



**Draft Electricity Supply Industry Performance and
Information Reporting Guideline**

Consultation Paper

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Office of the Tasmanian Economic Regulator

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GLOSSARY

“**Act**” means the *Electricity Supply Industry Act 1995*.

“**AER**” means the Australian Electricity Regulator.

“**Authorised Retailer**” has the same meaning as in the **Wholesale Contract Regulatory Instrument**.

“**Economic Regulator**” means the Tasmanian Economic Regulator established under the *Economic Regulator Act 2009*.

“**Guideline**” means the *Electricity Supply Industry Performance and Information Reporting Guideline*.

“**Hydro Tasmania**” means the Hydro-Electric Corporation (ARBN 072 377 158).

“**Wholesale Contract Regulatory Instrument**” means the instrument that specifies the regulated contracts Hydro Tasmania must offer to Authorised Retailers. The instrument is:

- (i) the approval made by the Minister for Finance on 29 July 2013 (as amended from time to time), in accordance with sections 43G and 43O of the *Electricity Supply Industry Act 1995* and Regulation 20 of the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013*, having taken into account the principles set out in section 43H of the *Electricity Supply Industry Act 1995*; or
- (ii) the approval made by the Regulator (as amended from time to time), in accordance with section 43G of the *Electricity Supply Industry Act 1995*, having taken into account the principles set out in section 43H of the *Electricity Supply Industry Act 1995*.

1 PURPOSE AND BACKGROUND

Under the energy reform program implemented during 2013, the Economic Regulator was given a number of new roles and responsibilities. One of those new roles is the regulation of Hydro Tasmania's wholesale contract activities.

Under the wholesale contract regulatory framework Hydro Tasmania is required to offer regulated electricity derivative contracts to authorised retailers that are retailing electricity in Tasmania.

The introduction of wholesale contract regulation has necessitated the review of a number of the Economic Regulator's existing policies and guidelines which support the administration of the electricity wholesale contracting framework. As required, some regulatory instruments are being created to ensure that they support the objectives of the regulated framework.

As part of this review, the Economic Regulator identified some amendments which are required in relation to its *Electricity Supply Industry Information and Performance Reporting Guideline* (Guideline). These changes include incorporating performance and information reporting in respect of wholesale contract regulation. The Economic Regulator's priority in establishing this reporting framework is to ensure the effective functioning of the wholesale electricity market whilst minimising the reporting burden on Hydro Tasmania.

The Economic Regulator has also taken this opportunity to make a number of other amendments to the Guideline, most importantly, to align as much as possible the reporting requirements for Bass Strait Islands (BSI) Retail with its AER reporting obligations, as well as a number of other minor amendments. The objective of these amendments is to streamline reporting requirements.

The purpose of this paper is to discuss issues associated with the draft Guideline and seek feedback from stakeholders.

The paper is structured as follows:

- Chapter 2 discusses the amendments to the Guideline related to imposing reporting requirements in respect of wholesale regulation;
- Chapter 3 discusses the other amendments to the Guideline, including those relating to aligning the Economic Regulator's reporting requirements for Aurora Distribution and BSI Retail to those of the AER; and
- information on how to provide comment on the draft Guideline is provided in Chapter 4.

2 WHOLESALE REGULATION AMENDMENTS

The Economic Regulator is responsible for regulating Hydro Tasmania's wholesale contract activities. Section 43L of the **Act** specifies the Economic Regulator is required to monitor and report on the offering and entering into of contracts made in accordance with section 43I by Hydro Tasmania.

The Economic Regulator considers that the information that is proposed to be collected and reported on will assist it in meeting its objectives under sections 6(1)(ab) and 6(2) of the Act:

6. Regulator's functions and powers

(1) The Regulator's functions are –

(ab) to monitor and provide reports in relation to the development of competition in respect of the electricity supply industry; and

(2) In exercising powers and functions under this Act, other than the powers and functions referred to in subsection (1)(c), the Regulator's objectives are–

(a) to promote efficiency and competition in the electricity supply industry;

The Economic Regulator also considers that the information that is proposed to be collected will assist it to fulfil its monitoring and reporting obligations under section 43L of the Act with respect to wholesale contract regulation. In this regard, the Economic Regulator considers that the overall objective of wholesale regulation is to promote efficiency and competition in the Tasmanian electricity supply industry as detailed in section 6(2)(a) of the Act. Similarly, the main objective of the reporting requirements is to enable the Economic Regulator to monitor and report on the extent to which wholesale regulation is assisting with the development of competition in the industry (section 6(1)(ab) of the Act). Ultimately, the Economic Regulator considers that the extent to which there is competition in the retail electricity market will provide an indication as to the success or otherwise of the wholesale regulatory arrangements.

To assist the Economic Regulator in carrying out this function the Guideline has been amended to incorporate new reporting requirements in respect of wholesale regulation.

Section 8 of the draft Guideline outlines the reporting requirements for wholesale contract activities. The Economic Regulator proposes that Hydro Tasmania provide the following information to the Economic Regulator on a confidential basis:

1. prices and volumes of each of the four types of regulated contracts sold by Hydro Tasmania (average price and total volume by month);

2. details of regulated contract offers that have been requested, but declined Hydro Tasmania (this excludes contract requests declined due to scaling);
3. the identity of parties that have sought to purchase regulated contracts from Hydro Tasmania and the outcomes of those requests; and
4. the number of regulated and unregulated contracts entered into.

Initially, the information required under Section 8 of the Guideline is to be provided to the Economic Regulator on a quarterly basis; however the frequency of the reporting may be reviewed at a later date.

Additionally, the Economic Regulator will collect information on regulated and unregulated contract offer prices and periodically report this information in publications such as the Economic Regulator's weekly Market Watch bulletin and its annual Energy in Tasmania reports. However there will not be any reporting requirements in relation to this information as it is available publically.

The Economic Regulator has also considered the publication of information that would:

- a) assist the Economic Regulator in assessing the effectiveness of the wholesale regulatory arrangements and in turn the level of competition in the retail market; and
- b) inform current and intending market participants about the state of the Tasmanian electricity market.

The Economic Regulator intends to publish a sub-set of the data that it collects under Section 8 of the Guideline. However, the Economic Regulator does not intend publishing data which is commercially sensitive in nature in relation to the activities of Hydro Tasmania or other market participants. The collected information which the Economic Regulator intends publishing includes:

- the ratio of the average price of regulated contract offers to the average price of unregulated contract offers; and
- the ratio of the number of regulated contracts entered into to the number of unregulated contracts entered into.

The Economic Regulator also intends publishing data from other sources including:

- the number of retailers active in the Tasmanian retail electricity market;
- the market share of new entrant retailers (as an aggregate);
- the churn rates for:
 - small customers and
 - all contestable customers; and
- the number of complaints made to the Economic Regulator in relation to wholesale contract regulation (as well as the number of complaints upheld).

The Economic Regulator is seeking comments from stakeholders and interested parties on:

- the draft reporting requirements outlined in Section 8 of the draft Guideline;
- any commercial-in-confidence concerns regarding the Economic Regulator's intention to publish some of the data it collects; and
- any other issues relevant to Section 8 of the draft Guideline.

3 AMENDMENTS TO ALIGN REPORTING REQUIREMENTS WITH THOSE OF THE AER AND OTHER AMENDMENTS

The Economic Regulator has taken the opportunity to make amendments to a number of other sections of the Guideline, largely to align, as much as possible, the AER's and Economic Regulator's performance reporting requirements.

Significant amendments include:

- amending the Distribution Network Service Provider Information Requirements in section 7 of the Guideline to refer to the recently introduced legislative reporting requirements in respect of feed-in tariff customers;
- deleting the previous section 8 of the Guideline (Information Requirements – Retailers), as electricity retailers selling in Tasmania are no longer licensed by the Economic Regulator as a result of Tasmania adopting the National Energy Customer Framework (NECF); and
- amending the retail performance indicators for Bass Strait Islands in section 9.4 of the Guideline to replicate the AER's reporting requirements.

The objective of these amendments is to reduce, where possible, the regulated entities' reporting burden and any duplication in reporting or redundant processes. It is recognised that these changes in reporting requirements may lead to changes to the data available for publication by the Economic Regulator. However, the Economic Regulator considers that the overall benefits from the proposed changes outweigh any costs associated with the proposed changes including changes in the data able to be published. The Economic Regulator also considers that collection of the revised information will not affect the Economic Regulator's ability to continue to discharge its monitoring and reporting responsibilities under the Act.

The Economic Regulator intends conducting a similar exercise in relation to its distribution and transmission reporting obligations to align the AER's and the Economic Regulator's reporting requirements as much as possible. Once the Economic Regulator has completed its review, it will release further draft amendments to the Guideline for consultation.

The Economic Regulator has also proposed a number of other amendments to the Guideline to improve its readability, to clarify the test for determining the entities the Guideline is intended to apply to and to remove redundant references.

The Economic Regulator is seeking feedback from regulated entities, customers and other stakeholders on the proposed changes.

4 RESPONDING TO THIS CONSULTATION PAPER

The Economic Regulator invites written comment on the draft Guideline. Submissions will be considered prior to the draft Guideline being finalised and must be received by close of business on **5 May 2014**.

It is normal practice for all submissions to be published on the Economic Regulator's website unless the author of the submission requests confidentiality in relation to the submission (or any part of the submission). Those parts of a submission that are requested to be kept confidential should be submitted as an attachment to that part suitable for publication.

The Economic Regulator will not publish submissions which contain material that the Economic Regulator believes is, or could be, derogatory or defamatory.

If you would like further information on the treatment of confidential submissions, please refer to the Economic Regulator's *Policy on the treatment of confidential submissions* document on its website.

Submissions by email are preferred to assist in publishing submissions on the website.

Submissions may be made by email to:

office@economicregulator.tas.gov.au

by mail to:

Glenn Bounds (Assistant Director – Price and Service),

Office of the Tasmanian Economic Regulator,

GPO Box 770,

Hobart 7001

or by facsimile to: 03 6233 5666.

Enquiries may be made by email to: office@economicregulator.tas.gov.au or by phone to: 03 6166 4422.

A copy of the draft Guideline and this Consultation Paper may also be found on the Economic Regulator's website: www.economicregulator.tas.gov.au