



PROJECTS ON THE GO

Activities of OTTER

prepared for the

OTTER Customer Consultative Committee

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**OTTER CUSTOMER CONSULTATIVE COMMITTEE
MEETING 1/2018
WEDNESDAY 14 FEBRUARY 2018**

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1. TASMANIAN WATER AND SEWERAGE (GENERAL UPDATE)

a. Price Determination Investigation - status update

On 30 November 2017, having received Arup's draft report from its review of TasWater's opex and capex, and having analysed TasWater's proposals, the Regulator released its Draft Report and Draft Price Determination along with Arup's draft report, for public consultation.

Twelve submissions were received during the public consultation period which closed on 25 January 2018.

Outstanding issues, as at 9 February, are as follows:

- Equivalent Tenements;
- Trade waste;
- Sub-metering;
- Limited quality water discount;
- Impact of re-use water on the environment and TasWater's costs;
- Fixed versus variable charges;
- Customer transition to target tariffs;
- Risk-free rate and debt risk premium components of the WACC;
- Gamma of the WACC;
- Salaries, chemicals and fleet opex;
- Regulatory depreciation;
- Opex arising from new capex;
- Productivity savings;
- Treatment of gifted assets;
- Working capital allowance;
- Capex recognition in the Regulated Asset Base (RAB);
- Service replacement;
- Trade waste application fee;
- Labour force plan;
- Longer term plan;

- Maximum versus actual prices in the determination; and
- Developer charges policy flexibility.

Key future milestones in the lead up to the release of the Final Report and Price Determination are:

Task	Date
Arup submits its final report on TasWater's opex and capex to the Regulator	Late February 2018
Regulator releases Final Report and Price 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	14 June 2018
New prices commence	1 July 2018

b. Tasmanian Water and Sewerage State of the Industry Report 2016-17 - status update

Preparation of the Tasmanian Water and Sewerage State of the Industry Report 2016-17 is nearing completion, with OTTER coordinating the input of other industry regulators - public health (Department of Health and Human Services - DHHS), environment (Environment Protection Authority Tasmania), water (Department of Primary Industries, Parks, Water and Environment - DPIPWE) and dam safety (DPIPWE).

The Report will focus on key performance outcomes during the year and priorities for improving performance. Previous reports are available on OTTER's website.

The Report is expected to be published in late March 2018, after the release of the Bureau of Meteorology's Urban National Performance Report for 2016-17 on 1 March 2018.

2. GAS- METERING - PROPOSED SAMPLE PLAN FOR METER TESTING

Under the Tasmanian *Gas Customer Transfer and Reconciliation Code*, Tas Gas Networks as the meter provider is required to seek the Regulator's approval of a Sample Plan (for meter testing) for its diaphragm gas meters that are planned to remain in service after 15 years' (initial period) service.

Accordingly, Tas Gas Networks has submitted a proposed Sample Plan to the Regulator for approval.

The Regulator is inviting comments/submissions from interested parties regarding the proposed Sample Plan before approval. Submissions close on 20 February 2018.

3. ENERGY (GENERAL UPDATE)

a. Energy Security Monitor and Assessor

OTTER is currently working with the Department of State Growth and Hydro Tasmania to develop Memorandums of Understanding that set out each organisation's roles and responsibilities under the Energy Security Risk Response Framework in the absence of governing legislation.

The Regulator is also considering the feedback received on the Annual Report and the monthly dashboard and will most likely implement some improvements to the dashboard in coming months.

b. Electricity metering reforms

The Regulator is currently awaiting a submission from Aurora Energy on to how it proposes to calculate forecast metering costs. The Regulator will decide on an appropriate method prior to the annual standing offer price approval process (in May 2018) used to determine the prices for 2018-19. During the annual stand offer price approval process the Regulator will review Aurora of Energy's actual metering costs for 2017-18 and forecast metering costs for 2018-19.

c. Government review of wholesale electricity market regulatory framework

Due to concerns about increases in, and volatility of, Tasmanian wholesale prices despite no significant change in the cost of on-island generation the Government announced, as part of the 2017-18 State Budget, that it would review the current wholesale electricity market regulatory pricing framework.

The current wholesale electricity market framework has been in place since 1 January 2014 and requires Hydro Tasmania to offer retailers operating in the Tasmanian market four regulated derivative contracts. The prices for these contracts and how much electricity is offered under the contracts is determined using transparent rule based models. The Wholesale Contract Regulatory Instrument (the Instrument) sets out how the pricing model is to calculate prices for the four contracts with prices based on a number of inputs including Victorian forward contract prices, hydrological data, and the cost of transporting electricity across Basslink.

The aim of wholesale contract regulation was to provide certainty for retailers operating in the Tasmanian market by establishing a safety net which would could be used by retailers to managing the financial risks of operating in the Tasmanian market.

Treasury released a terms of reference for the review outlining the Government's expectations. The key expectations are as follows:

- analyse whether the Instrument is operating as intended;
- determine if the Instrument has resulted in any unintended negative consequences;
- investigate the possibility of reducing the impact of mainland wholesale price volatility on Instrument;
- investigate alternative wholesale pricing mechanisms which may meet the Government objectives (as stated in the Tasmanian Energy Strategy)
- provide options for potential improvements to the Tasmanian wholesale electricity market.

The Regulator understands that four submissions were received in response to Treasury's call for submissions and the submissions are expected to be available on Treasury's website by 9 February.

d. Energy in Tasmania Performance Report 2016-17 - update

The 2016-17 EiT Report was released on 18 January 2018. OTTER will deliver a presentation to members at the February OCCC meeting.

4. ELECTRICITY - RETAIL AND DISTRIBUTION QUARTERLY PERFORMANCE REPORTS (Q2, 2017-18)

Aurora Retail

Aurora Energy (Retail) has provided its performance report for Q2, 2017-18 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

TasNetworks has provided its performance report for Q2, 2017-18.

Network performance is measured by:

- System Average Interruption Duration Index (SAIDI) - the total duration of all outages divided by the number of customers served (this provides a measure of the average outage duration experienced by each customer).
- System Average Interruption Frequency Index (SAIFI) - the total number of interruptions divided by the number of customers served (this provides a measure of the average number of interruptions experienced by each customer).
- Customer Average Interruption Duration Index (CAIDI) - the total duration of all outages divided by the total number of interruptions (this provides a measure of the average time taken to repair an interruption to supply).
- Momentary Average Interruption Frequency Index (MAIFI) - the total number of momentary interruptions divided by the number of customers served (this provides a measure of the average number of momentary interruptions experienced by each customer).

From 2017-18, TasNetworks will provide its performance information on a per customer basis, instead of on a load basis. This change means that information provided in this report does not align with information in previous reports. Table 1 shows TasNetworks' recent performance on a per customer basis.

Table 1 Overall system performance

	2016/2017 Q2	2016/2017 Q3	2016/2017 Q4	2017/2018 Q1	2017/2018 Q2
SAIFI	0.48	0.42	0.32	0.46	0.39
SAIDI	65.49	41.26	38.05	57.37	51.28
CAIDI	135.77	98.80	120.60	123.26	132.10
MAIFI	0.86	1.13	1.75	1.30	1.56

Figure 1 and Figure 2 show the cause of outages and the contribution those outages made to the SAIDI and SAIFI performance.

Figure 1 Contributions to SAIFI

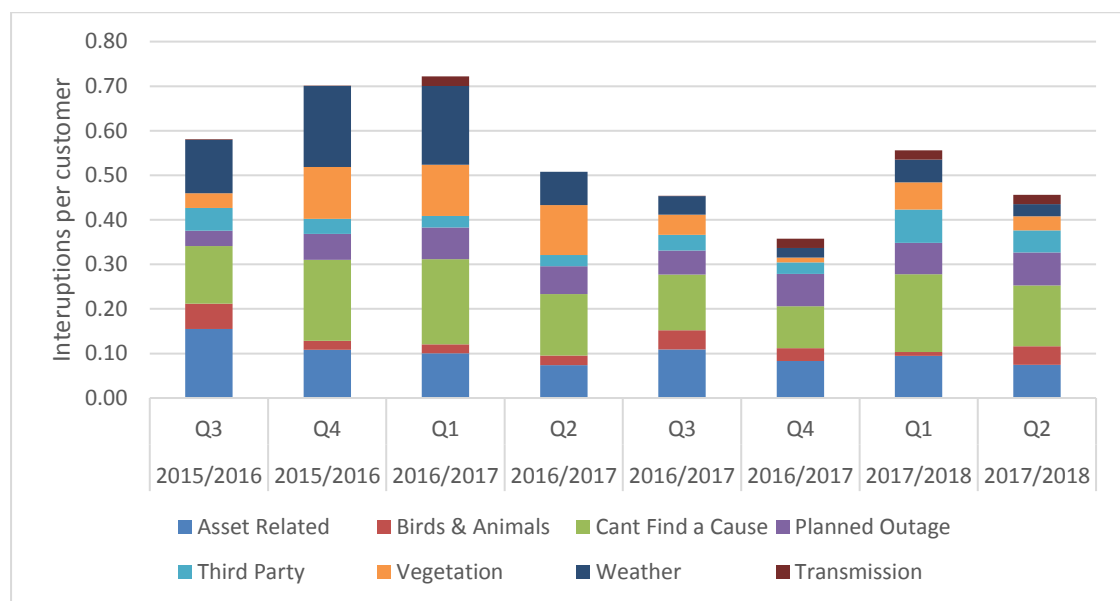
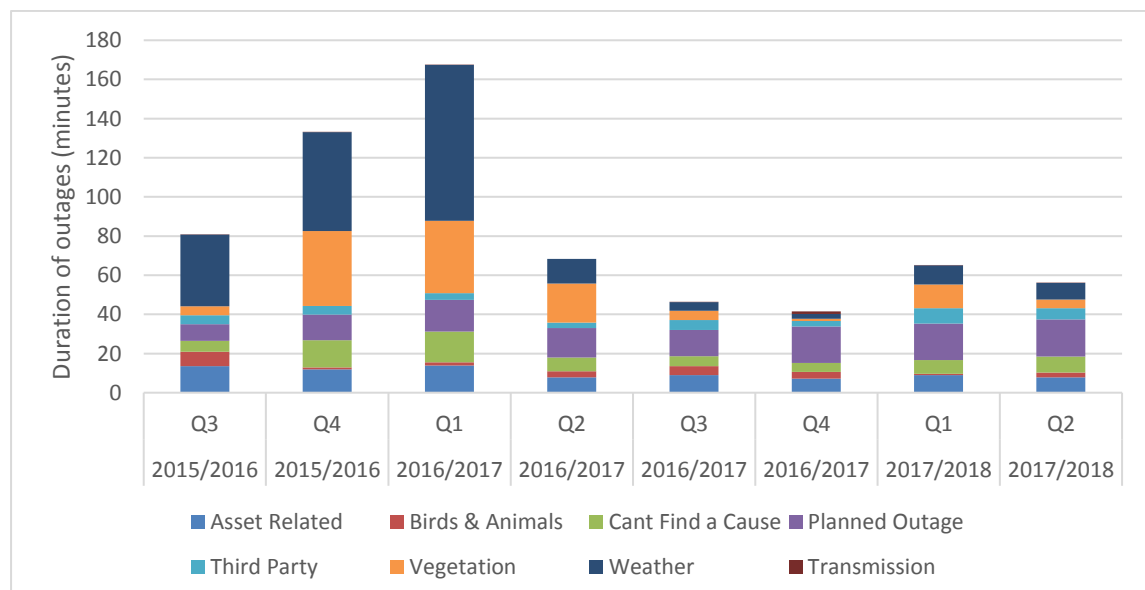


Figure 2 Contributions to SAIDI



The only MED for Q2, 2017-18 occurred on 3 December 2017 due to a storm in the North and South of the state contributing 9.45 system SAIDI minutes with as many as 1 700 customers off supply.

Community and category performance

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

Table 3 Communities Exceeding Duration and Frequency Standards

	2016/2017			2017/2018	
	Q2	Q3	Q4	Q1	Q2
Number of communities exceeding SAIFI standard	12	14	4	7	7
Number of communities exceeding SAIDI standard	26	9	10	21	16
Number of communities exceeding either SAIDI or SAIFI standard	30	17	12	25	19
Number of communities exceeding both SAIDI and SAIFI standards	8	6	2	3	4

Table 4 Community Category Performance - SAIFI

	2016/2017			2017/2018		Annual Target
	Q2	Q3	Q4	Q1	Q2	
Critical Infrastructure	0.24	0.01	0.07	0.05	0.05	0.20
High Density Commercial	0.02	0.03	0.02	0.07	0.02	1.00
Urban and Regional Centres	0.83	0.78	0.48	0.66	0.28	2.00
Higher Density Rural	1.13	0.75	0.66	1.05	0.58	4.00
Lower Density Rural	0.26	0.27	0.21	0.30	0.72	6.00

Table 5 Community Category Performance - SAIDI

	2016/2017			2017/2018		Annual
	Q2	Q3	Q4	Q1	Q2	Target
Critical Infrastructure	4.93	0.21	9.76	13.40	11.65	30
High Density Commercial	3.41	2.00	2.05	10.47	1.59	60
Urban and Regional Centres	120.16	68.85	55.49	100.50	27.18	120
Higher Density Rural	193.73	81.02	88.50	136.55	75.38	480
Lower Density Rural	25.34	27.06	23.48	30.39	138.15	600

Customer Service**Table 6 Customer service performance indicators**

	2016/2017			2017/2018	
	Q2	Q3	Q4	Q1	Q2
<i>Call Centre performance</i>					
Calls received	9 595	9 102	11 252	10 000	9 101
Calls answered within 30 seconds	83.60%	89.05%	78.26%	80.72%	83.78%
<i>Supply Reliability</i>					
New Connections	680	617	705	714	653
Customer charter payments/value	62 / \$7 050	55 / \$5 040	66 / \$5 940	48 / \$5 040	37 / \$3 570
Complaints - reliability/quality of supply/complaints as a percentage of installations	108 (0.05%)	120 (0.04%)	123 (0.04%)	177 (0.06%)	138 (0.04%)
Reconnections	6 673	7 277	6 443	6 467	6 087
Total Customer Charter payments for reconnections (number / \$)	0 / \$0	0 / \$0	0 / \$0	0 / \$0	0 / \$0
Complaints	108	120	123	177	138
Street Lighting reported faults	378	972	882	628	306
Street lighting customer charter payments (number / \$)	4 / \$120	3 / \$90	6 / \$180	9 / \$270	2 / \$60
GSL - Number of payments	4 344	1 307	2 462	2 327	2 315
Amount	\$429 280	\$109 600	\$198 800	\$203 840	\$230 400

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

Wild Cattle Hill Pty Ltd - Electrify Generation Licence Application

The Regulator has received an application from Wild Cattle Hill Pty Ltd for an electricity generation licence to operate a wind farm (with a total capacity of 144 MW) located east of Lake Echo near Waddamana of Tasmania. The application is currently being assessed.

Water and Sewerage licensing and gas licensing

There are no water and sewerage or gas licensing updates.

6. PRESCRIBED BODY INQUIRY - TASMANIAN NETWORKS' PRICING OF IT INFRASTRUCTURE AS A SERVICE ACTIVITIES

IT Infrastructure as a Service (IaaS) is a form of 'cloud' service related to the provision of IT infrastructure such as servers and hard drives from one party to another. It is a service whereby the physical IT infrastructure that was traditionally housed 'on-site' and owned by the organisation using that infrastructure is provided as a service by an external party. From the customer's perspective, the infrastructure is housed offsite in specialist data centres, and the customer pays a recurring fee to access a certain amount of data storage.

TasNetworks owns and operates two data centres in Tasmania and has entered into an agreement to provide wholesale IaaS to NEC. This agreement allows NEC to on-sell the IaaS much like the relationship between any wholesaler and retailer. NEC is one of two suppliers approved to provide IaaS to Tasmanian Government agencies under Networking Tasmania III (NTIII).

On the 20 December 2017 the Treasurer wrote to the Regulator requesting he undertake a Prescribed Body Inquiry under section 39 of the *Economic Regulator Act 2009*. The inquiry's Terms of Reference state that:

The Regulator's inquiry is to assess whether the prices charged by Tasmanian Networks for the provision of wholesale IaaS services to NEC in respect of the Tasmanian Government's NTIII IaaS panel reflect the full costs of providing that service and are consistent with recovering those costs on a full cost attribution basis in accordance with its approved Cost Allocation Methodology and in line with competitive neutrality principles.

The Regulator has begun its inquiry into TasNetworks' pricing of wholesale IaaS activities. To date, attention has largely been focused on understanding background and contextual information such as:

- the relevant IaaS Government policy framework;
- how TasNetworks provides wholesale IaaS, and what is involved in providing that service;
- the business model under which TasNetworks provides wholesale IaaS; and
- how TasNetworks allocates its costs in relation to, and decides on its pricing of, wholesale IaaS.

The Regulator is to deliver a report on the findings of the inquiry to the Treasurer by 30 April 2018.

Appendix 1 – Aurora Energy quarterly performance – residential

Retail - Residential	Trend - 5 qtrs	2016-17 Q2	2016-17 Q3	2016-17 Q4	2017-18 Q1	2017-18 Q2
Customer numbers						
standing offer		213 250	213 832	214 733	217 487	218 405
APAYG customers		24 287	23 975	23 641	22 013	21 597
Payment difficulties						
debt repayment		4 369	4 623	3 562	2 848	4 340
average amount		\$739	\$759	\$756	\$784	\$728
debt \$500 - \$1 500		1 225	1 292	902	700	1 146
debt \$1 500 - \$2 500		341	376	260	208	302
debt over \$2 500		246	279	230	197	246
Payment plans						
customers on payment plan		2 658	2 693	2 419	2 661	3 027
customers who had their plan cancelled for non-payment		697	921	823	556	750
customers with 2 or more plans cancelled in the last 12 months		219	272	227	162	232
Disconnections						
residential disconnections		230	258	287	223	136
concession customers disconnected		116	132	133	107	70
payment plan customers disconnected		55	63	93	67	28
customers disconnected more than once in 24 months		14	11	23	27	13
Reconnections						
reconnections (within 7 days)		124	114	124	117	81
payment plan customers		24	21	37	31	19
concession customers		54	52	57	53	46
APAYG - Prepayment meter (PPM) customers						
PPM customers with a concession		12 835	12 649	12 459	11 759	11 503
PPMs able to report self-disconnections		10 340	10 700	10 911	10 307	10 417
PPM self-disconnection events		743	560	988	885	666
customers self-disconnected		622	484	785	699	540
average duration of disconnection events (minutes)		250	285	218	257	223

Retail - Residential	Trend - 5 qtrs	2016-17 Q2	2016-17 Q3	2016-17 Q4	2017-18 Q1	2017-18 Q2
Hardship program						
customers on the hardship program		2 199	2 154	2 208	2 568	2 970
hardship customers with a concession		1 794	1 767	1 728	2 014	
customers denied access		0	0	0	0	0
customers exiting the program		393	512	372	323	385
average debt upon entry to program		\$1 617	\$1 554	\$1 750	\$1 458	\$1 599
debt \$0 - \$500		69	64	47	103	95
debt \$500 - \$1 500		219	193	193	319	387
debt \$1 500 - \$2 500		96	125	95	141	163
debt over \$2 500		103	85	91	120	142
average debt		\$1 540	\$1 393	\$1 339	\$1 518	\$1 578
customers who successfully completed program		99	134	115	68	61
customers excluded from program		218	259	192	163	222
customers who transferred		76	119	65	92	102
Complaints (residential)						
billing		1 755	1 584	1 684	2 557	2 658
marketing		0	0	0	0	0
customer transfer		0	0	0	0	0
other		533	542	673	1 274	1 355
TOTAL		2 288	2 126	2 357	3 831	4 013

Appendix 2 – Aurora Energy quarterly performance – small business

Retail - Small Business	Trend - 5 qtrs	2016-17 Q2	2016-17 Q3	2016-17 Q4	2017-18 Q1	2017-18 Q2
Customer numbers						
standing offer		30 570	30 596	30 654	30 285	31 252
market contracts		5 458	4 654	4 537	4 577	4 312
Total small business		36 028	35 250	35 191	34 862	35 564
Payment difficulties						
customers repaying a debt		205	172	167	127	153
average customer debt		\$ 804	\$ 684	\$ 871	\$ 414	\$1 010
Disconnections		19	18	28	4	12
Reconnections		5	4	9	1	3
Complaints						
billing		240	229	215	279	377
marketing		0	0	0	0	0
customer transfer		0	0	0	0	0
other		41	62	54	54	102
TOTAL		281	291	269	333	479