 July 2015 – 30 June 2018, Issued 30 April 2015
- Statement of Reasons on 2015 Price Determination Investigation Final Report – Regulated Water and Sewerage Services in Tasmania, April 2015
- Retention or revocation of the declaration of raise contingency Frequency Control Ancillary Services (FCAS) as a declared electrical service, Consultation Paper, April 2015
- OTTER News, April 2015
- Tasmanian Water and Sewerage State of the Industry Report 2013-14, April 2015

- Comparison of Australian Standing Offer Energy Prices, March 2015
- Regulator's consideration of, and decision on, the matters raised in TasWater's submission – amendments to the Tasmanian Water and Sewerage Customer Service Code, February 2015
- Draft amendments to the Tasmanian Water and Sewerage Industry Customer Service Code, Consultation Paper, February 2015
- 2015 Price Determination Investigation, Regulated Water and Sewerage Services in Tasmania, Draft Report, January 2015
- Fact sheet, Moving to uniform water and sewerage prices, January 2015
- Fact sheet, Sub-metering, January 2015
- Fact sheet, Service charges on unconnected properties, January 2015
- Fact sheet, Service replacement, January 2015
- Fact sheet, Sewerage Charges: Trade Waste and Equivalent Tenements, January 2015
- Fact sheet, Developer charges (Headworks), January 2015
- Fact sheet, The Price Determination process, January 2015
- Fact sheet, Split of fixed and variable water charges, January 2015
- Energy in Tasmania Performance Report 2013-14, January 2015
- Proposed Amendments to Chapters 8A and 14 of the Tasmanian Electricity Code, Consultation Paper, November 2014
- Tasmanian Economic Regulator Annual Report 2013-14, September 2014
- 2014 Aurora Pay As You Go price comparison report (APAYG rates from 19 July 2014), September 2014
- Comparison of Australian Standing Offer Energy Prices, September 2014
- Electricity Supply Industry Performance and Information Reporting Guideline Version 2.3, September 2014
- Regulatory Reporting Guideline, Version 3, July 2014
- Office of the Tasmanian Economic Regulator Policy on the Treatment of Confidential Submissions (Version 3 – Effective 1 July 2014)
- Guideline on a Tasmanian Annual Planning Statement, Version 2.2, July 2014
- Guideline, Dealing with Information Provided under Division 3 of Part 3 of the *Electricity Supply Industry Act 1995*, Version 2, July 2014

ACRONYMS & TERMS

Table 7 Acronyms and terms used in this report

Term	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Aurora Energy	Aurora Energy Pty Ltd
Aurora Distribution	The distribution business of Aurora Energy Pty Ltd
APAYG	Aurora Pay As You Go
Basslink	Basslink Pty Ltd
BSI	Bass Strait Islands
COAG	Council of Australian Governments
Customer Service Code	Water and Sewerage Customer Service Code
DPIPWE	Department of Primary Industries, Parks, Water and Environment
EISA Act	<i>Electricity Industry Safety and Administration Act 1997</i>
ER Act	<i>Economic Regulator Act 2009</i>
ER Amendment Act	<i>Economic Regulator Amendment Act 2015</i>
ESI Act	<i>Electricity Supply Industry Act 1995</i>
FCSPS	Frequency Control System Protection Scheme
FIT	Feed-in Tariffs
Gas Act	<i>Gas Act 2000</i>
Gas Pipelines Act	<i>Gas Pipelines Act 2000</i>
GPOC	Government Prices Oversight Commission
Hydro Tasmania	Hydro-Electric Corporation

Term	Definition
IPO	interim price order
ISDA	International Swaps and Derivatives Association
LPG	liquid petroleum gas
MAIB Premium Order	<i>Economic Regulator (MAIB Premiums) Order 2013</i>
Metro Pricing Order	<i>Economic Regulator (Metro Bus Fares) Order 2014</i>
MoU	Memorandum of Understanding
NCSPS	Network Control System Protection Scheme
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NPR	National Performance Report
NWC	National Water Commission
OCCC	OTTER Customer Consultative Committee
OTTER	Office of the Tasmanian Economic Regulator
Regulator	Tasmanian Economic Regulator
SPS	System Protection Scheme
TasNetworks	Tasmanian Networks Pty Ltd
TEC	Tasmanian Electricity Code
Transend Networks	Transend Networks Pty Ltd
Transfer Code	Gas Customer Transfer and Reconciliation Code
Water and Sewerage Corporations Act	<i>Water and Sewerage Corporations Act 2008</i>
WT	WorkSafe Tasmania
W&SI Act	<i>Water and Sewerage Industry Act 2008</i>

