

# Office of the Tasmanian Economic Regulator

## 2017-18 Operating Plan

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This Operating Plan is one of the Office of the Tasmanian Economic Regulator's (OTTER's) major planning tools. It also informs our stakeholders of our activities for the upcoming financial year as can reasonably be foreseen.

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

During 2017-18, OTTER's major project will be to assist the Regulator in conducting the 2018 Water and Sewerage Price Determination Investigation. The investigation will determine TasWater's charges for water and sewerage services from 1 July 2018 to 21 June 2021. The process includes the Regulator releasing a draft report in December 2017 that provides an opportunity for feedback through public consultation. The final report will be released around April 2018. This project may be impacted by the Governments' intention to reform the Water and Sewerage Industry.

OTTER has many standard tasks, which includes preparing various reports and assisting the Regulator in making approvals. The schedule outlining the Regulator's decisions and reports for 2017-18 are included in Table 1.

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

During 2017-18, OTTER will continue to review the regulatory frameworks that it administers to ensure that they operate effectively and that they align with national regulatory arrangements and avoids regulatory overlap or duplication. This will ensure that the cost of regulation, which is ultimately borne by customers, is minimised.

OTTER's output is considerable for an organisation of its size and is testimony to the commitment and engagement of OTTER staff. In the coming year, OTTER will continue to deliver the level of support and service that the Regulator and other stakeholders expect. As the Department of Treasury and Finance provides OTTER staff, OTTER uses Treasury's planning tools in the annual planning process.

Dean Burgess  
DIRECTOR

Table 1 Regulator's decisions and reports to be published in 2017-18

Items	Approximate publication
Regulator's recommendation to the Government of the MAIB's maximum premiums from 1 December 2017	July 2017
Electricity Prepayment Price comparison report	August 2017
Electricity standing offer price comparison report	August 2017
The Regulator's new website released	September 2017
Energy in Tasmania 2016-17 Report	November 2017
Regulator's 2016-17 Annual Report	October 2017
Water and Sewerage Price Determination Investigation draft report and draft determination for public comment	December 2017
Electricity standing offer price comparison report	February 2018
State of the Water and Sewerage Industry Report 2016-17	March 2018
Water and Sewerage Price Determination Investigation final report and determination released	April 2018
Regulator's approval of Aurora Energy's 2018-19 electricity prices	June 2018
Regulator's approval of Regulated 2018-19 Feed-in-Tariff	June 2018
Regulator's approval of Bass Strait Island's 2018-19 electricity prices	June 2018
Regulator's approval of TasWater's Price and Service Plan to apply from 1 July 2018 to 30 June 2021	June 2018

## Our Roles and Responsibilities

OTTER supports the Regulator for its statutory functions.

### The Regulator's functions under the Economic Regulator Act

The Regulator is established under the ER Act. Its functions under this Act include:

- ❑ independent investigations and inquiries into the pricing policies of certain Government-owned bodies, that are monopoly, or near monopoly, providers of services and goods in Tasmania, which include the Motor Accidents Insurance Board(MAIB);
- ❑ recommending maximum prices chargeable by these bodies in respect of the supply of those services and goods;
- ❑ provide an advisory role on Metro Tasmania's pricing to the Department of State Growth and the Department of Treasury and Finance when required;
- ❑ conducting investigations into complaints of breaches of the national competition policy competitive neutrality principles against State and local government businesses; and
- ❑ conducting taxi fare methodology inquiries when requested by the Government.

### Regulation of the electricity supply industry

The Regulator also performs certain duties under ESI Act, and administers the Tasmanian Electricity Code (TEC) and other related regulatory instruments issued by the Regulator. The Regulator has a number of key responsibilities:

- ❑ administering the licensing system for electricity supply industry (ESI) entities and monitoring and enforcing their compliance with licence conditions (noting that the requirement for licences in the retail sector on mainland Tasmania is performed by the Australian Energy Regulator under the provisions of the National Energy Customer Framework);
- ❑ issuing and maintaining the TEC;
- ❑ monitoring the wholesale market for electricity and monitoring the performance of the electricity supply industry in Tasmania;
- ❑ monitoring and regulating certain technical standards in the ESI;
- ❑ conducting investigations into the pricing policies of entities that supply declared electrical services;
- ❑ regulation of standing offer retail electricity prices to be offered by Aurora Energy, which apply as a regulated contract option for customers following the introduction of full retail competition from 1 July 2014;
- ❑ regulation of electricity feed-in tariff prices for eligible small scale renewable generation systems (mostly solar photo voltaic systems);
- ❑ promoting efficiency and competition in the ESI including monitoring and reporting on the development of competition; and

- ❑ administering the arrangements for the regulation of certain financial contracts offered by Hydro Tasmania to electricity retailers operating in Tasmania.

For these functions, the Regulator's objectives include:

- ❑ the promotion of efficiency and competition in the ESI;
- ❑ the establishment and maintenance of an efficient system of electricity generation, transmission, distribution and supply;
- ❑ the establishment and enforcement of proper standards of safety, reliability and quality in the ESI; and
- ❑ the protection of the interests of electricity consumers.

### **Regulation of the gas supply industry**

The Gas Pipelines Act, Gas Act and associated codes establish the procedural and institutional arrangements for what has been a fully contestable gas market since its commencement. Excluding price regulation, the Regulator's functions are similar to its functions in relation to the electricity supply industry with key objectives of:

- ❑ facilitating the development of a gas supply industry in Tasmania;
- ❑ promoting efficiency and competition in the gas supply industry;
- ❑ monitoring the performance of the gas supply industry; and
- ❑ protecting the interests of consumers of gas.

### **The economic regulation of the water and sewerage sector**

The Government has announced its intention to implement a number of reforms to the Tasmanian water and sewerage industry and regulatory framework. However, under current legislation, the Regulator has responsibilities under the W&SI Act, which provides the framework for the economic regulation of the water and sewerage sector, including:

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

## 2017-18 Strategic Challenges

We have identified a number of key issues and challenges facing OTTER and the Regulator in 2017-18 including:

- ❑ conducting the 2018 Water and Sewerage Price Determination Investigation;
- ❑ managing any impacts arising from Government reforms to the Tasmanian water and sewerage industry and regulatory framework ;
- ❑ responding to regulatory changes arising from the Parliamentary Standing Committee of Public Accounts Inquiry into the financial position and performance of Government owned energy entities and the Government's Tasmanian Energy Security Taskforce;
- ❑ monitoring national regulatory developments and more actively engaging with national and jurisdictional regulators across the energy and water and sewerage sectors;
- ❑ investigating competitive neutrality complaints;
- ❑ building stakeholders' understanding of various regulatory matters, including the pricing of electricity and water and sewerage services; and
- ❑ promoting greater stakeholder engagement.

## Standard Tasks

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

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



## Our Stakeholders

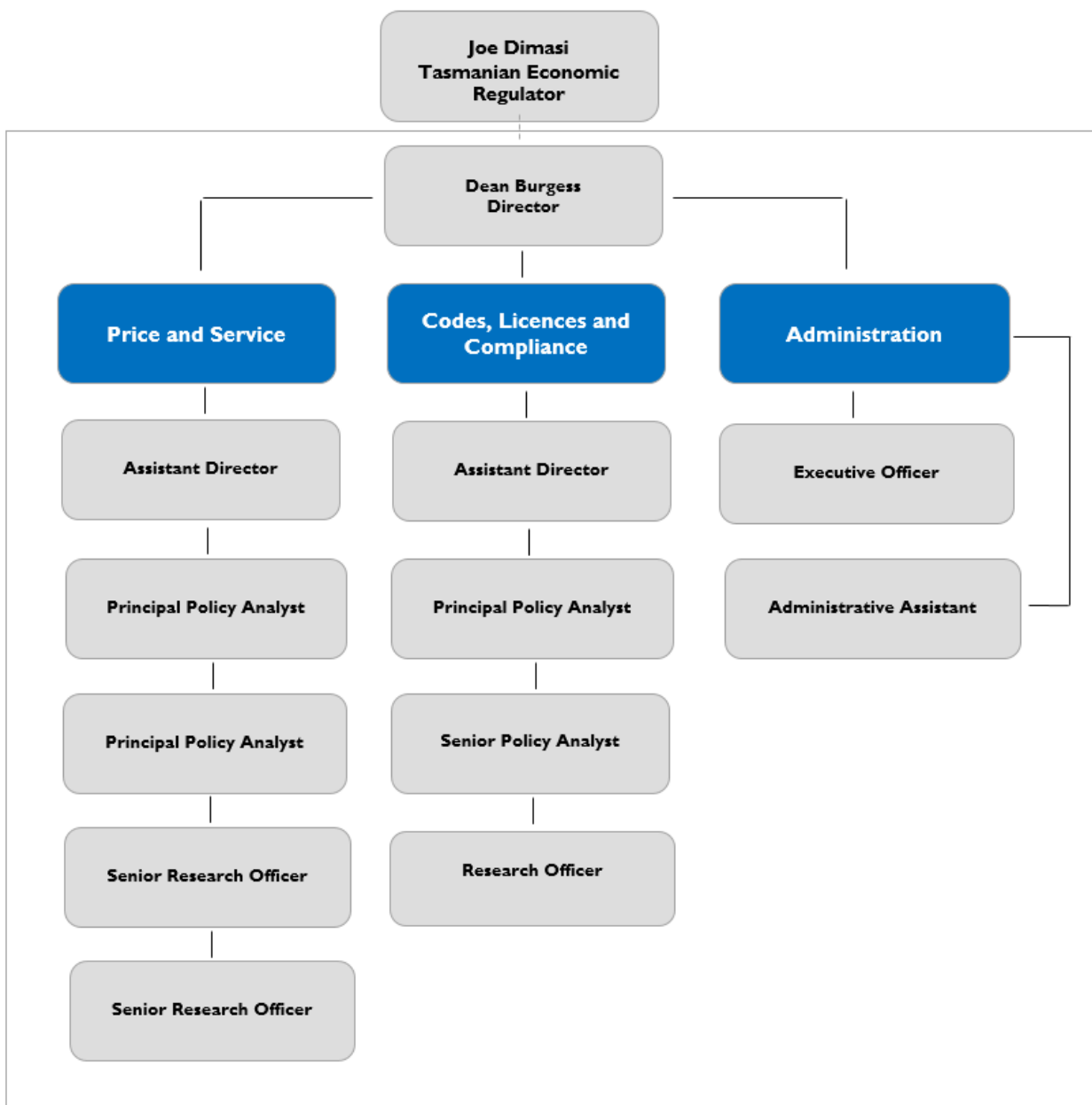
OTTER's key stakeholder is the Regulator. OTTER also has a very important relationship with the following stakeholders, upon whom our ability to meet our objectives relies:

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

## Organisation Structure and Values

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

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



## The Planning Process

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

