

TASMANIAN ECONOMIC REGULATOR ANNUAL REPORT 2015-16



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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

I am pleased to present you with the Tasmanian Economic Regulator's 2015-16 Annual Report, prepared in accordance with section 22 of the *Economic Regulator Act 2009*.

In doing so, I wish to record my appreciation to the staff of the Office of the Tasmanian Economic Regulator, for their assistance and support throughout the year. I would also like to thank the former chair of the Tasmanian Economic Regulator, Mr Glenn Appleyard, for filling the role as the Tasmanian Economic Regulator until my appointment in November 2015.

Yours sincerely

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

Joe Dimasi

TASMANIAN ECONOMIC REGULATOR

6 October 2016

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REGULATOR'S PREFACE

Following the Government's reforms to the Tasmanian Economic Regulator, which commenced on 1 July 2015, 2015-16 has been a busy year for the Regulator. As a result of the reforms, a number of changes were required to be made to the regulatory framework administered by the Regulator. In addition, I commenced the role as the Regulator on 9 November 2015.

There were several large projects completed during 2015-16 and several events that brought focus particularly to the electricity supply industry namely the Basslink outage and low storage levels in Hydro Tasmania's dams. The major projects completed include:

- the 2016 Standing Offer price investigation and determination, which outlines how Aurora Energy's standing offer electricity prices are determined for the next three years; and
- the 2016 Regulated Feed-in Tariff (FiT) Rate investigation and determination, which determines the rate to be paid by authorised retailers to Standard FiT customers.

Several other major projects commenced during the year included:

- the Network Reliability Review, which was deferred due to the Basslink outage but has now recommenced and is expected to be completed in the first half of 2016-17; and
- the review of the Electricity Wholesale Contract Regulatory Instrument commenced in 2015-16 and is due to be completed in 2016-17.

As part of monitoring and reporting requirements, publications for the year included:

- the *Water and Sewerage State of the Industry Report 2014-15*;
- the *Energy in Tasmania - Performance Report 2014-15*;
- the *Prepayment price comparison report August 2015*;
- July 2015 and February 2016 editions of the *Comparison of Australian electricity standing offer energy prices report*; and
- weekly *Tasmanian Market Watch* bulletins that summarise the outcomes of the National Electricity Market in relation to the Tasmanian region.

Other activities for 2015-16 included:

- the renewing and amending various licences for electricity and gas entities;
- 2016-17 approvals for Standing Offer prices; FiT rate, Bass Strait Island (BSI) Tariffs and MAIB insurance premiums;
- independent appraisals of Hydro Tasmania's asset management plan and BSI operations retail compliance and customer service plan; and
- independent appraisals of TasWater's compliance plan and emergency management plan.

SUMMARY OF ACHIEVEMENTS

The Regulator's major achievements for 2015-16 are set out in the following table.

Table 1 Summary of achievements in 2015-16

Project	Output	Outcomes	Link to objectives and functions
Energy regulation			
2016 Standing Offer price investigation	<p>The Regulator published its <i>Aurora Energy Pty Ltd 2016 Standing Offer Price Determination</i> on 5 May 2016.</p> <p>The Regulator also published its Guideline - Standing offer price approval process in accordance with the 2016 Determination on 5 May 2016.</p>	Price controls on the monopoly provider of electricity retail services to small customers.	<p>Promotion of efficiency in the electricity supply industry.</p> <p>Setting maximum prices for the sale and supply of 'declared' electrical services to small customers.</p> <p>Protecting the interests of electricity consumers.</p>
Standing offer prices	Approval of standing offer prices for the period 1 July 2016 to 30 June 2017 in accordance with the 2016 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.	<p>Regulating the prices that may be charged.</p> <p>Protecting the interests of electricity consumers.</p>
FiT Investigation	The Regulator published its <i>2016 Regulated Feed-in Tariff Determination for Standard Feed-in Tariff Customers</i>	<p>Efficient provision of electricity retail services to FiT customers.</p> <p>FiT rates set in accordance with the Regulator's determination of standard FiT customers.</p>	<p>Promotion of efficiency in the electricity supply industry.</p> <p>Protecting the interests of electricity consumers.</p>

Project	Output	Outcomes	Link to objectives and functions
Regulated feed-in tariff (FiT) rates	Approval of the FiT rate for the period 1 July 2016 to 30 June 2017 in accordance with the 2016 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.	Promote efficiency and competition in the electricity supply industry Protecting the interests of electricity consumers.
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 2016.	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.
Energy in Tasmania - Performance Report 2014-15	A comprehensive review of the State's energy supply industry.	Confidence by stakeholders of integrity of the system. Energy entities within Tasmania are accountable for delivery of services measured against appropriate standards.	Collecting information and statistics, publishing reports and disseminating information relating to the performance of the industry. Protect 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 2015 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"> Hydro Tasmania's asset management plan Hydro Tasmania's Bass Strait Islands (BSI) operations' retail compliance plan and customer service plan 	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 electricity consumers.
Electricity licensing	The Regulator renewed the electricity generation licence held by: <p>Woolnorth Studland Bay Wind Farm Pty Ltd for a further ten years, effective from 13 January 2016; and</p> <p>LMS Energy Pty Ltd for a further ten years, effective from 24 January 2016.</p>	Effective regulation of electricity supply in Tasmania.	Administer the licensing system for electricity entities established by the <i>Electricity Supply Industry Act 1995</i> .

Project	Output	Outcomes	Link to objectives and functions
Gas licensing	the Regulator amended the gas pipeline (operations) licence held by TGP Pty Ltd, the gas distribution (construction) licence held by Tas Gas Networks Pty Ltd and the gas distribution (construction) licences held by Origin Energy Tasmania Pty Ltd and Tas Gas Networks Pty Ltd.	Effective regulation of electricity supply in Tasmania.	Administer the licensing system for gas entities established by the <i>Gas Act 2000</i> .
Economic regulation of the water and sewerage sector			
Price and Service Plan	In June 2016 the Regulator issued its Water and Sewerage Price and Service Plan Guideline, setting out the Regulator's minimum requirements for the information that should be provided in TasWater's proposed price and service plan for the third regulatory period from 1 July 2018 to 30 June 2021	Clearly explained TasWater's obligations with respect to the content of its price and service plan.	Regulation of prices, terms and conditions for regulated services. Protect the long term interests of water and sewerage customers. Efficient and sustainable provision of reliable and secure water and sewerage services.
Compliance monitoring and enforcement	Independent appraisal of TasWater's compliance plan and emergency management plan.	TasWater is compliant with its 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.

Project	Output	Outcomes	Link to objectives and functions
Tasmanian Water and Sewerage State of the Industry Report 2014-15	A comprehensive review of the State's water and sewerage sector.	TasWater accountable for delivery of services measured against appropriate standards.	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.

THE REGULATOR'S ROLES AND RESPONSIBILITIES

Overview

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

- conducting monopoly provider investigations and providing a final report in respect of each investigation;
- conducting prescribed body inquiries and providing a report in respect of each inquiry;
- conducting taxi fare methodology inquiries and providing a report in respect of each inquiry; and
- 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 three-person independent statutory body, the Tasmanian Economic Regulator (Regulator). This body assumed the functions of the former Government Prices Oversight Commission. In July 2015, following enactment of the *Economic Regulator Amendment Act 2015*, the Regulator was restructured from the three-person panel to a single person with the capacity to appoint an Assistant Regulator, if required.

The Regulator also 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 2015-16 most customers remained on regulated standing offer contracts due to a lack of competition in the small customer segment.

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:

- 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;
- monitoring and enforcing the compliance of electricity entities with their licence conditions;
- issuing, maintaining, administering and enforcing the TEC; and
- 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 –

- promote efficiency and competition in the electricity supply industry;
- establish and maintain a safe and efficient system of electricity generation, transmission, distribution and supply;
- establish and enforce proper standards of safety, security, reliability and quality in the electricity supply industry; and
- 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.

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.

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. Construction of the transmission pipeline was completed early in 2003.

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:

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

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

- facilitate the development of a gas supply industry in Tasmania;
- promote efficiency and competition in the gas supply industry;
- promote the establishment and maintenance of a safe and efficient system of gas distribution and supply;
- establish and enforce proper standards of safety, reliability and quality in the gas supply industry;
- protect the interests of consumers of gas;
- 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;
- ensure as far as reasonably practicable security of supply for users of gas; and
- 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.

On 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.

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 W&SI Act include:

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

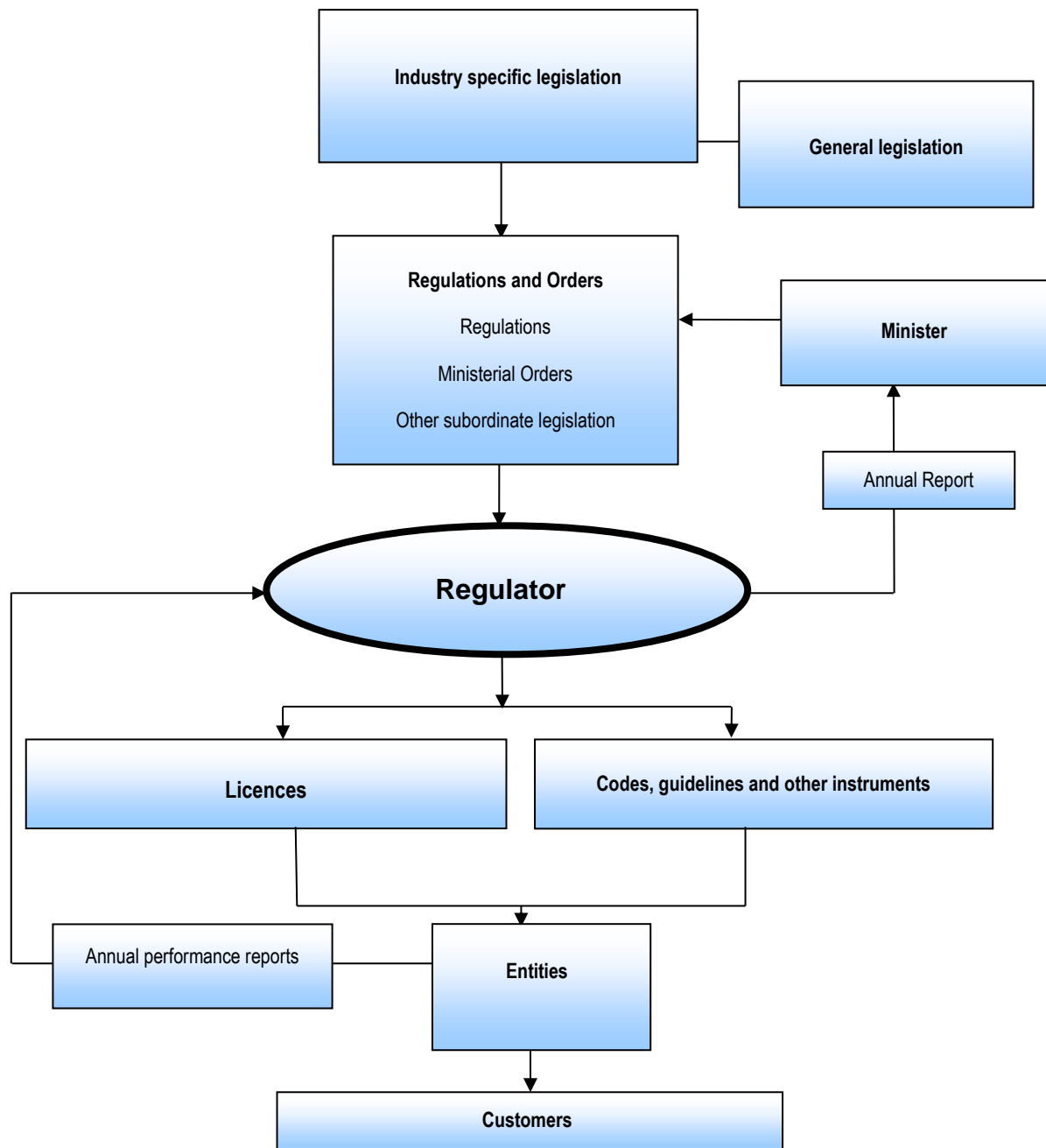
The Tasmanian legislative and regulatory framework

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.

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.

Figure 1 the regulatory framework



The Regulator

In 2014-15, the Government, through the Department of Treasury and Finance (Treasury), 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 made a number of broader reforms affecting the Regulator's primary role and responsibilities. The industry specific changes are discussed separately in the respective industry sections. Other important changes include the following, the Regulator:

- is no longer a panel of three people. Rather the Regulator is now a single person appointed by the Treasurer with Acting or Assistant Regulators appointed by the Treasurer as appropriate;
- is 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 undertaken a review of its processes, guidelines, and website information to implement these changes.

Following the restructure in July 2015, Mr Glenn Appleyard (the former Chair) was appointed as the Regulator for a transitional period until the Government announced the appointment of Mr Joe Dimasi as the Regulator commencing on 9 November 2015.

Mr Dimasi is a former Commissioner of the Australian Competition and Consumer Commission where he established and led the ACCC's regulatory functions over a period of 18 years first as Head of its Regulatory Division and later as Commissioner. Mr Dimasi established the Australian Utilities Regulator's Forum and was a founding council member of the East Asian and Pacific Infrastructure Regulators Forum, which was established under the guidance of the World Bank to provide training and outreach to smaller regulators in the East Asian and Pacific region. Mr Dimasi is also Professorial Fellow at the Monash Business School.

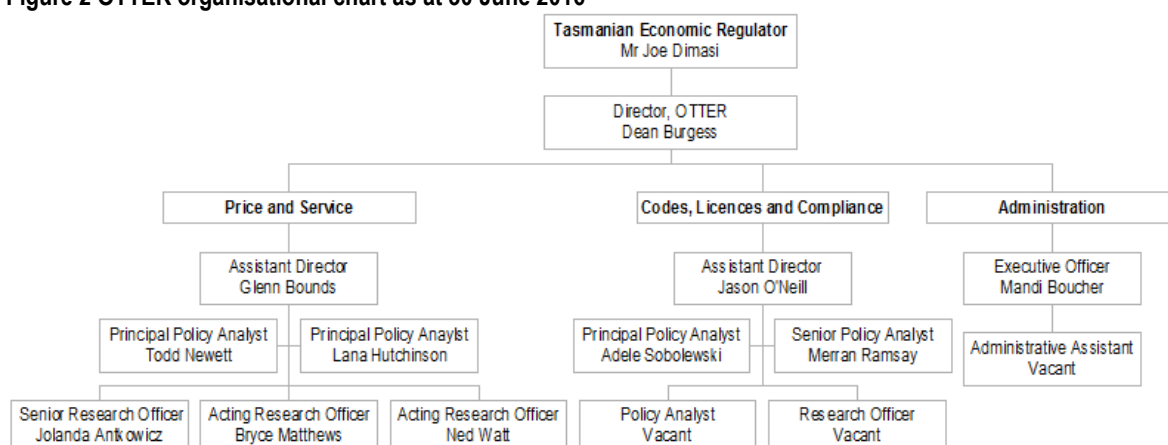
The Regulator met on eight occasions during 2015-16 (attendance frequency in brackets):

- Mr Glenn Appleyard (2)
- Mr Joe Dimasi (6)

Office of the Tasmanian Economic Regulator

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 positions, 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 2016



Key relationships and acknowledgments

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

The Regulator continues to work with other 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;
- Ombudsman Tasmania;
- Director of Gas Safety;
- Environment Protection Authority;
- Department of Health and Human Services;
- WorkSafe Tasmania, Department of Justice;
- Australian Energy Regulator (AER);
- Australian Energy Market Commission (AEMC);
- Australian Energy Market Operator (AEMO); and
- other Australian economic regulators.

ELECTRICITY REGULATION

Regulator reforms - electricity

The ER Amendment Act took effect on 1 July 2015. It made a number of changes to the regulation of the electricity industry, including that the Regulator:

- has the 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, either on the Regulator's 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, either on the Regulator's own initiative or at the direction of the Minister for Energy and the Treasurer;
- may prepare a Price Comparison Report comparing electricity prices available to small customers across Australian jurisdictions, either on the Regulator's 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.

These amendments necessitated consequential work by the Regulator during 2015-16, including making amendments to the Tasmanian Electricity Code, relevant guidelines, and information on the Regulator's website.

National Energy Customer Framework

The National Energy Customer Framework (NECF) governing the sale and supply of energy (electricity and natural gas) to electricity retail customers commenced on mainland Tasmania from 1 July 2012. NECF does not apply to the gas industry in Tasmania. Although NECF replaced the majority of the Tasmanian electricity regulatory framework that regulated the customer, retailer, and distributor relationships, retail pricing remains a jurisdictional responsibility.

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

- administering the licensing system for:
 - generation;
 - transmission;
 - distribution; and
 - retail (on the Bass Strait Islands (BSI) only);
- monitoring and enforcing the compliance of licensees with their licence conditions - which includes appraising management and compliance plans and issuing guidelines;

- 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);
- conducting reliability reviews;
- monitoring and reporting on incidents;
- conducting and preparing special reports as requested by the Minister;
- 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, 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
- 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 2015-16, there were nine 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, which is owned by Hydro Tasmania, 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 holds a generation licence to operate two landfill gas-fuelled generators at Remount Road, Launceston (2.2 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 (6.08 MW).
- 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 Tasmania's jurisdiction.

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

Licence amendments

As a result of the Basslink outage between December 2015 and June 2016, Hydro Tasmania requested four amendments to its electricity generation licence for mainland Tasmania. The Regulator agreed to each of the four requests as follows:

- on 19 February 2016, amendments were made to allow diesel generators with total capacities of 50 MW at Wesley Vale and 34 MW at George Town;
- on 8 March 2016, amendments were made to allow diesel generators with total capacities of 24 MW at Port Latta, 24 MW at Catagunya and 24 MW at Meadowbank;
- on 18 March 2016, amendments were made to allow diesel generators with total capacities of 24 MW at Savage River and 36 MW at Que, and diesel/gas generators at Bell Bay with a total capacity of 75 MW; and
- on 3 May 2016, amendments were made to allow for more diesel generators at Que with a further 24 MW of generation capacity installed at that site.

New licensees

There were no new electricity licences issued in 2015-16.

Licence surrenders

There were no electricity licences surrendered in 2015-16.

Licence renewals

On 13 October 2015, the Regulator renewed the electricity generation licence held by Woolnorth Studland Bay Wind Farm Pty Ltd for a further ten years, effective from 13 January 2016.

On 13 October 2015, the Regulator renewed the electricity generation licence held by LMS Energy Pty Ltd for a further ten years, effective from 24 January 2016.

AGL Energy Services Pty Ltd did not renew a generation licence to operate landfill gas-fuelled generators at Jackson St, Glenorchy (1.6 MW) and at McRobies Gully, Hobart (1 MW). The licence expired on 30 January 2016 and was not renewed due to the total generation capacity being less than 5 MW.

Licence non-approvals

For 2015-16, all electricity licence applications received for renewal, and requests for amendment, were approved.

Licence transfers

There were no electricity licences transferred in 2015-16.

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 Energy Customer Framework, regulated (standing offer) prices remain available for small customers who have not entered into a market retail contract. However, during 2015-16 most customers remained on regulated standing offer contracts due to a lack of competition in the small customer segment.

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

Tasmanian Electricity Code (TEC) was updated using 'fast track' provisions following the insertion of section 10B into the ESI Act. The new section means that, at least once every three years, either on the Regulator's own initiative or if directed by the Minister for Energy and the Treasurer, the Regulator is to conduct a review into, and report on, the reliability of network services. Clause 12.6.1 (Reliability Review) of the TEC was accordingly amended to reflect changes in the frequency of the Regulator's reliability review report, effective 1 September 2015. Consequential amendments were also made to the Preamble.

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 for the mostly recently completed financial year by 30 September each year. During 2015-16, 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 Tasmanian electricity market and the development of competition in the Tasmanian electricity market. The Regulator meets this obligation by publishing the annual Tasmanian Energy Supply Industry Performance Report and the weekly Tasmanian Market Watch Bulletin. The Report and Bulletin utilise the results of monitoring undertaken by other regulatory bodies including the Australian Energy Regulator (AER) and Australian Energy Market Operator (AEMO).

Tasmanian Market Watch - weekly market bulletins and data analysis

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

From 1 January 2014 the Regulator became responsible for regulating and monitoring Hydro Tasmania's wholesale contract activities. Information on Hydro Tasmania's wholesale electricity contract prices was added to Market Watch in August 2014. This information took the form of a graph of the weekly prices for all four regulated contracts for all quarters Hydro Tasmania must offer regulated contracts and a diagram showing the applicable traffic light indicator for the next eight quarters.

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

Tasmanian energy supply industry performance report 2014-15

In January 2016, the Regulator published its *Energy in Tasmania - Performance Report (EiT) 2014-15* which provided 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 EiT report aims to make the entities publicly accountable for their performance and for the standard of the services they provide. The report uses information from regulated electricity and gas entities' annual performance reports and annual returns.

The 2014-15 EiT report did not contain a network reliability review, as had occurred in previous EiT reports, as, following the July 2015 changes to the Regulator's functions, the Regulator was required to prepare a separate Network Reliability Report every three years.

Comparison of Australian standing offer energy prices

The Regulator produces Comparison of Australian Standing Offer Energy Prices reports, which compare Tasmanian residential electricity and gas prices with prices applying in other Australian jurisdictions. The reports also compares small business customer electricity and natural gas prices. The Regulator published its comparison reports in July 2015 and February 2016.

APAYG price comparison reports

In addition to its regulated standing offer price product, Aurora Energy also has an Aurora Pay As You Go (APAYG) product for residential customers, which offers prepaid Time of Use pricing. The Regulator does not regulate the APAYG product, but monitors and reports on price movements.

The Regulator produces a Prepayment Price Comparison Report, which compares APAYG and regulated prices to help customers assess which Aurora Energy product is the most appropriate having regard to their particular circumstances. The Regulator published its most recent report in August 2015.

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 Incident Reporting Guideline for the Tasmanian Electricity Supply Industry. The Guideline requires the relative electricity entity to investigate incidents that meet a set of criteria and provide a report outlining the nature of the incident, the impact of the incident, 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 2015-16 there were no incidents that met the 'significant incidents' criteria. The Regulator monitors the implementation of recommendations arising out AEMO's investigation of incident reports.

On 20 December 2015 an outage occurred in the Basslink interconnector resulting in no electricity being able to be transferred in either direction through the interconnector. The interconnector was returned to service on 14 June 2016. As at 30 June 2016 the cause of the outage was still under investigation.

Price regulation

2016 Standing Offer price investigation

In accordance with Regulation 9 of the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013* the Regulator conducted an investigation to determine the maximum prices Aurora Energy Pty Ltd may charge small customers under standard retail contracts on mainland Tasmania (including Bruny Island).

The Regulator announced its intention to conduct a Price-regulated Retail Service (Standing Offer) pricing investigation by way of a notice published on its website on 2 July 2015.

Investigation Report

On 5 February 2016, the Regulator published a Draft Report in relation to its 2016 Standing Offer Price Investigation. The Draft Report outlined the Regulator's intended approach and methodologies to be used in determining Aurora Energy's maximum prices together with the Regulator's draft proposals on the costs that the Regulator intended allowing Aurora Energy to recover from small customers.

The Regulator sought submissions on the Draft Report and any matter relevant to the investigation and received two submissions, which were published on the OTTER website. The Regulator took into account all submissions in preparing its Final Report, which was published on 5 May 2016. This report reflected the Regulator's final decisions in respect to the methodology for determining the maximum prices Aurora Energy was able to charge small customers for the regulatory period between 1 July 2016 and 30 June 2019. The Regulator also published a Statement of Reasons outlining the Regulators decisions on issues raised in submissions on the Draft Report, Draft Determination and Draft Guideline.

Determination

The Regulator made and published its *Aurora Energy Pty Ltd 2016 Standing Offer Price Determination* on 5 May 2016 (Determination). The Determination specified the methodology that Aurora Energy must use in calculating the maximum prices that it may charge for small customers in each financial year of the three year regulatory period covered by the Determination.

The Determination also required Aurora Energy to submit its standing offer tariffs to the Regulator for approval each year in accordance with Aurora Energy's Standing Offer Price Strategy and any relevant guidelines issued by the Regulator.

Standing Offer Price Approval Guideline

The Regulator published its *Guideline - Standing offer price approval process in accordance with the 2016 Standing Offer Determination* on 5 May 2016. The Guideline outlines the annual standing offer price approval process and sets out Aurora Energy's obligations, and the Regulator's responsibilities, with respect to the 2016 Standing Offer Price Determination.

Standing Offer Price Strategy

The impending expiry of the 2013 Standing Offer Determination on 30 June 2016 meant that Aurora Energy was no longer required by legislation to maintain the level and structure of, and relativities between, standing offer prices that existed up to that time.

As part of its 2016 Standing Offer Price Determination Investigation, the Regulator therefore required Aurora Energy to submit a Standing Offer Price Strategy for the regulatory period covered by the 2016 Standing Offer Determination. The strategy included Aurora Energy's proposals with respect to changes to the tariff structure, standing offer prices and details of the prices transition mechanism it intended applying during the 2016-19 regulatory period. The Regulator released Aurora Energy's Draft Strategy on 9 March 2016 for public consultation and received six submissions. After taking into account the issues raised in the submissions the Regulator approved, Aurora Energy's Strategy on 28 April 2016, subject to Aurora Energy making a number of changes to the strategy.

Amendments to Determination

On 3 June 2016, Aurora Energy proposed amending the 2016 Standing Offer Determination to correct an error in the Determination regarding how interest was to be imposed on overdue accounts. As originally issued on 5 May 2016, the Determination inadvertently required Aurora Energy to impose interest on overdue accounts on a different basis than had been the case up to that point in time.

The proposed amendment allowed Aurora Energy to continue to impose interest on overdue accounts on the same basis as it had done before the making of the Determination. The Regulator also identified an error in the overdue interest formula and sought comments on the proposed amendments to the Determination.

The Regulator received one submission from Aurora Energy supporting the amendments. On 29 June 2016, the Regulator published an amended determination incorporating the proposed changes. The amendments did not impact on the standing offer prices that the Regulator approved, on 16 June 2016, to apply from 1 July 2016.

2016 Regulated Feed-in Tariff Rate investigation

As required under Regulation 47B of the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013*, the Regulator conducted an investigation during 2015-16 to determine the rate to be paid by authorised retailers to Standard Feed-in Tariff (FiT) customers for energy exported to the electricity grid.

The Regulator announced its intention to conduct a FiT rate pricing investigation by way of a notice published on its website on 2 July 2015.

Investigation Report

On 5 February 2016, the Regulator published a Draft Report in relation to its *Investigation to determine the Regulated Feed-in Tariff Rate for Standard Feed-in Tariff Customers*. The Draft Report outlined the Regulator's intended approach and methodologies to be used in determining the FiT rate together with the Regulator's proposed calculation of the rate for 2016-17.

The Regulator sought submissions on the Draft Report and any matter relevant to the investigation and received fourteen submissions, which were published on the OTTER website. The Regulator took into account all submissions in preparing its Final Report, which was published on 5 May 2016. This Report reflected the Regulator's final decisions in respect to the calculation of the FiT rate payable to Standard FiT customers. The Regulator also published a Statement of Reasons outlining the Regulator's decisions on issues raised in submissions on the Draft Report and Draft Determination.

Determination

The Regulator made and published its *2016 Regulated Feed-in Tariff Determination for Standard Feed-in Tariff Customers* on 5 May 2016. The Determination applies to the regulatory period that commences on 1 July 2016 and ends on 30 June 2019.

Wholesale contract regulation

The Regulator has been responsible for administering the electricity wholesale contracting regulatory framework since 1 January 2014.

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

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.

The Regulator also commenced a review of the Wholesale Contract Regulatory Instrument during 2015-16, which is due to be completed in 2016-17.

Wholesale contract regulation - Basslink outage

The Regulator is responsible for administering the framework that regulates electricity wholesale contracting in Tasmania. Under these arrangements Hydro Tasmania is required to offer each week a number of regulated wholesale contracts to electricity retailers operating in Tasmania. The prices of these regulated contracts are determined by a methodology set out in the Wholesale Contract Regulatory Instrument.

Under section 43M(2) of the ESI Act, the Regulator may fix regulated wholesale contract prices if the Regulator is of the opinion that a "supply disruption event" has occurred. The ESI Act defines a supply disruption event as:

“...an event (other than a drought) that, in the opinion of the Regulator, is likely to cause a prolonged interruption to a substantial quantity of the electricity that would otherwise be supplied under normal circumstances by Hydro Tasmania”.

The definition of a supply disruption event excludes a drought in Tasmania as this is considered to be a normal commercial risk for Hydro Tasmania that is reflected in the methodology for pricing the regulated wholesale contracts.

In addition, the Regulator had issued a Statement of Regulatory Intent which provided that, when a supply disruption event has occurred, the Regulator will move to fix regulated contract prices at \$300/MWh to effectively suspend the regulated contract market until a further assessment of the situation is made.

On 22 December 2015, Basslink Pty Ltd announced that a fault had been identified in the Basslink electricity interconnector, resulting in a disruption to Basslink’s electricity transmission service. Initially, Basslink advised that the outage would be for 60 days. This was subsequently extended on a number of occasions and the outage was not rectified until June 2016.

In response to the initial notification from Basslink, the Regulator undertook consultation with market participants in January 2016. During this consultation, market participants raised concerns about the increased uncertainty and the potential adverse impacts upon the efficient operation of the market of proceeding to set prices at \$300/MWh in the event that a supply disruption event was declared due to the Basslink outage.

Following further consultation with market participants, and having considered further delays in rectifying the Basslink outage, the Regulator resolved on 7 March 2016 that the Basslink outage met the relevant requirements of the ESI Act and, therefore, constituted a supply disruption event. However, given feedback from consultation with market participants, the Regulator advised that it did not intend to instruct Hydro Tasmania to set all regulated contract prices at \$300/MWh. In addition, the Regulator advised that it had made no decision, at that stage, to exercise the legislative option to fix regulated contract prices using a different methodology to that which currently applied.

The Regulator did, however, leave open the option of changing the above position if it was presented with sufficient arguments from market participants on the need to do so. No subsequent submissions were made by market participants and the Basslink outage was resolved in June 2016. Therefore, the Basslink outage did not impact upon regulated electricity wholesale contracting arrangements.

Network Reliability Review

In line with the requirements of the ESI Act, the Regulator commenced a Network Reliability Review in 2015-16. The Regulator issued Terms of Reference for the Review in October 2015 and commenced research of issues and discussions with key stakeholders.

The objective of the Network Reliability Review is to identify and analyse the high level issues that may impact on the reliability of electricity network services in the Tasmanian power system, either currently or over the medium term.

The Review was originally intended to be completed during 2015-16. However, the Regulator decided to suspend the Review for the duration of the Basslink outage (December 2015 to June 2016) so to enable the Review to examine this event. The Network Reliability Review recommenced in June 2016 and is now expected to be completed in the first half of 2016-17.

Standing offer price approvals

Approval of standing offer prices to apply from 1 July 2016 to 30 June 2017

On 30 May 2016, the Regulator received Aurora Energy's Standing Offer Pricing Proposal. The Proposal set out Aurora Energy's proposed standing offer prices for the period 1 July 2016 to 30 June 2017.

This was a draft proposal as, at that stage, the AER had not approved TasNetworks, Distribution's Pricing Proposal for 2016-17 such that the final network charges for 2016-17 were not available. The AER subsequently approved TasNetworks Distribution's Pricing Proposal on 8 June 2016 and Aurora Energy submitted its final Standing Offer Pricing Proposal on 9 June 2016.

The Regulator reviewed the final Standing Offer Pricing Proposal and verified that the proposed prices complied with the requirements set out in the Regulator's *Standing Offer Price Approval Guideline* (28 April 2016), Aurora Energy's *Standing Offer Price Strategy* (30 May 2016) and the *2016 Price-regulated Retail Service Price Determination* (2016 Standing Offer Price Determination) which the Regulator made on 5 May 2016.

On 16 June 2016, the Regulator approved standing offer prices for the period 1 July 2016 to 30 June 2017, which represented a 3.43 per cent price increase compared to prices applying for the period 1 July 2015 to 30 June 2016. The price increase was mainly due to increases, relative to 2015-16, in costs associated with the purchase of wholesale electricity primarily due to higher Victorian wholesale contract prices and in complying with the Australian Government's renewable energy program. These increased costs were partially offset by a decrease in network charges and retail charges, the latter of which are set by the Regulator.

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

Approval of the Regulated Feed-in Tariff rate to apply from 1 July 2016 to 30 June 2017

On 22 June 2016, the Regulator published the Feed-in Tariff (FiT) rate to apply to standard FiT customers for 2016-17, which is the first year of the regulatory period covered by the Regulator's *2016 Regulated*

Feed-in Tariff Determination for Standard Feed-in Tariff Customers (FiT Determination) which was made on 5 May 2016.

The regulated FiT rate to apply from 1 July 2016 (6.671 c/KWh) was 21 per cent higher than the rate that applied for the period 1 July 2015 to 30 June 2016 (5.500 c/KWh). The increase was due to a higher wholesale electricity price for the 2016-17 financial year, which was, in turn, primarily due to higher Victorian wholesale contract prices. 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

Electricity on the Bass Strait Islands (BSI) is supplied under a Community Service Obligation contract between Hydro Tasmania and the Government. 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 providing its approval, the Regulator relies on advice from Treasury that the proposed tariffs comply with the Government's intent in relation to BSI pricing.

In May 2016, Hydro Tasmania sought the Regulator's approval for its proposed amended draft Tariff, Lighting prices and Service Fees for 2016-17. On 26 May 2016, based on advice received from Treasury, the Regulator approved the draft Tariff, Lighting prices and Service Fees to apply from 1 July 2016. For 2016-17, the BSI tariff increased by 1.7 per cent compared to 2015-16, reflecting movements in the CPI since 2015-16.

Compliance Monitoring and Enforcement

Independent appraisal of compliance and management plans

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 to review those plans. These appraisers evaluate and report on 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 2015-16, the Regulator completed a number of independent appraisals.

In September 2015, the Regulator approved Hydro Tasmania's engagement of Ascension Consulting (Ascension) to independently appraise Hydro Tasmania's asset management plan. Ascension submitted its report to the Regulator on 25 November 2015.

Ascension found that Hydro Tasmania has a high level of commitment to the execution of its asset management plan, as well as a strong asset management maturity. In both a recent internal audit and an independent gap assessment of its asset management system against the new international standard for asset management), Hydro Tasmania rated well.

Ascension noted that low inflows into catchments during 2015 and low storage levels mean that Hydro Tasmania's operating environment may have impacts on Hydro Tasmania's capital expenditure program during 2016. Ascension expected that major projects may be subject to delays because of storages and the flow-on effects to Hydro Tasmania's revenue, thereby increasing the asset risks further by continuing to operate plant beyond their respective planned refurbishment times.

As part of its review, Ascension made a series of recommendations for Hydro Tasmania's consideration and the Regulator will monitor Hydro Tasmania's implementation of these suggested improvements.

In December 2015 the Regulator approved Hydro Tasmania's engagement of PricewaterhouseCoopers (PwC) to independently appraise Hydro Tasmania's Bass Strait Islands (BSI) operations' retail compliance plan and customer service plan. PwC submitted its report to the Regulator on 12 April 2016.

In the course of its audit, PwC found that Hydro Tasmania maintained a retail compliance framework for its BSI operations which was effective in meeting sound compliance practice. Apart from several specific exceptions, PwC also found that Hydro Tasmania effectively complied with its obligations under the ESI Act and the *Tasmanian Electricity Code*. As part of its review PwC also made a series of recommendations for improvement for Hydro Tasmania's consideration. The Regulator will monitor Hydro Tasmania's implementation of these suggested improvements.

Compliance breaches and issues

Tasmanian Networks Pty Ltd - compliance with distribution voltage standards

Following receipt of representations, in late 2015, from Electricity Standards and Safety (ESS) within the Department of Justice, OTTER commenced liaison with Tasmanian Networks Pty Ltd (TasNetworks) regarding its system operating compliant with voltage specifications as provided for in the Tasmanian Electricity Code (TEC).

Under clause 8.6.4 of the TEC, a Distribution Network Service Provider (DNSP) must maintain a voltage level at the point of supply to the customer's electrical installation at one of the standard nominal voltages (as outlined in clause 8.6.4(a)). Furthermore, variations of the magnitude as set out in Table 2 of clause 8.6.4(b) around the relevant standard nominal voltage listed in clause 8.6.4(a) are permissible, unless otherwise agreed with the customer.

ESS advised OTTER that, with the introduction of the mandatory Electrical Safety Inspections Service (contracted to the Department of Justice), and inspection of notified solar photovoltaic (PV) connections, it had become aware of possible system over-voltages within the power system at the installation (outside of the steady state voltages permitted).

ESS also advised that TasNetworks (as DNSP) undertakes measurement of voltage supply at the time of connection and does not have the capability to monitor supply voltages on a real time basis, except when there is a complaint. Therefore, there may be over or under voltage situations which will only be identified if there is an inspection, customer complaint or a failure or fire in an installation. In this way, TasNetworks could potentially be breaching the permissible voltage levels as detailed in the TEC.

In line with the procedures outlined in the Regulator's Compliance Enforcement Policy, OTTER requested further information from TasNetworks in response to the potential compliance issue as identified by ESS.

TasNetworks indicated to OTTER that it was aware of ESS disconnecting a number of private embedded generators due to localised over-voltage events. TasNetworks also advised that these localised over-voltage events were created by a design feature of the customers' inverter that is intended to ensure that power generated flows into the distribution network. TasNetworks was of the view that localised over-voltage issues are created by customers' actions. To address this issue TasNetworks advised that, from 1 January 2016, it changed its requirements relating to the specifications for embedded generators (regarding over-voltage protection settings).

TasNetworks also advised that it designs and operates its network such that the voltage at customer supply points is within the relevant standards, concluding that it is fully compliant with the voltage specific provisions of the TEC.

OTTER was satisfied with the information provided by TasNetworks, and subsequent actions of the entity in this regard. OTTER requested continued notification from ESS should officers identify any further events which may question TasNetworks' ongoing compliance with the voltage specifications of the TEC.

Hydro-Tasmania – calculations for the Wholesale Contract Regulation Instrument

In August 2015, the Hydro Tasmania advised OTTER of the identification of a breach which had occurred in the calculations for the Wholesale Contract Regulation Instrument. Specifically, that the Tasmanian demand forecast in the volume model had not been updated for the last two years.

Hydro Tasmania provided OTTER sufficient details of the error, including confirmation that no external parties were impacted, and outlined the steps that the entity had subsequently put in place to prevent a recurrence.

Upon consideration of that information, OTTER was satisfied that no formal compliance enforcement action by the Regulator would be necessary. Rather, the breach was noted and OTTER resolved that ongoing monitoring, for any recurrence of this issue, would continue.

Hydro Tasmania – provision of the Tasmania Regulated Trading Summary, December Quarter 2015

Hydro Tasmania is required under the ESI Act to offer a range of regulated electricity contracts to authorised retailers operating in Tasmania.

Section 43G of the ESI Act provides for a range of approvals to be made in relation to the wholesale regulatory framework, including the types of regulated contracts that must be offered, the methodology for pricing these contracts and the volume that must be made available to retailers by Hydro Tasmania.

The *Electricity Wholesale Contracting Guideline (version 1) December 2013* sets out Hydro Tasmania's responsibilities in relation to regulated electricity wholesale market contracting and sets out the weekly regulated contract offer process, consistent with the Wholesale Contract Regulatory Instrument. The Regulator is responsible for monitoring and reporting on the compliance of Hydro Tasmania with the Instrument and the Guideline. Accordingly, the Guideline is supported by compliance monitoring action, as appropriate, and consistent with the Regulator's Compliance Enforcement Policy.

Hydro Tasmania is responsible for achieving compliance with its obligations under the ESI Act and the Wholesale Contract Regulatory Instrument. In February 2016, Hydro Tasmania notified OTTER of a

breach in relation to the late preparation of the December quarter 2015 Tasmanian Trading Summary. The summary was subsequently provided to OTTER on 4 February 2016.

OTTER noted the breach with no compliance action to be taken. However, ongoing monitoring for a reoccurrence of the breach was initiated.

The cost of electricity regulation

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. 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. In 2015-16 the Regulator completed two pricing investigations, the price-regulated retail service pricing investigation and determined standing offer prices for customers not on a market contract and the regulated feed-in tariff rate pricing investigation and determined the feed-in tariff for residential and small business customers.

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

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
FTEs	4.8	5.82	5.55	4.52	3.92	6.57	3.66	6.88
Expenditure	\$0.63M	\$0.86M	\$0.70M	\$0.76M	\$0.59M	\$1.00M	\$0.51M	\$0.98M

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 retailing of natural gas to potentially 42 000 households and small commercial customers.

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).

Four Tasmanian gas codes support the *Gas Act 2000*: 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.

Regulatory reforms

The ER Amendment Act took effect on 1 July 2015 and made a number of changes to the regulation of the gas industry, including that the Regulator:

- has the power to impose a monetary penalty on gas entities that contravene their licence terms, the Gas Act or *Gas Pipelines Act 2000* (Gas Pipelines Act); and
- may prepare a State of the Industry Report on the gas and gas pipeline industries on the Regulator's own initiative or at the request of the Minister for Energy.

These amendments necessitated consequential work by the Regulator during 2015-16, including making amendments to relevant guidelines and information on the Regulator's website.

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 and to install a main line valve bypass at Port Latta.

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 2016, 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 (formerly Powerco Tasmania Pty Ltd) holds licences to construct and operate the gas distribution system in Tasmania.

At 30 June 2016, 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 during 2015-16.

Licence amendments

On 20 November 2015, the Regulator amended the gas pipeline (operations) licence held by TGP Pty Ltd, the gas distribution (construction) licence held by Tas Gas Networks Pty Ltd and the gas distribution (construction) licences held by Origin Energy Tasmania Pty Ltd and Tas Gas Networks Pty Ltd. The amendments were made by notice to the licensees following the first review of gas licences since the original licences were issued in 2001. The review identified that incremental changes to the gas regulatory framework and the increased volume of licences issued by the Regulator had led to minor inconsistencies between individual gas licences, and between some licences and the regulatory framework. The Regulator made necessary amendments to ensure consistency, efficiency and best practice standards for gas licensing in Tasmania.

On 19 April 2016, the Regulator amended the gas pipeline (construction) licence held by TGP Pty Ltd to allow a main line valve bypass to be installed at Port Latta.

Licence surrenders

There weren't any gas licences surrendered during 2015-16.

Licence renewals

No gas licences were renewed during 2015-16.

Licence non-approvals

For the period 2015-16, all gas licence applications for renewal and requests for amendment received were approved by the Regulator.

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 holds a Certification of Allocation Agent.

Amendments to the Tasmanian Gas Retail Code – publication of Version 6

In early 2015, TasGas Retail Pty Ltd (TasGas Retail) queried the accuracy of the number of gas disconnections reported in the 2013-14 EiT.

Upon investigating the issue, and following liaison with TasGas Retail and Aurora Energy, OTTER confirmed that the information presented in the 2013-14 EiT was, in fact, incorrect.

As part of its review into this matter, OTTER identified a related issue with respect to the requirements of the Tasmanian Gas Retail Code (Code) in relation to gas retailers and gas disconnections.

Specifically, Clauses 4.1 and 5(a)(i) of the Code require retailers to report on the number of disconnections due to non-payment and illegal use of gas respectively. Unfortunately, these two requirements were not expressed clearly in Schedule 2 of the Code – ‘Annual Returns’, which describes the information that retailers are required to include in their annual returns to the Regulator. This resulted in each of the retailers interpreting the Code in a different manner, and providing disparate disconnections information.

OTTER resolved that a number of minor administrative changes would need to be made to address this issue and clarify the reporting requirements of gas retailers.

Specifically, that amendments to Schedule 2 of the Code be introduced to clarify that retailers are required to separately report the:

- number of disconnections for non-payment; and
- number of disconnections for suspected illegal use of gas.

As such amendments were considered to be administrative in nature, the Regulator was not required, in accordance with the provisions of the Code, to undertake any formal consultation process on their introduction. Notwithstanding, OTTER discussed the proposed changes with both Aurora Energy and TasGas Retail, and subsequently provided formal notification to each retailer advising of the Regulator's decision to amend Schedule 2 of the Code. Members of OTTER's Customer Consultative Committee were also advised of the Code revisions.

Version 6 of the Code, reflecting the aforementioned amendments, was issued, effective 7 August 2015.

Performance monitoring and reporting

Annual returns

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

Energy in Tasmania Performance Report 2014-15

Regulated natural gas entities in Tasmania are required to report annually to the Regulator on their performance. Information from the annual performance reports was included in the *Energy in Tasmania Performance Report 2014-15*.

Comparison of Australian standing offer energy prices

The Regulator produces Comparison of Australian Standing Offer Energy Prices reports, which compare Tasmanian residential electricity and gas prices with prices applying in other Australian jurisdictions. The reports also compares small business electricity and natural gas prices. The Regulator published its comparison reports in July 2015 and February 2016

Gas compliance breaches and issues

TasGas Retail Pty Ltd – non-reporting of call centre performance

In accordance with the provisions of the Gas Act, and as reflected in individual licences, licenced gas retailers are to submit to the Regulator an annual return, which must include the information described in Schedule 2 of the Tasmanian Gas Retail Code (the Code).

The information that is provided to the Regulator on an annual basis is then reflected in publications such as the Regulator's Energy in Tasmania (EiT) Report.

As part of its annual return for the 2014-15 period, it was identified by OTTER that TasGas Retail Pty Ltd (TasGas Retail) had not provided the Regulator with the required 'Call Centre/Telephone Service' data. Therefore, breaching the Code and its licence conditions.

Upon further examination, it became apparent that TasGas Retail had also not provided the 'Call Centre/Telephone Service' data to the Regulator for six months of the 2013-14 year.

In late August 2015, OTTER began liaising with TasGas Retail with respect to this identified compliance breach. As part of OTTER's investigations, it was established that the reason for the data not being provided was due to the telephone system of TasGas Retail not supporting the collection of the required information. TasGas Retail also advised at that time that it was in the process of implementing a new phone system which would address this compliance concern.

In late October 2015, TasGas Retail notified OTTER that the new phone-system would be operational by 30 November 2015, with the 'Call Centre/Telephone Service' data to be reported from that point forward.

TasGas Retail subsequently provided OTTER with an update in early December 2015 confirming that its new telephone system was online and that 'Call Centre/Telephone Service' data was being collected as required.

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

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
FTEs	0.60	0.46	0.72	0.56	0.73	0.83	0.60	0.99
Expenditure	\$0.066M	\$0.067M	\$0.100M	\$0.096M	\$0.112M	\$0.126M	\$0.085M	\$0.137M

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.

In May 2012, the owner Councils of the three regional water and sewerage corporations agreed to amalgamate those entities into a single corporation. The *Water and Sewerage Corporation Act 2012* was subsequently passed to enable the creation of a single corporation, the Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater). TasWater commenced operations on 1 July 2013.

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. Further exemptions apply in accordance with the Water and Sewerage Industry Exemption Order 2011 such as activities providing a relevant service in Tasmania to not more than 250 customers.

Regulator reforms - water and sewerage

The implementation of the ER Amendment Act impacted on the regulation of the water and sewerage industry through changes to the frequency of reporting on the state of the industry required in accordance with the W&SI Act. The Regulator is no longer required to prepare an annual state of the industry report, rather a report is to be prepared 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 consequently updated the Tasmanian Water and Sewerage Industry Performance and Information Reporting 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.

A licence places a number of regulatory obligations on the licensee by reference to various regulatory instruments, such as guidelines, as well as requiring the preparation of management plans in relation to matters such as asset management, emergency management and compliance.

The Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater) holds an operating licence, which took effect on 1 July 2013. No amendments have been made to the licence since that time.

Standards and guidelines

Performance and information reporting guideline

The W&SI Act requires the Regulator to issue a guideline in relation to the annual performance reporting requirements of a regulated entity. The Performance and Information Reporting Guideline was reviewed as a consequence of the ER Amendment Act. Consultation on the Guideline amendments commenced on 29 September 2015, with the Regulator proposing changes to reflect:

- the abolition of the National Water Commission (NWC);
- amendments to the Customer Service Code;
- updates to the national performance reporting framework;
- requirements of TasWater's licence; and
- the *Consultation Policy and Procedures of the Tasmanian Economic Regulator*.

One submission was received from TasWater, favouring the alignment of the reporting cycle of the State of the Industry Report with the Price and Service Plan.

The Regulator decided that the matter raised by TasWater in its submission exceeded the scope of the proposed Guideline amendments, which were being made to correct inconsistencies. Furthermore, the Regulator decided that the alignment of the state of the industry reporting cycle with the price and service plan is not appropriate, as there are other reporting and monitoring requirements both nationally and under the W&SI Act that may be impaired as a result of such a change.

The Regulator proceeded with the proposed amendments and version 1.3 of the Performance and Information Reporting Guideline was published on 28 October 2015.

Accounting Ring Fencing Guideline and Template

Under section 64(2) of the W&SI Act, the Regulator may issue guidelines requiring a regulated entity to separate its accounts, information and functions with respect to the regulated and unregulated services it provides. Following a period of consultation, the Regulator issued Version 1 of its *Accounting Ring fencing Guideline, May 2013* (Ring Fencing Guideline) and *Regulatory Accounts Template* (Template).

The information gathered through the Guideline and Template enable and assist the Regulator to exercise its powers under the Act in determining the prices the regulated entity may charge for regulated services, or the manner in which such prices are to be calculated or otherwise determined, or to specify the prices or manner in which they are to be determined, in respect of a subsequent regulatory period.

More particularly, these purposes are achieved by requiring the regulated entity to provide sufficient information to the Regulator so as the Regulator can:

- compare actual expenditure and revenue of the regulated entity during the current regulatory period against forecast expenditure and revenue;
- assess the appropriateness of variable and fixed water charges for the subsequent regulatory period;
- assess forecasts of regulated revenue during the subsequent regulatory period;
- assess forecasts of prudent and efficient expenditure during the subsequent regulatory period; and
- monitor and assess compliance with all arrangements relating to the regulation of the water and sewerage industry.

TasWater submitted its 2013-14 and 2014-15 Regulatory Accounts. Following a review of TasWater's 2014-15 Regulatory Accounts, the Regulator reviewed the Guideline and the Template. At the conclusion of that review, the Regulator prepared revised versions of both the Guideline and Template. Following consultation, the Regulator issued version 2 of the Guideline and Template on 24 March 2016. The purpose of the proposed amendments to the Guideline and Template was to:

- address interpretation issues in the Guideline by inserting new definitions, expanding existing definitions and removing redundant definitions;
- clarify the Regulator's objectives and requirements and TasWater's obligations;
- revise the Review and Adjustment process so that audits can focus on specific issues; and
- remove redundant worksheets from the Template thereby reducing the effort and resources TasWater needs to commit to the preparation of its regulatory financial statements.

Review of the 2015 Water and Sewerage Price Determination Investigation

Between July 2015 and October 2015, the Regulator reviewed the conduct of the 2015 Tasmanian Water and Sewerage industry price determination investigation.

The objective of the review was to gather information and identify opportunities to improve the conduct of, and therefore the outcomes from, future price determination investigations.

To inform the review, the Regulator surveyed stakeholders, held an internal workshop and assessed its own internal procedures and processes.

A clear finding of the review was that there would be significant benefits for both the Regulator, TasWater and its customers (in terms of potential engagement) in commencing and clarifying investigation processes and objectives/priorities earlier. This includes finalising the Price and Service Plan Guideline earlier, more closely linking the Guideline with legislative and regulatory requirements and ensuring that TasWater's Board and Chief Executive Officer understood what TasWater is committing to prior to the Regulator finalising the Price and Service Plan Guideline.

The need to ensure meaningful interaction of the Regulator and TasWater with other regulators was another key finding of the review.

A number of procedural improvements were also identified by both the Regulator and TasWater and each party has undertaken to implement those improvements in future investigations.

Price and Service Plan Guideline June 2016

Following a period of consultation, in June 2016, the Regulator issued its Water and Sewerage Price and Service Plan Guideline, setting out the Regulator's minimum requirements for the information that should be provided in TasWater's proposed price and service plan for the third regulatory period from 1 July 2018 to 30 June 2021.

The Guideline also provides information on how the price determination investigation will be conducted and specifies the actions TasWater must take in preparing its proposal. In particular, the Guideline sets out the Regulator's expectations with regards to TasWater's liaison with customers, stakeholders and other industry regulators and how feedback is to be incorporated into its proposed plan.

The Regulator's priorities for the third regulatory period, detailed in the Guideline, acknowledge that the transition to equitable pricing should be finalised for almost all customers early in the period. The focus for the remainder of the period will be on funding compliance improvements and managing associated price changes for customers.

TasWater's proposed plan must provide sufficient information for the Regulator to assess and determine prices, revenues, terms and conditions, for water and sewerage services. Importantly, TasWater's proposal is required to clearly articulate and commit to a set of outcomes to be delivered, and prices to be charged, during the third regulatory period.

The Regulator will assess TasWater's proposed plan in accordance with the regulatory framework as set out in the *Water and Sewerage Industry Act 2008*. The Regulator will also take into account the views

of other stakeholders including TasWater's customers, industry regulators and other interested parties before making a price determination.

TasWater's proposed price and service plan is required to be submitted to the Regulator by 30 June 2017 at which point the price determination investigation will begin.

Performance Monitoring

Water and Sewerage State of the Industry Report 2014-15

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 water and sewerage service providers. It addresses the key areas of affordability, customer service, network reliability and efficiency, drinking water quality and environmental performance for the industry.

The 2014-15 Report was the eighth in the series and covered TasWater's second year of operation following the amalgamation of the previous regional corporations on 1 July 2013.

The Report highlighted the significant challenges facing the industry, particularly in regards to public health and environmental outcomes.

Despite a range of improvements to the drinking water supplies of small towns across the State, 26 towns operated with restrictions and, overall, 1.4 per cent of Tasmania's serviced population did not receive safe drinking quality water that met microbiological standards.

TasWater's sewage treatment plants continued to pollute Tasmania's waterways, with poor compliance against regulatory discharge limits during 2014-15 and a steady decline in performance over the past five years. This is despite TasWater's acknowledgement of the poor performance of its sewerage assets and the significant investment it has made with the aim of improving the performance of its wastewater treatment plants.

Service and reliability were impacted by the age and condition of the water and sewerage network, with a high number of unplanned interruptions to the water supply. There were also a high number of sewer main breaks and chokes and a high rate of sewer overflows, indicating that significant investment is still required in the sewerage network.

TasWater's call centre operations were centralised during 2014-15 and this, coupled with investment in new systems and processes, appears to have made a positive impact with performance for the year complying with the standards set under the Customer Service Code.

Some Tasmanian households were struggling to pay their water and sewerage bills with 6 102 residential customers on payment plans as at 1 July 2015 with average debt for these customers around \$1 020 (representing a typical annual bill for a customer receiving water and sewerage services).

TasWater's operating costs increased by more than eight per cent during 2014-15 due to increases in staffing and other ongoing costs. TasWater's operating costs per property were higher than mainland providers whose levels of compliance were greater. TasWater's debt to equity and interest cover ratios

continued to be much lower than its mainland counterparts suggesting that TasWater has the capacity to fund further capital expenditure to address its service performance without risking its financial stability.

National Performance Reporting

Tasmania has a range of objectives and commitments under the National Water Initiative (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).

The *NPR 2014-15: urban water utilities* is the tenth in the series of national performance reports. It is the second to be produced by the Bureau of Meteorology¹, in conjunction with State and Territory governments and the Water Services Association of Australia. Performance data reported by TasWater in 2014-15 was, due to strict NPR data quality requirements, limited to finance, asset and basic customer data and water quality health indicators. See the independent appraisals section for further audit details.

Call centre performance reporting

The Regulator has monitored the performance of TasWater's call centre operations on a quarterly basis since 2012-13 when concerns were raised by stakeholders about the performance of the previous regulated entities' call centres.

Call centre performance is measured in terms of response time (percentage of calls connected to an operator within 30 seconds) and abandoned calls (the percentage of calls that are abandoned before reaching an operator).

For the 2015-16 financial year, the Customer Service Code specifies a performance target of 85 per cent of calls answered by an operator within 30 seconds. Over the period, TasWater achieved this standard, reporting 88 per cent of calls answered within 30 seconds. In total, 137 488 calls were received by the call centre, with 2.4 per cent of calls abandoned before being answered by an operator. This is a continuation of the good call centre performance reported over the previous two financial years.

Customer Service Code (consultation on proposed administrative and fast track amendments)

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.

¹ The National Water Commission, previously responsible for the NPR, was abolished effective from January 2015.

The *Water and Sewerage Industry (Customer Service Standards) Regulations 2009* specify matters that must, or may, be included in the Code. The Code is also able to address other matters in addition to those required under the Regulations.

On 24 June 2015, the Regulator published Version 4 of the Code to take effect 1 July 2015.

Version 4 introduced the following amendments to the Code:

- Consequent to the completion of its second Price Determination Investigation on prices and service standards for water and sewerage services, the Regulator amended the Code to reflect the revised minimum service standards for application in the second regulatory period (1 July 2015 to 30 June 2018).
- Clause 5.3.2 of the Code, concerning the issue of accounts, was amended to address matters raised by a stakeholder during a consultation process undertaken by the Regulator in March 2015.
- One further minor editorial amendment was also made to sub-clause 5.7.1(d) to correct a drafting error.

The aforementioned amendments 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 required to correct an error.

TasWater's Regulatory Accounts

In accordance with the Regulator's Ring Fencing Guideline (version 1), TasWater was required to prepare and submit to the Regulator, by 31 October 2015, audited regulatory financial statements for the financial year ending 30 June 2015.

TasWater complied with the requirements outlined in the Ring Fencing Guideline by submitting its regulatory accounts on 31 October 2015.

Water and sewerage independent appraisals

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 and report on the risk of non-compliance by examining TasWater's processes, policies and procedures.

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 *Urban National Performance Framework – Urban Auditing Requirements*. Not all of TasWater's performance indicators have been subjected to the independent appraisal process. This has meant that the number of indicators reported in respect of Tasmania in the annual National Performance Report for Urban Utilities has been minimal.

In 2013-14 an independent appraisal of approximately one third of TasWater's performance indicators was completed by Deloitte. In 2015, TasWater engaged Wise Lord & Ferguson (WLF) to review the

second tranche of TasWater's performance indicators with the final report submitted to the Regulator on 14 August 2015. WLF's review found that the information reported by TasWater presented fairly, and within the reliability and accuracy thresholds specified in the NPR Handbook.

However, WLF identified a number of issues and overall assessed the maturity of TasWater's performance indicator arrangements as being 'basic', the lowest of five possible ratings. The main factors behind this assessment were:

- the lack of sufficient governance arrangements in place to assure the quality of data; and
- that data quality was not sufficiently embedded within the TasWater's culture.

To mitigate each of these risks, WLF suggested a number of improvements.

TasWater subsequently engaged WLF to review the remaining performance indicators in January 2016 with the final report submitted to the Regulator on 23 June 2016. The report again stated that the information reported by TasWater was presented fairly in accordance with the NPR handbook.

WLF noted that improvements had been undertaken in the six months since the previous appraisal, demonstrating that TasWater is moving towards a 'developing' rating. However, overall, WLF once again assessed the maturity of TasWater's performance indicator arrangements as being 'basic'.

Given the national performance reporting framework auditing requirements, and noting the outcomes from the appraisals undertaken up to 30 June 2016, a further set of TasWater's performance indicators is scheduled to be appraised during 2016-17.

In June 2015 the Regulator approved TasWater's engagement of GHD to independently appraise TasWater's asset management plan (TasWater submitted the plan to the Regulator on 29 June 2015). After completing its review, GHD submitted its report to the Regulator on 24 August 2015.

In the course of its audit, GHD found that TasWater had developed an asset management plan that will be effective in guiding its water and sewerage operation, and reflects good industry practice. The appraiser recommended that progress in the implementation of the asset management plan is monitored, reported and reviewed over time given the early stage of development of the framework. As part of its review the appraiser identified a series of recommendations for TasWater's consideration and the Regulator will monitor TasWater's implementation of these suggested improvements.

Investigations into non-compliance

Over the period 2015-16, OTTER liaised with the Tasmanian Water and Sewerage Corporation Pty Ltd (TasWater) with respect to a number of compliance related concerns.

OTTER's compliance enforcement undertakings, with respect to these individual matters, are discussed in greater detail below.

Outcomes of the 2015 Water and Sewerage Price Determination Investigation

The 2015 Water and Sewerage Price Determination Investigation concluded in April 2015 and the Determination came into effect from 1 July 2015. In addition to pricing outcomes, the Determination (and

associated 2015 Water and Sewerage Price Determination Investigation – Final Report) created a number of obligations upon TasWater in relation to service standards and the provision of information.

In July 2015, OTTER advised TasWater of its intention to undertake a compliance review with respect to the outcomes of the Regulator's Price Determination for the second regulatory period, particularly in relation to the information provision requirements. As part of its review, OTTER identified that a small number of outcomes remained outstanding for TasWater's action.

Through ongoing liaison with OTTER, TasWater was able to resolve the compliance concerns identified, advising OTTER in early October 2015 of its complete compliant status with obligations contained within the Final Report and TasWater's Price and Service Plan 2015-18.

Customer Service Code compliance – publication of the 'reference rate'

OTTER became aware in August 2015 of TasWater being non-compliant with the Customer Service Code (the Code) with respect to the calculation of interest information on TasWater's website. Specifically, TasWater was not meeting its obligations regarding the publication, and timing of publication, of the 'reference rate'.

As per the Code, where interest to be charged on a debt due, or interest to be refunded on an overcharged amount or earned on a security deposit paid, the applicable interest rate is the 'reference rate'. Interest is to accrue daily. TasWater is also obligated to publish the 'reference rate' for the next quarter on its website two weeks before the start of that quarter.

Investigations by OTTER identified that TasWater had not published on its website the reference rate as required. Rather, the entity had published the daily rate. OTTER also identified that the July 2015 quarter information had not been published by TasWater two weeks in advance of the start of that quarter.

OTTER contacted TasWater with respect to this non-compliance and requested information from the entity regarding its proposed action for rectifying these matters and the timing for doing so.

TasWater provided return advice in late September 2015 confirming that the interest information on its website had been updated accordingly and that the entity was now fully compliant with the relevant provisions of the Code.

Customer Service Code compliance – presentation of fixed charges and service charges on customer bills

OTTER identified that TasWater was bundling fixed charges and service charges into one line item on customer bills. However, provisions within the Code and the *Water and Sewerage Industry (Customer Service Standards) Regulations 2009* require TasWater to separately itemise charges on accounts.

Whilst the rate currently charged by TasWater is the same for fixed charges and service charges, the charges themselves are not the same type of charge, and only one or the other may be levied on a property at any given time. It was also considered that TasWater's presentation of the 'fixed/service charge' line item on bills could be confusing as it provides no clarity to customers on what actual charge is applicable to their individual circumstance.

In September 2015, OTTER commenced discussions with TasWater on how best to rectify this billing error. TasWater provided formal advice in October 2015 indicating it had implemented 'a fix' in its billing system to address the matter and considered that it was now compliant with the Code requirements.

However, upon consideration of that advice, OTTER officers did not agree with TasWater's position. TasWater subsequently took OTTER's advice on notice, agreeing to further consider this compliance concern.

In November 2015, TasWater provided an updated proposal for addressing its non-compliance with the presentation of fixed charges and service charges on customer bills. TasWater's proposal provided that the delivery date for the required billing system changes to achieve compliance would be at the conclusion of the 2017 calendar year/commencement of 2018.

The Regulator noted TasWater's proposal and further discussed this issue with the CEO of TasWater in January 2016. The Regulator subsequently accepted TasWater's proposed timeline for its required billing system update project. TasWater's progress in achieving compliance in this regard will be monitored as part of the regular meeting schedule.

Customer Service Code compliance – graphical display of water usage on customer bills

The Code requires that where water meters are installed and used for the purposes of billing, a bill issued to a residential customer must display a graphical illustration of the customer's current water usage and, to the extent the data is available:

- the customer's usage for each billing period over the past 12 months at that connection point; and
- a comparison of the customer's usage with the customer's usage at that connection point for the same period of the previous year.

TasWater had become aware that the graphical display of usage on some customer bills was not accurate. The development of solutions for application in TasWater's billing system, and subsequent testing, identified additional billing system anomalies which were impacting on graphical display accuracy for some of TasWater's customer base.

After several months of liaison, TasWater advised OTTER, in January 2016, that issues impacting the statement graph had been tested and fully implemented and that all identified billing compliance concerns had now been rectified.

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 W&SI Act. That amount includes the costs to be incurred by the Regulator in administering the W&SI 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 eight 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	2015-16
FTEs	3.36	3.64	3.70	4.72	3.89	2.34	7.09	3.43
Expenditure	\$0.37M	\$0.46M	\$0.53M	\$0.72M	\$0.59M	\$0.36M	\$1.163M ²	\$0.50M

² 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; 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.

Regulator reforms – competitive neutrality and monopoly pricing

There were a number of legislative changes made to competitive neutrality and monopoly pricing regulation as part of the implementation of the ER Amendment Act. These amendments necessitated updates to guidelines and information on the Regulator's website relating to the following points of difference:

- the Regulator is no longer 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 its 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

The national Competition Principles Agreement 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 Competitive Neutrality Complaints Mechanism Guideline sets out an overview of the processes for the investigation of complaints about alleged breaches of, and non-compliance with, competitive neutrality principles under the National Competition Policy. The Guideline describes:

- the role of the Regulator as it relates to the review of complaints;
- the procedure to be followed by complainants; and
- the internal review process required of Government bodies (referred to as 'prescribed bodies' in the Act) in relation to complaints made against Government business activities.

The Guideline was updated on 1 July 2015 to incorporate changes to the investigation process made as a result of the ER Amendment Act and other administrative updates.

Investigations

The Regulator received one competitive neutrality complaint during 2015-16, against the West Coast Council. The complainants alleged that the Council had contravened the National Competition Policy Competitive Neutrality Principles by not applying full cost attribution in providing free camping services at Stitt Park in Rosebery and at the Queenstown Recreation Ground, in competition with and to the detriment of the complainant's caravan parks.

The complaint was investigated. The Regulator found that the West Coast Council was conducting business activities at the Stitt Park and Queenstown sites that were significant business activities, due to the impact on the relevant markets. Accordingly, the Regulator determined that the complaint was justified in relation to both services, because in providing the camping areas without charge the Council had neither considered nor applied full cost attribution.

The Regulator recommended that the West Coast Council be directed to:

- report on all of its significant business activities in accordance with section 84(2)(da) of the Local Government Act 1993, including its camping services, in its next annual financial report; and
- within six months of the date of the Investigation Report have either:
 - reviewed the costs of camping services at Queenstown Recreation Ground and Stitt Park to ensure that prices and pricing policies for camping and overnight recreational vehicle parking reflect full cost attribution; or
 - taken appropriate action to prohibit the use of Queenstown Recreation Ground and Stitt Park for camping and overnight recreational vehicle parking; and
- conduct regular reviews of its camping and recreational vehicle parking fees to ensure that these continue to reflect full cost attribution.

The Regulator notified the complainants and the Council accordingly. The Treasurer, and also in his role as Minister for Planning and Local Government, was also informed of the complaint and the Regulator's decision.

Under the new framework, the Council then had 45 days to respond to the Regulator's decision, outlining the actions it has taken or intended to take as a result of the Regulator's report and recommendations. The Council provided its written response within the time required, although it did not provide any new information or commitments in addition to that submitted during the complaint investigation.

Accordingly, the Regulator's subsequent report to the Treasurer and Minister for Planning and Local Government was unable to identify how the Council intended to address its competitive neutrality obligations and each recommendation contained within the investigation report.

The ER Act provides that the Treasurer, also as the Minister for Planning and Local Government, may make such directions to West Coast Council that he considers necessary to ensure that it implements the Regulator's recommendations from the investigation report. The Treasurer may also refuse to make such a direction in respect of West Coast Council and/or request further information from the Regulator.

Review under Audit Act - audit fees for Northern Tasmania Development

Under the *Audit Act 2008*, the Regulator is responsible for reviewing audit fees charged by the Tasmanian Audit Office (TAO).

On 15 February 2016, Northern Tasmania Development (NTD), a not-for-profit incorporated association, requested the Regulator review its annual audit fees.

In conducting its review, the Regulator sought details from the TAO about:

- the methodology it had used to calculate NTD's annual audit fees; and
- how the NTD's annual audit fees compared to the fees the TAO had charged similar not-for-profit incorporated associations.

After considering this additional information, the Regulator advised NTD and the TAO of the outcomes of its review on 16 June 2016.

Approval of MAIB premiums

In September 2015, the MAIB sought the Regulator's approval of its proposed premiums for the period 1 December 2015 to 30 November 2016 in accordance with the ER Act.

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

This approval related to the third year of the four year regulatory period covered by the *Economic Regulator (MAIB Premiums) Order 2013 (MAIB Premium Order)* made on 1 October 2013.

LIAISON AND CONSULTATION

2016 Standing Offer Electricity Price Investigation

On 30 September 2015, Aurora Energy made its preliminary submission to the Standing Offer Pricing Investigation. Prior to lodging its submission, Aurora Energy had written to the Regulator requesting that the submission be treated as confidential. In accordance with section 16(1) of the ESI Act and its *Policy on the Treatment of Confidential Submissions* (Version 3, 1 July 2014), the Regulator agreed to keep the preliminary submission confidential due to commercial sensitivity considerations and the submission was not released publicly.

On 5 February 2016, the Regulator released its Draft Report, Draft Determination and Draft Price Approval Guideline. The Draft Report was accompanied by a media release.

The Regulator invited public submissions on the Draft Report, Draft Determination and Draft Price Approval Guideline. To assist interested parties in making a submission, the Regulator also prepared a Consultation Paper. Submissions closed on 15 March 2016 with submissions being received from Aurora Energy and the Tasmanian Council of Social Service.

On 9 March 2016, the Regulator sought public comments on Aurora Energy's Draft Standing Offer Price Strategy. To assist interested parties in making a submission, the Regulator also prepared a Consultation Paper which was released with the Strategy. Submissions closed on 1 April 2016 with four late submissions being accepted. Submissions were received from:

- Aurora Energy Pty Ltd;
- Tasmanian Council of Social Service (TasCOSS);
- Tasmanian Networks Pty Ltd;
- Energy Networks Association;
- Tasmanian Renewal Energy Alliance; and
- Tasmanian Government.

On 28 April 2016, the Regulator advised Aurora Energy that it had approved Aurora Energy's Standing Offer Price Strategy subject to Aurora Energy making a number of amendments to the strategy.

The Regulator made its Final Determination and published its Final Report and Final Price Approval Guideline on 5 May 2016. The Regulator also published a media release at this time.

A Statement of Reasons was also published on 5 May 2016, explaining the changes made to the Draft Report, Draft Determination, Draft Guideline and Draft Strategy arising from comments made in submissions from the consultation processes.

Wholesale Contract Regulatory Instrument Review

The Regulator has responsibility for the administration of the wholesale contract pricing framework including investigating and determining future wholesale contract pricing instruments. The first Wholesale Contract Regulatory Instrument (Instrument) was made by the then Minister for Finance on 6 November 2013 and applies during the period from 1 January 2014 to 31 December 2018.

In accordance with section 43G of the ESI Act, the Instrument contains a number of 'approvals' relating to:

- the types of contracts that Hydro Tasmania must offer as regulated contract products;
- the standard form(s) – including terms and conditions – for each regulated contract type;
- the methodology for determining the prices for each regulated contract type;
- the forward period over which regulated contracts are to be offered; and
- the volume of regulated contracts that Hydro Tasmania must offer.

The Regulator is required, by Regulation 21 of the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013* (the Pricing Regulations), to conduct a pricing investigation prior to making or revoking an approval under section 43G of the ESI Act. The regulations also require the pricing investigation to be conducted prior to the expiry of the existing approval.

While the pricing investigation must, therefore, be completed before 31 December 2018, the Regulator decided to conduct and complete the investigation and make the necessary approvals well before the Instrument's expiry date. The Regulator took this decision to provide market participants with as much certainty as possible and in response to concerns raised by market participants about the potential impact on their respective forward contracting activities in the event that the approvals were made closer to the expiry date of the existing Instrument. That is, from the start of Quarter 2, 2017 (1 March 2017), regulated wholesale contract market participants will be able to contract beyond the expiry date of the existing Instrument (31 December 2018).

To assist with the investigation, the Regulator released an Issues Paper on 11 December 2015 with public consultation closing on 22 January 2016. The Regulator received four submissions.

The Regulator expects to release its Draft Report for public consultation during September 2016, make approvals under the Instrument, and release its Final Report in late November 2016-early December 2016.

Water and Sewerage review of Accounting Ring Fencing Guideline and Template

Following its review of TasWater's 2014-15 regulatory financial statements, the Regulator identified a number of issues and conducted a full review of the Guideline and Template.

During October 2015, the Regulator sought comments on the proposed changes with submissions closing on 20 November 2015. TasWater made the only submission.

On 24 March 2016, after considering the issues raised in TasWater's submission, the Regulator published the *Water and Sewerage Regulatory Accounting Ring Fencing Guideline, March 2016* (Version 2) and *Regulatory Accounting Template* (Version 2).

The Guideline and Template apply to the preparation, lodgement and approval of regulatory financial statements for the 2015-16 and future financial years.

Water and Sewerage Draft Price and Service Plan Guideline

In May 2016 the Regulator released its Draft Water and Sewerage Price and Service Plan Guideline along with a consultation paper seeking feedback from stakeholders on the matters to be covered in the Guideline for the 2018 Water and Sewerage Price Determination Investigation, due to commence in 2017.

In June 2016, the Regulator finalised the Guideline with some minor amendments after considering feedback received from TasWater and the Environment Protection Authority. The Regulator also declared the duration of the third regulatory period to be three years at that time. The Guideline was published on the OTTER website.

Changes to Gas Retail Code

In February 2015, TasGas suggested that the number of gas disconnections presented in the 2013-14 Energy in Tasmania performance report (2013-14 EiT) was incorrect. On investigating the issue, and following liaison with TasGas and Aurora Energy Pty Ltd (Aurora), the Regulator confirmed that the information presented in the 2013-14 EiT was incorrect. The error originated from the interpretation of the reporting requirements of the Tasmanian Gas Retail Code (Code) in relation to gas retailers and gas disconnections. Following consultation with the two gas retailers, the Gas Retail Code was changed to clarify the gas disconnections reporting requirements.

Launceston City Council and TasWater arbitration

A large portion of the Launceston area is serviced by a combined stormwater and sewerage system. As part of the reforms to the Tasmanian water and sewerage industry, the combined system was transferred to Ben Lomond Water, in 2009, and subsequently to TasWater, in 2013.

The Launceston City Council (the Council) is required to provide stormwater removal services. Due to the nature of the combined system, TasWater provides the stormwater service to the Council.

Since the transfer of the system from the Council, there has been a dispute over the amount the Council should pay for those stormwater services. After an unsuccessful attempt at mediation, the matter proceeded to arbitration as provided for in section 8 of the *Urban Drainage Act 2013*. Mr Keyran Pitt QC was subsequently appointed, under the *Commercial Arbitration Act 2011 (Tas)*, as the Arbitrator.

The Arbitrator made a Preliminary Determination on the matter on 18 March 2016, and, as required under section 8(4)(b) of the Urban Drainage Act, sought the Regulator's advice before making a final determination. After reviewing the Preliminary Determination, the Regulator advised the Arbitrator that it did not hold any information that would lead it to suggest alterations be made to the Arbitrator's Preliminary Determination.

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 continues to work 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.

Jurisdictional water regulators

During 2015-16, 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.

Revised Memorandum of Understanding (MoU) between the Tasmanian Economic Regulator and the Ombudsman Tasmania

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.

In 2005, the then Regulator signed a Memorandum of Understanding (MoU) with the former Energy Ombudsman for the purpose of, amongst other things, setting out a framework for co-operation between the two Offices.

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 MoU was again revised in April 2016 with the updating of relevant dates and signatory information so as to correctly reflect the names and position titles of the current office bearers.

The MoU 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.

Department of State Growth

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 Department 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 Department and staff from 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 2015-16, member organisations were briefed on various matters of interest to consumers, including: TasNetworks's revenue proposal and proposed tariff reform; the 2016 electricity price and feed-in tariff investigations; electricity price comparison reports; statistical information relating to the performance of electricity retail and distribution services; the Regulator's annual review of the State's water and sewerage industry for 2014-15; and the practical implications of financial hardship arrangements.

Member organisations are appointed jointly by the Treasurer in accordance with the ESI Act and the W&SI Act and the Minister for Energy under the Gas Act. The following member organisations were reappointed for a further three years from 1 May 2016 (the OCCC met on four occasions during the year with attendance frequency shown in brackets):

- Anglicare Tasmania Inc (2)
- Tasmanian Farmers and Graziers Association (0)
- Tasmanian Chamber of Commerce and Industry (0)
- Tasmanian Council of Social Service Inc (3)
- Flinders Council (1)
- Local Government Association of Tasmania (2)
- Tasmanian Division of the Property Council of Australia (1)
- Tasmanian Small Business Council (4)

The Hobart Community Legal Service and the King Island Council elected not to renew their membership on the OCCC.

Representatives from the Tasmanian Ombudsman and the Australian Competition and Consumer Commission also attended, as observers, at each of the OCCC meetings held during 2015-16.

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 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 Consultation Policy and Procedures of the Tasmanian Energy Regulator 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 2015-16 following the appointment of the new Regulator. On 28 January 2016, the Regulator made minor amendments to the Guideline and version 5 was published to the Regulator's website.

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 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 staff provided briefings on matters associated with electricity and water and sewerage regulation to various stakeholders.

Media

During 2015-16, the Regulator released seven media releases and provided interviews with various media organisations.

KEY PROJECTS AND TASKS FOR 2016-17

Activity	Key project or task	Timeframe for completion
Energy regulation		
APAYG price comparison report	Prepare and publish an annual report comparing electricity costs for prepayment meter system (APAYG) customers and standing offer customers.	August 2016
Price comparison reports	Prepare and publish a six monthly comparison of standing offer energy prices.	August 2016 and February 2017
Review of the Wholesale Contract Regulatory Instrument	Publish Draft report on the Review of the Wholesale Contract Regulatory Instrument for public comment.	September 2016
Power to Choose website	Release new website.	6 September 2016
Review of the Wholesale Contract Regulatory Instrument	Publish Final Report on the Review of the Wholesale Contract Regulatory Instrument.	Late November
Energy in Tasmania - Performance Report	Publish a comprehensive report on the performance of the energy supply industry during 2015-16.	31 January 2017
Bass Strait Islands electricity tariffs	Approve Bass Strait Islands electricity tariffs.	Mid-June 2017
Standing offer retail electricity prices	Approve standing offer retail electricity prices to apply from 1 July 2017.	Mid-June 2017
Electricity regulated feed-in tariff rate for standard FiT customers	Determine the regulated feed-in rate to apply from 1 July 2017 for eligible small scale renewable generation systems.	Mid-June 2017
Independent appraisals	Review of: <ul style="list-style-type: none"> ▪ TasNetworks: Asset Management, Compliance and Vegetation Management Plans; ▪ Hydro Tasmania: Emergency Management Plan; ▪ Tas Gas Retail: Compliance Plan; ▪ Aurora Energy Pty Ltd – Gas Retail: Compliance Plan; ▪ Hydro Tasmania – Bass Strait Islands Operations: Compliance Plan, Customer Service and Emergency Management Plan; ▪ Aurora Energy (Tamar Valley) Pty Ltd: Emergency Management plan 	30 June 2017
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

Activity	Key project or task	Timeframe for completion
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
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 2015-16.	1 April 2017
Independent appraisal	TasWater Performance Indicators.	Mid-June 2017
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		
MAIB insurance premiums	Release a draft investigation report on the Motor Accident Insurance Board's pricing policies for public consultation.	31 May 2017
Licence fees for 2016-17	Determine licence fees for 2016-17 in accordance with the Regulator's Structure of Licence Fees applicable 1 July 2014 to 30 June 2017.	August 2016
Licence fees	Review and publish the Structure of Licence Fees for electricity, gas and water and sewerage sectors for the period 1 July 2017 to 30 June 2020.	1 March 2017
Annual reporting	Publish TER's 2015-16 Annual Report.	October 2016
OTTER website	Release new website.	December 2016
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 2016

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Office of the Tasmanian Economic Regulator

Certification of Financial Statements

For the period ended 30 June 2016

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 2016 and the financial position as at 30 June 2016.

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 'Joe Dimasi', with a stylized flourish at the end.

Joe Dimasi
Regulator

10 AUGUST 2016

Independent Auditor's Report

To Members of the Tasmanian Parliament

Office of Tasmanian Economic Regulator

Financial Statements for the Year Ended 30 June 2016

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of Tasmanian Economic Regulator (the Office), which comprises the statement of financial position as at 30 June 2016 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 of compliance by the Regulator.

Auditor's Opinion

In my opinion the Office's financial statements:

- (a) present fairly, in all material respects, its financial position as at 30 June 2016 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* and Australian Accounting Standards.

The Responsibility of the Regulator for the Financial Statements

The Regulator is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and Section 21 of the *Economic Regulator Act 2009*. 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 report 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 report is free of material misstatement.

...1 of 2

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the Regulator's preparation and fair presentation of the financial report 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 Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Regulator, as well as evaluating the overall presentation of the financial report.

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

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

Tasmanian Audit Office



E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Hobart
26 September 2016

1.1.1 Tasmanian Economic Regulator Statement of Comprehensive Income for the year ended 30 June 2016

	Notes	2016 Actual \$'000	2015 Actual \$'000
Revenue and other income from transactions			
Fees and fines	2.1	1 790	1 889
Total revenue and other income from transactions		1 790	1 889
Expenses from transactions			
Employee benefits	3.1	1 202	1 356
Supplies and consumables	3.2	543	505
Other expenses	3.3	7	7
Total expenses from transactions		1 752	1 868
Net result from transactions (net operating balance)		38	21
Comprehensive result		38	21

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

1.1.2 Tasmanian Economic Regulator Statement of Financial Position as at 30 June 2016

	Notes	2016 Actual \$'000	2015 Actual \$'000
Assets			
<i>Financial assets</i>			
Cash and deposits	7.1	108	236
Receivables	4.1	42	...
Other financial assets	4.2	229	207
<i>Non Financial Assets</i>			
Other assets	4.3	...	206
Total assets		379	649
Liabilities			
Payables	5.1	6	17
Employee benefits	5.2	273	358
Other liabilities	5.3	1	213
Total liabilities		280	588
Net assets (liabilities)		99	61
Equity			
Accumulated funds		99	61
Total equity		99	61

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

1.1.3 Tasmanian Economic Regulator Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 Actual \$'000	2015 Actual \$'000
Cash flows from operating activities			
Cash inflows			
Fees and fines		1 533	2 135
Other cash receipts		...	1
Total cash inflows		1 533	2 136
Cash outflows			
Employee benefits		(1 287)	(1 269)
Supplies and consumables		(366)	(700)
Other cash payments		(8)	(7)
Total cash outflows		(1 661)	(1 976)
Net cash from (used by) operating activities	7.2	(128)	160
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		(128)	160
Cash and deposits at the beginning of the reporting period		236	76
Cash and deposits at the end of the reporting period	7.1	108	236

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

1.1.4 Tasmanian Economic Regulator Statement of Changes in Equity for the year ended 30 June 2016

	Accumulated funds \$'000	Total Equity \$'000
Balance as at 1 July 2015	61	61
Total comprehensive result	38	38
Balance as at 30 June 2016	99	99

	Accumulated funds \$'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

1.1.5 Notes to and forming part of the Financial Statements for the year ended 30 June 2016

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Note 1 Receipts and Payments by Electricity, Gas and Water and Sewerage Activities
(Cash Basis Only)

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

	2016 Actual \$'000	2015 Actual \$'000
Receipts		
Fees and fines	788	782
Total receipts	788	782
Expenditure		
Employee benefits	390	404
Supplies and consumables	586	111
Refund to Tasmanian electricity transmission holders	24	...
Total expenditure	1 000	515
Net cash provided (used) by electricity related activities	(212)	267

1.2 Statement of Receipts and Payments for Gas Related Activities

	2016 Actual \$'000	2015 Actual \$'000
Receipts		
Fees and fines	...	295
Total receipts	...	295
Expenditure		
Employee benefits	51	65
Supplies and consumables	86	213
Refund to Tasmanian gas licence holders	9	...
Total expenditure	146	278
Net cash provided (used) by gas related activities	(146)	17

1.3 Statement of Receipts and Payments for Water and Sewerage Activities

	2016 Actual \$'000	2015 Actual \$'000
Receipts		
Fees and fines	671	912
Total receipts	671	912
Expenditure		
Employee benefits	226	852
Supplies and consumables	270	311
Total expenditure	495	1 163
Net cash provided (used) by water and sewerage related activities	175	(251)

Note 2 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.

2.1 Fees and fines

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

	2016 \$'000	2015 \$'000
Fees		
Recoveries from competitive neutrality activities	55	9
Recoveries from electricity related activities	969	575
Recoveries from gas related activities	24	182
Recovery of Director of Gas Safety related activities	193	25
Recoveries from monopoly pricing policies	...	1
Recoveries from water and sewerage activities	549	1 096
Total	1 790	1 889

Note 3 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.

3.1 Employee benefits

(a) Employee expenses

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

	2016 \$'000	2015 \$'000
Wages and salaries	928	911
Annual leave	50	85
Long service leave	10	63
Sick leave	8	4
Superannuation – defined contribution schemes	88	79
Superannuation – defined benefits scheme	47	57
Other employee expenses		
Board member fees	71	157
Total	1 202	1 356

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.

(b) Remuneration of Key management personnel

2016	Short-term benefits		Long-term benefits		Total
	Salary	Other Benefits	Superan- nuation	Other Benefits and Long Service Leave	
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Key management personnel</i>					
Joe Dimasi, Chair Appointed 9 November 2015	51	...	5	...	56
Glenn Appleyard, Chair Ceased 18 November 2015	26	...	2	...	28
Total	77	...	7	...	84

2015	Short-term benefits		Long-term benefits		Total
	Salary	Other Benefits	Superan- nuation	Other Benefits and Long Service Leave	
	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Key management personnel</i>					
Glenn Appleyard, Chair Peter Hault, Member Ceased 30 June 2015	64	...	6	...	70
Alan Smart, Member Ceased 30 June 2015	45	...	4	...	49
	45	...	4	...	49
Total	154	...	14	...	168

3.2 Supplies and consumables

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.

	2016	2015
	\$'000	\$'000
Audit fees – financial audit	12	7
Consultants	...	136
Maintenance and Property services	106	118
Communications	10	9
Information technology	71	84
Travel and transport	19	20
Advertising and promotion	...	6
Other supplies and consumables	132	125
Transfers to other Agencies	193	...
Total	543	505

3.3 Other expenses

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

	2016	2015
	\$'000	\$'000
Salary on-costs		
Workers compensation	7	7
Total	7	7

Note 4 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.

4.1 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.

	2016	2015
	\$'000	\$'000
Receivables	42	...
Total	42	...
Settled within 12 months	42	...
Total	42	...

4.2 Other financial assets

The Regulator records accrued revenue at the expected recovery amount.

	2016 \$'000	2015 \$'000
Accrued revenue	229	207
Total	229	207
Settled within 12 months	229	207
Total	229	207

4.3 Other assets

The Regulator records prepaid expenses at the expected recovery amount.

	2016 \$'000	2015 \$'000
Prepayments	...	206
Total	...	206
Settled within 12 months	...	206
Total	...	206

Note 5 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.

5.1 Payables

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

	2016 \$'000	2015 \$'000
Creditors	2	1
Accrued expenses	4	16
Total	6	17
Settled within 12 months	6	17
Total	6	17

Settlement is usually made within 30 days.

5.2 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 2016, 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.

	2016 \$'000	2015 \$'000
Accrued salaries	4	44
Annual leave	61	73
Long service leave	204	226
Other – Purchased Leave Scheme	4	6
Other – State Service Accumulated Leave Scheme	...	9
Total	273	358
Expected to settle wholly within 12 months	101	168
Expected to settle wholly after 12 months	172	190
Total	273	358

5.3 Other liabilities

(i) Employee on-costs

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

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

	2016 \$'000	2015 \$'000
Revenue received in advance		
Other revenue received in advance	...	193
Other liabilities		
Employee benefits – on-costs	1	1
Lease incentive	...	19
Total	1	213
Settled within 12 months	1	200
Settled in more than 12 months	...	13
Total	1	213

Note 6 Commitments and Contingencies

6.1 Schedule of Commitments

	2016 \$'000	2015 \$'000
By type		
<i>Operating Lease Commitments</i>		
Buildings	70	448
<i>Total operating lease commitments</i>	70	448
<i>Contractual Commitments</i>		
Administration	188	...
<i>Total contractual commitments</i>	188	...
By maturity		
<i>Operating lease commitments</i>		
One year or less	70	126
From one to five years	...	323
<i>Total operating lease commitments</i>	70	448
<i>Contractual Commitments</i>		
One year or less	188	...
<i>Total contractual commitments</i>	188	...

On 30 June 2015, the Office of the Tasmanian Economic Regulator relocated to new premises in the Treasury building at 21 Murray Street. The Regulator was obliged to meet lease costs associated with its previous premises until the former office was subleased. The former premises were subleased from May 2016. During 2015-16, the Regulator made monthly payments, in advance, up to 30 April 2016 for its former office totalling \$98 112.

From May 2016, the Regulator started paying Treasury-Corporate for the use of its premises. \$10 793 was paid for the two month period. It pays rent and other administration costs under an annual Service Level Agreement with the Department of Treasury and Finance. The annual office accommodation costs for 2016-17 is \$70 000 and annual administration costs are \$187 846.

Note 7 Cash Flow Reconciliation

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

7.1 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.

	2016 \$'000	2015 \$'000
Special Deposits and Trust Fund balance		
T654 Government Economic Regulator Account	108	236
Total cash and deposits	108	236

7.2 Reconciliation of Net Result to Net Cash from Operating Activities

	2016	2015
	\$'000	\$'000
Net result	38	21
Decrease (increase) in Receivables	(42)	153
Decrease (increase) in Other financial assets	(22)	...
Decrease (increase) in Other assets	206	(200)
Increase (decrease) in Payables	(11)	13
Increase (decrease) in Employee benefits	(85)	86
Increase (decrease) in Other liabilities	(212)	85
Net cash from (used by) operating activities	(128)	160

Note 8 Financial Instruments

8.1 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	Payables, including goods received and services incurred but not yet invoiced, are recognised at amortised cost, which due to the short settlement period, equates to face value, when the Regulator becomes obliged to make future payments as a result of a purchase of assets or services. The Regulator regularly reviews budgeted cash outflows to ensure that there is sufficient cash to meet all obligations.	Settlement is usually made within 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:

2016

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	6	...	...	...	...	...	6	6
Total	6	...	...	...	...	...	6	6

2015

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	17	...	...	...	...	...	17	17
Total	17	...	...	...	...	...	17	17

(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.

8.2 Categories of Financial Assets and Liabilities

	2016	2015
	\$'000	\$'000
Financial assets		
Cash and deposits	108	236
Receivables	42	...
Accrued revenue	229	207
Total	379	443
Financial liabilities		
Financial liabilities measured at amortised cost	6	17
Total	6	17

8.3 Reclassifications of Financial Assets

The Regulator has not reclassified any of its financial assets.

Note 9 Events Occurring After Balance Date

At the date of signing, there were no events subsequent to balance date which would have a material effect on the Regulator's financial statements.

Note 10 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*, *Economic Regulator Amendment Act 2015*, *Water and Sewerage Industry Act 2008*, *Electricity Supply Industry Act 1995* and the *Gas Act 2000*.

10.1 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 Regulator on 10 August 2016.

10.2 Functional and Presentation Currency

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

10.3 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 standards have been issued by the AASB and are 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.
- 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15* – The objective of this Standard is to make amendments to Australian Accounting Standards and Interpretations arising from the issuance of AASB 15 *Revenue from Contracts with Customers*. This Standard applies to annual reporting periods beginning on or after 1 January 2017, except that the amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply to annual reporting periods beginning on or after 1 January 2018. This Standard shall be applied when AASB 15 is applied. The financial impact is expected to be minimal.
- 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.
- 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* – The objective of this Standard is to amend the mandatory effective date of AASB 15 *Revenue from Contracts with Customers* so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. The financial impact is expected to be minimal.
- 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* – The objective of this Standard is to amend AASB 107 *Statement of Cash Flows* to require entities preparing statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This Standard applies to annual periods beginning on or after 1 January 2017. The impact is increased disclosure in relation to cash flows and non-cash changes.
- AASB 16 *Leases* – The objective of this Standard is to introduce a single lessee accounting model and require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This Standard applies to annual reporting periods beginning on or after 1 January 2019. The impact is enhanced disclosure in relation to leases. The financial impact is expected to be minimal.

10.4 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.

10.5 Foreign Currency

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

10.6 Comparative Figures

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

10.7 Rounding

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. As a consequence, rounded figures may not add to totals. 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.

10.8 Taxation

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

10.9 Goods and Services Tax

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

LEGISLATION

The following legislative instruments and other documents were relevant to the Regulator's activities in 2015-16.

- *Audit Act 2008*
- *Economic Regulator Act 2009*
- *Economic Regulator Amendment Act 2015*
- *Economic Regulator (MAIB Premiums) Order 2013*
- *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*
- *Motor Accidents (Liabilities and Compensation) Regulations 2010*
- *National Electricity Rules*
- *National Electricity Law*
- *Ombudsman Act 1978*

- *Public Interest Disclosures Act 2002*
- *Right to Information Act 2009*
- *Right to Information Regulations 2010*
- *Urban Drainage Act 2013*
- *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

There were no payments to consultants in excess of \$10 000 made in 2015-16.

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 that apply at Treasury. 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 2015-16.

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 has established procedures in accordance with section 60 of the PID Act. In 2015-16, further updates were made to the Procedures, consequential to the ER Amendment Act.

The Regulator has published the latest version of its procedures, effective 16 June 2016, on its website.

Right to Information

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

- authorising and encouraging greater routine disclosure of information held by public authorities without the need for requests or applications;
- authorising and encouraging greater active disclosure of information held by public authorities in response to informal requests without the need for applications;
- giving members of the public an enforceable right to information held by public authorities; and

- providing that access to information held by government bodies is restricted in only limited circumstances as defined in the RTI Act.

The Regulator, as a public authority, is required by the RTI Act to make information available to the public through proactive disclosure. It routinely makes information 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 updated its Information Disclosure Policy and Procedures in December 2015 to reflect changes to government policy on the publication of information released under the RTI Act.

The Regulator did not receive any requests for information under the RTI Act in 2015-16.

Asset and risk management

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

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 and water and sewerage 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 is usually reviewed and renewed annually.

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 2015-16, this 14 day target was met 77.05 per cent of the time and the 30 day target was met 100 per cent of the time.

Publications

The Regulator published the following documents during 2015-16 (in reverse date order):

- Operating Plan 2016-17 of the Office of the Tasmanian Economic Regulator, June 2016
- amended 2016 Standing Offer Price Determination, June 2016
- OTTER News, June 2016
- Water and Sewerage Industry Price and Service Plan Guideline for the third regulatory period, June 2016
- Consultation Paper on proposed amendment to the 2016 Standing Offer Price Determination, June 2016
- Consultation Paper on the Price and Service Plan Guideline for the Tasmanian Water and Sewerage Industry 2018 Price Determination Investigation, May 2016
- 2016 Standing Offer Price Determination, May 2016
- Investigation to determine maximum standing offer prices for small customers on mainland Tasmania Final Report, May 2016
- Standing offer price approval process in accordance with the 2016 Standing Offer Determination, May 2016
- Statement of Reasons on 2016 Standing Offer Pricing Investigation Final Report and Aurora Energy's Draft Standing Offer Price Strategy, May 2016
- Regulated Feed-In Tariff Rate Determination For Standard Feed-In Tariff Customers, May 2016
- Investigation to determine the Regulated Feed-in Tariff Rate for Standard Feed-in Tariff Customers Final Report, May 2016
- Statement of Reasons Regulated Feed-in Tariff Rate for Tasmanian Small Customers, May 2016

- 2014-15 Tasmanian Water and Sewerage State of the Industry Report, March 2016
- Water and Sewerage Regulatory Accounting Ring Fencing Guideline March 2016 Version 2 and Regulatory Accounting Template Version 2, March 2016
- Statement of Reasons on the Water and Sewerage Accounting Ring fencing Guideline and Regulatory Accounts Template, March 2016
- Tasmanian Electricity Supply Industry 2016 Standing Offer Pricing Investigation Draft Aurora Energy Standing Offer Price Strategy Consultation Paper, March 2016
- Comparison of Australian Standing Offer Energy Prices as at 1 February 2016 (February 2016)
- 2016 Standing Offer Investigation Draft Report, Draft Determination and Standing Offer Price Approval Draft Guideline Consultation Paper, February 2016
- Investigation of standing offer prices for small customers on mainland Tasmania Draft Report, February 2016
- 2016 Standing Offer Draft Determination, February 2016
- Standing offer price approval process in accordance with the 2016 Standing Offer Determination Draft Guideline, February 2016
- Regulated Feed-in Tariff Rate for Standard Feed-in Tariff Customers Draft Investigation Report, February 2016
- Regulated Feed-In Tariff Rate for Standard Feed-In Tariff Customers Draft Determination, February 2016
- Consultation Policy and Procedures of the Tasmanian Economic Regulator Guideline, February 2016
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- Review of the Wholesale Contract Regulatory Instrument Issues Paper, December 2015
- Comparison of Australian Standing Offer Energy Prices as at 1 July 2015 (October 2015)
- Draft Water and Sewerage Accounting Ring fencing Guideline and Regulatory Accounts Template Consultation Paper, October 2015
- Draft Water and Sewerage Accounting Ring fencing Guideline, October 2015
- Tasmanian Economic Regulator Annual Report 2014-15, October 2015
- Tasmanian Water and Sewerage Industry Performance and Information Reporting Guideline, October 2015
- 2015 Network Reliability Review Terms of Reference, October 2015
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- amended Tasmanian Gas Retail Code, August 2015
- amended Competitive Neutrality Complaint Mechanism Guideline and Form, July 2015
- amended Compliance Enforcement Policy, July 2015

ACRONYMS & TERMS

Term	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Aurora Energy	Aurora Energy Pty Ltd
APAYG	Aurora Pay As You Go
Basslink	Basslink Pty Ltd
BSI	Bass Strait Islands
Customer Service Code	Water and Sewerage Customer Service Code
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>
FIT	Feed-in Tariffs
Gas Act	<i>Gas Act 2000</i>
Gas Pipelines Act	<i>Gas Pipelines Act 2000</i>
Hydro Tasmania	Hydro-Electric Corporation
IPO	interim price order
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
NECF	National Energy Customer Framework

Term	Definition
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
TasNetworks	Tasmanian Networks Pty Ltd
TasWater	Tasmanian Water and Sewerage Corporation Pty Ltd
TEC	Tasmanian Electricity Code
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>

