



PROJECTS ON THE GO

Activities of OTTER

prepared for the

OTTER Customer Consultative Committee

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**OTTER CUSTOMER CONSULTATIVE COMMITTEE
MEETING 3/2017
WEDNESDAY 20 SEPTEMBER 2017**

PROJECTS ON THE GO

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1. TASMANIAN WATER AND SEWERAGE (GENERAL UPDATE)

a. Price Determination Investigation for the third regulatory period

TasWater submitted its proposed price and service plan (PSP) for the third regulatory period on 30 June 2017. OTTER's investigative work in response to the proposed PSP is well underway and includes assessing TasWater's proposals against the legislation and the Regulator's *2018 Price Determination Investigation Price and Service Plan Guideline June 2016*, and analysing TasWater's forecasts and pricing models.

The Regulator appointed ARUP as its consultant to review TasWater's capital and operating expenditure. ARUP provided its preliminary draft report to the Regulator on 11 September 2017.

OTTER is having regular contact with TasWater in order to seek clarification and more information on its PSP, as necessary, prior to the Regulator's Draft Report and Draft Determination being released for consultation.

Key future milestones are:

Task	Date
Regulator releases its Draft Report and Draft Determination for consultation	30 November 2017
Public consultation period closes	25 January 2018
ARUP submits its final report to the Regulator	Early February 2018
Regulator releases Final Report and Determination	30 April 2018
TasWater's submits its final Price and Service Plan	31 May 2018
Regulator approves TasWater's final Price and Service Plan	Mid June 2018

b. Water and sewerage service replacement - Mountain River and Pioneer

TasWater's Serviced Land is land that TasWater will permit to be connected to its infrastructure. The identification of Serviced Land is important as it determines TasWater's obligation to connect and supply customers.

Reductions in Serviced Land due to service replacement proposals will only be permitted where there are environmental or public health issues that need to be addressed and the cost of addressing those concerns through upgrades to the reticulated system is considered uneconomical.

Reductions in Serviced Land need to be approved by the Economic Regulator. The Economic Regulator will only approve a service replacement proposal if it is satisfied that (amongst other things):

- the proposal involves the replacement of the current reticulated service with another form of service provision;
- the service replacement proposal has been discussed with, and is supported by, all relevant industry regulators; and

- TasWater has consulted with affected customers and the proposal has broad community support.

Having assessed the service replacement processes in both Mountain River and Pioneer, and having liaised with the relevant industry regulators, the Regulator approved the proposed changes to the boundaries of Serviced Land at both Mountain River and Pioneer in August 2017.

Residents in Mountain River and Pioneer now have new water tanks (or compensation if their existing water tanks were assessed as adequate) and some residents have opted to be connected to the irrigation scheme for non-drinking water purposes under commercial contracts with TasWater.

c. Tasmanian Water and Sewerage State of the Industry Report 2016-17

The Regulator recently received a request from the Government to prepare a Tasmanian Water and Sewerage State of the Industry Report for 2016-17.

This report is produced annually and provides an overview and public assessment of the performance of Tasmania's water and sewerage industry and identifies key priorities for improving performance. Other industry regulators make contributions to the report, including public health (Department of Health and Human Services), environment (EPA Tasmania), water (Department of Primary Industries, Parks, Water and Environment - DPIPWE) and dam safety (DPIPWE).

Data contained in the report is also submitted to the Bureau of Meteorology as part of the national urban water performance reporting framework.

The 2016-17 report is intended for release in March/April 2018, soon after the release of the Urban National Performance Report for 2016-17.

2. ELECTRICITY (GENERAL UPDATE)

a. 2017-18 reset of standing offer electricity prices and regulated feed-in tariff

On 2 May 2017, the Government introduced legislation to address concerns about the impact of rising wholesale electricity prices on retail electricity prices in Tasmania. On 2 June 2017, the *Electricity Supply Industry Amendment (Pricing) Bill 2017* received Royal Assent. The amendments gave the Treasurer the power to:

- set the wholesale electricity cost that is used in calculating the Notional Maximum Revenue (NMR) by means of a Wholesale Electricity Price Order (WEP Order); and
- issue a notice (Ministerial Notice) to the Regulator specifying the criteria the Regulator must take into account when assessing proposed standing offer prices.

On 13 June 2017, the Regulator received a letter from the Treasurer advising that he had made a WEP Order and issued a Ministerial Notice regarding the criteria to be taken into account when approving standing offer prices for 2017-18.

Pending the passage of the Bill, Aurora Energy was still required to meet the obligations under the Guideline in relation to the submission of its pricing proposal. Aurora Energy submitted a preliminary proposal on 30 May 2017. The Regulator also continued to have regulatory obligations under the legislative framework in existence at that time and, on 23 May 2017, provided Aurora Energy with details of the WEP for

2017-18 as calculated by the Wholesale Pricing Model in accordance with the Wholesale Regulatory Contract Instrument.

On 14 June 2017, following the passage of the Bill and the making of the ministerial orders in relation to the WEP and the assessment criteria, Aurora Energy submitted its complete Standing Offer Pricing Proposal for Period 2 to the Regulator.

In considering Aurora Energy's Standing Offer Pricing Proposal, the Economic Regulator was required to ensure Aurora Energy's proposed prices complied with the pricing criteria set by the Treasurer.

On 22 June 2017, the Economic Regulator approved Aurora Energy's Standing Offer prices. It was estimated that the approved prices will result in a two per cent or \$38 increase in the annual bill for a Typical (residential) Customer with medium usage on both Tariff 31 and Tariff 41.

For small business customers on Tariff 22 (general) the daily supply charge is unchanged from 2016-17 while usage charges are lower. It was estimated that small business customers could expect price decreases of between 4.1 per cent and 5.7 per cent depending on usage (annual bill decreases of between \$34 and \$349).

Feed-in Tariffs

On 5 May 2016, the Regulator released its Final Report and Determination in relation to the regulated FiT rate payable to standard FiT customers. The Determination included a formula to calculate the regulated minimum annual FiT rate to be paid by an authorised retailer to a standard FiT customer.

The formula used inputs sourced from Aurora Energy's annual standing offer pricing proposals. For 2017-18, the wholesale electricity price used was determined by the Treasurer as set out in the WEP Order of 9 June 2017.

In accordance with Regulation 47H of the *Electricity Supply Industry (Pricing and Related Matters) Regulations 2013* (the Regulations), the Regulator determined the Regulated FiT Rate for 2017-18 to be 8.929 c/kWh, which is an increase of 34 per cent over the 2016-17 rate of 6.671 c/kWh. The increase was due primarily to a higher WEP which, in turn, is due to higher Victorian wholesale contract prices.

b. Review of Schedule 1 inputs to the Wholesale Contract Regulatory Instrument

Schedule 1 of the Wholesale Contract Regulatory Instrument contains a number of inputs set by the Regulator. The inputs are used in calculating the price of, and volume of electricity in, regulated contracts offered by Hydro Tasmania.

On 24 July 2017, the Regulator published its *Schedule 1 update - Consultation Paper* which contained the Regulator's proposed updated values for the inputs and the proposed method to update the values in the future. The Regulator sought submissions from interested parties and one submission was received from Hydro Tasmania. On 31 August 2017, the Regulator released its *Approach to updating the inputs in Schedule 1 of the Wholesale Contract Regulatory Instrument*. The updated Schedule 1 values applied from 5 September 2017.

c. Prepayment Price Comparison Report - August 2017

On 4 September 2017, the Regulator published the APAYG Price Comparison 2017 Report. The Report is available on the OTTER website and is due for tabling in Parliament on or before 28 September 2017.

d. Comparison of Australian Standing Offer Energy Prices Report - August 2017

On 4 September 2017, the Regulator published the Comparison of Australian Standing Offer Energy Prices August 2017 Report. The Report is available on the OTTER website and is due for tabling in Parliament before 28 September 2017.

e. Tasmanian Energy Security Taskforce Report - Monitor and Assessor role

The Tasmanian Government established the Tasmanian Energy Security Taskforce to identify ways to help “future proof” Tasmania from the types of energy security challenges the State experienced in early 2016 due to the Basslink outage and low inflows.

In its Final Report, released on 16 August 2017, the Tasmanian Energy Security Taskforce considered that the Tasmanian Economic Regulator would be best placed to undertake the role of Monitor and Assessor.

According to the Taskforce, the Monitor and Assessor is to provide independent oversight, and transparent public reporting, of energy security taking a holistic view of electricity and gas energy informed primarily by data provided by relevant energy supply providers. The Monitor and Assessor’s main roles include:

- preparing an annual energy security review for release in mid-November after the completion of the wet season;
- preparing a monthly energy in storage "dashboard" reporting on a standard set of energy security parameters;
- making public communications during an energy security event specifically related to energy shortfalls;
- advising the Minister when the supply/demand balance changes to the extent that a revision to the profiles should be considered for the High Reliability Level (HRL) and Prudent Storage Level (PSL) of hydro water storages; and
- advising the Energy Security Coordinator on the suitability and effectiveness of the HRL Recovery Plans.

OTTER is currently working with Hydro Tasmania and the Department of State Growth to finalise the details of the Monitor and Assessor role.

3. ELECTRICITY - RETAIL AND DISTRIBUTION QUARTERLY PERFORMANCE REPORTS (Q4, 2016-17)

Aurora Retail

Aurora Energy (Retail) has provided its performance report for Q4, 2016-17 as required by Regulation 13 of the *Electricity Supply Industry Regulations 2008*. Performance measures are reported in accordance with the AER's performance reporting procedures and guideline and are provided in Appendices 1 and 2.

TasNetworks

In accordance with the requirements of the Tasmanian Electricity Code, TasNetworks has provided its performance report for Q4, 2016-17.

TasNetworks reported that, during the quarter:

- there were no Major Event Days (MED); and
- there were 2 462 GSL payments made worth around \$199 000 for the quarter.

Overall system performance (distribution and transmission)

Overall system performance SAIDI¹ and SAIFI² accounts for outages in the transmission and distribution network, including third party causes and MEDs. Quarterly performance is shown in Table 1.

Table 1 Overall system performance

	2015-16 Q4	2016-17 Q1	2016-17 Q2	2016-17 Q3	2016-17 Q4
SAIFI	0.84	0.73	0.59	0.45	0.38
SAIDI	165	185	85	48	47

The respective contributions to SAIFI and SAIDI are shown in Figures 1 and 2 respectively.

¹ System Average Interruption Duration Index: the average outage duration for each customer served

² System Average Interruption Frequency Index: the average number of interruptions that a customer would experience

Figure 1 Contributions to SAIFI

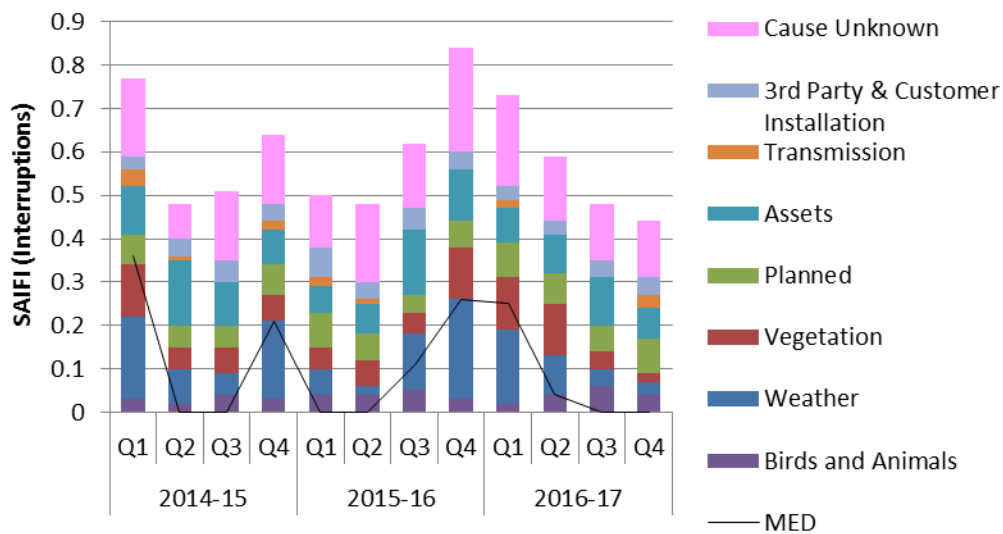
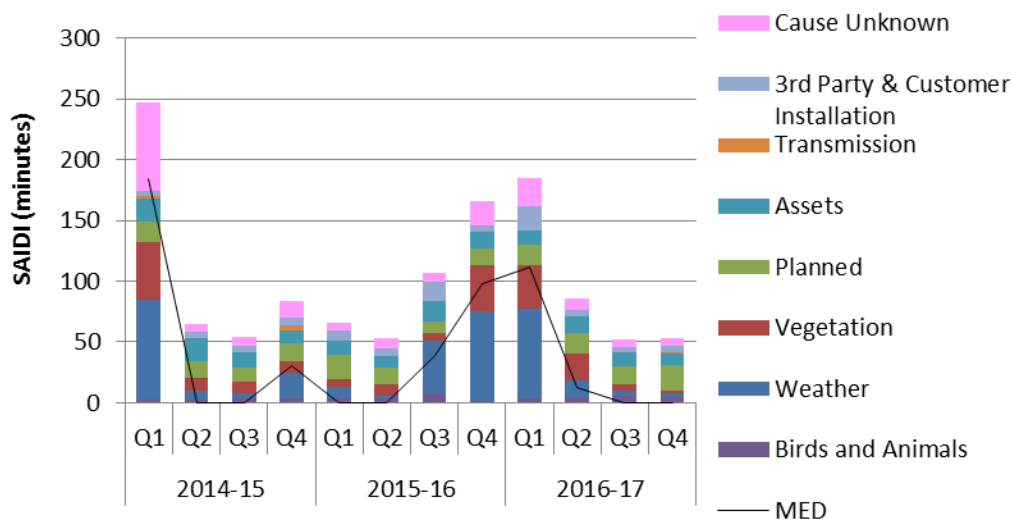


Figure 2 Contributions to SAIDI



Distribution only system performance

Major Event Days (MEDs)

For 2016-17, a MED is a day that contributed more than 6.54 minutes to annual SAIDI. There were no MEDs for Quarter 4, 2016-17.

Major interruptions

Major interruptions are those that contribute greater than one system minute of SAIDI to overall network performance. The impact of an interruption depends on the length of the interruption and the connected kVA of installations affected. Major interruptions for the quarter, excluding the events in MEDs, were as follows:

- On 21 June 2017, the recloser on the Norwood feeder tripped and locked out due to a high voltage underground cable fault. Initially the outage affected 32 customers for two hours; two customers were affected for an additional

178 hours after partial restoration of supply. The cumulative rating of the two customers' transformers was 1250kVA. The two customers had their own back-up supply so did not lose power during the outage.

Table 2 Distribution network performance (excluding transmission and third parties)

	2015-16 Q4	2016-17 Q1	2016-17 Q2	2016-17 Q3	2016-17 Q4
SAIDI	160	166	81	48	47
SAIFI	0.80	0.68	0.56	0.45	0.38
CAIDI ³	200	244	144	107	124
MAIFI ⁴	1.67	1.04	1.02	1.2	1.6

Community and category performance

A summary of quarterly performance in respect to the '101 Communities' is provided in Tables 3, 4 and 5.

Table 3 Communities Exceeding Duration and Frequency Standards

Distribution	2015-16 Q4	2016-17 Q1	2016-17 Q2	2016-17 Q3	2016-17 Q4
Number of communities exceeding duration standard	25	37	39	30	23
Number of communities exceeding frequency standard	8	11	14	12	9
Number of communities exceeding either the frequency or duration standard	26	39	40	33	26
Number of communities exceeding both the frequency or duration standard	7	9	13	9	6

³ Customer Average Interruption Duration Index: the average outage duration that any given customer would experience or the average restoration time

⁴ Momentary Average Interruption Frequency Index - the average number of momentary interruptions that a customer would experience during a given period

Table 4 Community Category Performance - SAIFI

SAIFI	Q4, five year Average	2016-17					Annual Limit
		Q1	Q2	Q3	Q4	Total	
Critical Infrastructure	0.06	0.05	0.26	0.02	0.01	0.34	0.2
High Density Commercial	0.07	0.04	0.03	0.04	0.02	0.13	1
Urban and Regional Centres	0.29	0.44	0.24	0.26	0.20	1.14	2
Higher Density Rural	0.72	0.99	0.82	0.68	0.51	3.00	4
Lower Density Rural	0.91	1.02	1.06	0.73	0.68	3.49	6

Table 5 Community Category Performance - SAIDI

SAIDI	Q4, five year average	2016-17					Annual Limit
		Q1	Q2	Q3	Q4	Total	
Critical Infrastructure	8.38	13.94	8.10	0.72	4.14	26.90	30
High Density Commercial	7.11	6.77	2.34	1.49	1.51	12.11	60
Urban and Regional Centres	30.94	70.66	22.20	25.23	21.34	139.43	120
Higher Density Rural	101.51	281.34	121.09	69.84	57.32	529.59	480
Lower Density Rural	152.62	291.21	178.31	84.89	99.95	654.36	600

Customer Service

Table 6 TasNetworks' distribution network – customer service performance indicators

	2015-16 Q4	2016-17 Q1	2016-17 Q2	2016-17 Q3	2016-17 Q3
Calls received	66 138	65 904	39 542	28 299	27 426
Complaints - reliability/quality of supply/complaints as a percentage of installations	107 (0.05%)	154 (0.05%)	108 (0.05%)	120 (0.04%)	123 (0.04%)
Streetlight faults	1 267	972	378	972	882
Streetlight faults repaired within 7 days	618	568	271	568	643
New connections	850	637	680	617	705
New connections made on time	498	428	487	501	660
New connections Customer charter payments/value	110/ \$11 610	74/ \$7 710	62/ \$7 050	55/ \$5 040	66/ \$5 940
Planned interruptions	1 761	1 201	842	790	1 006
Planned interruptions Customer charter payments/value	17/\$660	16/\$480	22/\$660	31/\$930	18/\$570
GSL - Number of payments	5 589	26 397	4 344	1 307	2 462
Amount	\$518 400	\$3 064 720	\$492 280	\$109 600	\$198 800

4. WATER AND SEWERAGE, ELECTRICITY AND GAS LICENSING (UPDATE)

AETV Pty Ltd electricity generation licence – Renewal

On 29 May 2017 the Regulator renewed the electricity generation licence held by AETV Pty Ltd for a further period of 10 years, effective 12 July 2017.

Musselroe Wind Farm Pty Ltd electricity generation licence – Renewal

On 27 June 2017 the Regulator renewed the electricity generation licence held by Musselroe Wind Farm Pty Ltd for a further period of 10 years, effective 2 August 2017.

Woolnorth Studland Bay Wind Farm Pty Ltd and Woolnorth Bluff Point Wind Farm Pty Ltd electricity generation licences – Amendment

On the 15 March 2017 the Regulator received a request for amendments to the electricity generation licences of Woolnorth Studland Bay Wind Farm Pty Ltd and Woolnorth Bluff Point Wind Farm Pty Ltd. The amendment request related to the inclusion of transmission lines (owned by Woolnorth) as part of the generating plant for both licences. This is consistent with the electricity generation licence of

Musselroe Wind Farm Pty Ltd which also includes a transmission line (owned by Woolnorth) as part of the generating plant.

Following assessment, the request was approved. Amendments to both the Woolnorth Bluff Point Wind Farm Pty Ltd and Woolnorth Studland Bay Wind Farm Pty Ltd generation licences took effect 27 June 2017.

G7 Generation Pty Ltd - Issue of new electricity generation licence

On 1 August 2017 the Regulator received an application from G7 Generation Pty Ltd for an electricity generation licence. The application was with respect to the proposed construction of four hydro generating plants with a combined installed generation capacity of 9.9 MW.

After assessing the application, the Regulator was satisfied that the issue of a licence to G7 Generation Pty Ltd was consistent with the objectives of the *Electricity Supply Industry Act 1995* (the Act) and the objectives of the Regulator in exercising his powers and functions under the Act.

On the 22 August 2017 the Regulator issued a generation licence to G7 Generation Pty Ltd for a period of 10 years, effective 25 September 2017.

Water and Sewerage licensing and gas licensing

There are no water and sewerage or gas licensing updates.

5. MONOPOLY PRICE REGULATION - MOTOR ACCIDENTS INSURANCE BOARD (MAIB) FINAL REPORT

On 12 December 2016, the Regulator was requested to conduct an investigation into the MAIB's pricing policies, with respect to motor accidents (personal injury) insurance. The Regulator was required to recommend maximum premiums for the four years from 1 December 2017. The investigation was conducted in line with the Terms of Reference issued by the Government.

To assist in the investigation, the Regulator engaged the services of the actuarial firm Finity Consulting Pty Ltd (Finity).

The Regulator received a preliminary submission from the MAIB in February 2017 and sought public submissions on it, as well as on the Terms of Reference.

The Regulator released a draft report in May 2017 after considering advice from Finity, undertaking its own analysis and considering the MAIB's preliminary submission and submissions received from:

- the Tasmanian Motorcycle Council;
- Uber; and
- the Tasmanian Taxi Council.

During the public consultation period that followed, the Regulator received further submissions from the MAIB, Uber and the Tasmanian Taxi Council.

After considering these further submissions and seeking advice from the Department of State Growth on current regulatory and procedural requirements for ride-sourcing

operators and vehicles, the Regulator submitted its Final Report to the Government on 20 July 2017 and published it on its website.

The Regulator's major recommendations were, for 2017-18:

- premiums for most classes, including private motor cars (Class 1), remain unchanged from current maximum premiums;
- a new class be created for vehicles used to provide ride-sourcing services (eg Uber) and that the maximum premium for these vehicles be the same as payable on private motor cars;
- small premium decreases for medium public passenger vehicles, motor trade plates, farm tractors and special interest vehicles; and
- small premium increases for motorcycles, taxis, luxury hire cars and off-road and recreational vehicles.

The Regulator also recommended that, from 1 December 2018, the MAIB be allowed to increase maximum premiums for all vehicles in line with the growth in wages.

The recommendations in relation to ride-sourcing vehicles were made based on there being insufficient data about the risks of operating a ride-sourcing vehicle to be able to recommend specific premiums for these vehicles. The Regulator indicated that once sufficient data is available, the level of risk, and therefore the maximum premium for vehicles used for these purposes, can be re-assessed.













In early September 2017, the Government announced its decision not to change the MAIB premiums for most classes, with the exception of farm tractors, off-road and recreational vehicles and special interest vehicles, where premiums will decrease.

Appendix 1 – Aurora Energy quarterly performance – residential

Retail - Residential	Trend - 5 qtrs	2015-16 Q4	2016-17 Q1	2016-17 Q2	2016-17 Q3	2016-17 Q4
Customer numbers						
standing offer		209 762	212 545	213 250	213 832	214 733
APAYG customers		26 670	24 588	24 287	23 975	23 641
Payment difficulties						
debt repayment		3 676	3 032	4 369	4 623	3 562
average amount		\$739	\$785	\$739	\$759	\$756
debt \$500 - \$1 500		947	797	1 225	1 292	902
debt \$1 500 - \$2 500		279	231	341	376	260
debt over \$2 500		220	208	246	279	230
Payment plans						
customers on payment plan		2 085	2 366	2 658	2 693	2 419
customers who had their plan cancelled for non-payment		850	625	697	921	823
customers with 2 or more plans cancelled in the last 12 months		326	259	219	272	227
Disconnections						
residential disconnections		266	241	230	258	287
concession customers disconnected		168	113	116	132	133
payment plan customers disconnected		84	70	55	63	93
customers disconnected more than once in 24 months		21	20	14	11	23
Reconnections						
reconnections (within 7 days)		115	114	124	114	124
payment plan customers		36	31	24	21	37
concession customers		67	44	54	52	57
APAYG - Prepayment meter (PPM) customers						
PPM customers with a concession		13 829	13 038	12 835	12 649	12 459
PPMs able to report self-disconnections		10 854	10 210	10 340	10 700	10 911
PPM self-disconnection events		1 033	941	743	560	988
customers self-disconnected		820	719	622	484	785
average duration of disconnection events (minutes)		244	293	250	285	218

Retail - Residential	Trend - 5 qtrs	2015-16 Q4	2016-17 Q1	2016-17 Q2	2016-17 Q3	2016-17 Q4
Hardship program						
customers on the hardship program		2 065	2 105	2 199	2 154	2 208
hardship customers with a concession		1 632	1 694	1 794	1 767	1 728
customers denied access		0	0	0	0	0
customers exiting the program		160	435	393	512	372
average debt upon entry to program		\$1 866	\$1 493	\$1 617	\$1 554	\$1 750
debt \$0 - \$500		65	90	69	64	47
debt \$500 - \$1 500		165	219	219	193	193
debt \$1 500 - \$2 500		96	88	96	125	95
debt over \$2 500		103	78	103	85	91
average debt		\$1 267	\$1 476	\$1 540	\$1 393	\$1 339
customers who successfully completed program		183	130	99	134	115
customers excluded from program		268	224	218	259	192
customers who transferred		74	81	76	119	65
Complaints (residential)						
billing		1 397	1 824	1 755	1 584	1 684
marketing		0	0	0	0	0
customer transfer		0	0	0	0	0
other		467	424	533	542	673
TOTAL		1 864	2 248	2 288	2 126	2 357

Appendix 2 – Aurora Energy quarterly performance – small business

Retail - Small Business	Trend - 5 qtrs	2015-16 Q4	2016-17 Q1	2016-17 Q2	2016-17 Q3	2016-17 Q4
Customer numbers						
standing offer		30 579	30 446	30 570	30 596	30 654
market contracts		5 479	5 465	5 458	4 654	4 537
Total small business		36 058	35 911	36 028	35 250	35 191
Payment difficulties						
customers repaying a debt		188	184	205	172	167
average customer debt		\$ 885	\$ 901	\$ 804	\$ 684	\$ 871
Disconnections		22	18	19	18	28
Reconnections		2	4	5	4	9
Complaints						
billing		167	236	240	229	215
marketing		0	0	0	0	0
customer transfer		1	0	0	0	0
other		48	39	41	62	54
TOTAL		216	275	281	291	269