



## **PROJECTS ON THE GO**

### **Activities of OTTER**

**prepared for the**

**OTTER Customer Consultative Committee**

**MAY 2018**

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**OTTER CUSTOMER CONSULTATIVE COMMITTEE  
MEETING 2/2018  
THURSDAY 17 MAY 2018**

**PROJECTS ON THE GO**

- 1. WATER AND SEWERAGE.....2**
- 2. COMPETITIVE NEUTRALITY - UPDATE ON CURRENT INVESTIGATIONS ....4**
- 3. PRESCRIBED BODY INQUIRY - TASNETWORKS - IT INFRASTRUCTURE AS A SERVICE ACTIVITIES .....5**
- 4. ENERGY.....5**
- 5. ELECTRICITY - RETAIL AND DISTRIBUTION QUARTERLY PERFORMANCE REPORTS (Q3, 2017-18 ).....6**
- 6. WATER AND SEWERAGE, ELECTRICITY AND GAS LICENSING (UPDATE)10**

# 1. WATER AND SEWERAGE

## a. Price Determination Investigation - Final Report and next steps

The Regulator released its Final Report and Price Determination on 4 May 2018. A Media Release and Arup's Final Report from its review of TasWater's Opex and Capex were also released on 4 May 2018.

OTTER detected an error in TasWater's modelling which overstated the number of connections. This would have resulted in potential price increases of around eight per cent despite significant reduction of the Maximum Allowed Regulated Revenue.

The Regulator decided to approve annual price increases in target tariffs of 4.6 per cent (as originally proposed by TasWater). Following the release of the Final Report, TasWater announced annual price increases of 4.1 per cent.

The next steps in the process are as follows:

Task	Date
TasWater's submits its revised Price and Service Plan to the Regulator	31 May 2018
Regulator approves TasWater's final Price and Service Plan	14 June 2018
New prices commence	1 July 2018

On 1 May 2018 the Tasmanian Government, the Local Government Owners and TasWater entered into a Memorandum of Understanding (MOU). If the proposals contained in the MOU are supported by the councils, the MOU will be tabled in Parliament.

The key features of the MOU are as follows:

### *Ownership and governance*

Under the MOU, Local Government will retain majority ownership of TasWater while the State Government will become a shareholder by investing \$20 million per year for the next 10 years. Unlike the Local Government Owners, the State Government will not receive distributions from TasWater.

The State Government will have a greater role in TasWater's governance through:

- having input into TasWater's corporate plan and the process for appointing the Board and CEO;
- providing advice to the owners through the Department of Treasury and Finance; and
- instigating regular meetings between the relevant Ministers and TasWater's Chair and CEO.

The *Water and Sewerage Corporation Act 2012* will be amended to reflect the changes in ownership and governance.

### *Infrastructure Investment*

In consultation with the relevant industry regulators, the MOU requires TasWater to develop an accelerated infrastructure investment program which will aim to deliver \$1.8 billion of infrastructure investment within the next 10 years.

### *Water and Sewerage Prices*

The MOU also contains TasWater's in principle commitment to no price changes for the 2019-20 financial year followed by a 3.5 per cent per annum price cap commencing 1 July 2020 and continuing for subsequent price determinations. Where, in future determinations, the Regulator determines a price increase of less than 3.5 per cent, the lower price increase will apply (TasWater's announced price increase of 4.1 per cent will apply for 2018-19).

On agreement with the other parties to the MOU, the Government will introduce amendments to the relevant legislation to ensure customers currently paying below the target tariffs will reach the target tariffs as soon as practicable without facing significant price shocks. Aside from these amendments, and the changes to the *Water and Sewerage Corporation Act 2012*, the MOU states that the current legislative arrangements will continue to apply.

The Regulator will therefore continue to regularly review TasWater's financial performance including prices, operational efficiency and capex program necessary to maintain TasWater's sustainability.

The parties to the MOU aim to develop, by September 2018, the necessary documentation and agreements to support drafting the legislation required to facilitate the reforms specified in the MOU.

## **b. Tasmanian Water and Sewerage State of the Industry Report 2016-17**

The 2016-17 SOIR was released on 10 April 2018. The Regulator also issued a media release and fact sheet outlining the key issues covered in the Report. The focus this year was on the achievements and challenges facing the industry now and into the future.

Other industry regulators made contributions to the report, including public health (DHHS), environment (EPA Tasmania), water (DPIPWE) and dam safety (DPIPWE).

One area of concern this year was the quality of performance data provided by TasWater in relation to its service targets under the Customer Service Code. During the year, TasWater implemented a new asset management information system (AMIS) which resulted in incomplete and lost data for six months of the reporting period. This significantly constrained the Regulator's ability to assess TasWater's performance against a range of service targets for 2016-17. In some cases, the data is of such poor reliability that it was excluded from the Report. TasWater has advised that the technical issues will be rectified for the 2017-18 reporting period onwards.

The full Report and fact sheet can be downloaded from the Regulator's website.

## **2. COMPETITIVE NEUTRALITY - UPDATE ON CURRENT INVESTIGATIONS**

The Economic Regulator's functions under the *Economic Regulator Act 2009* include conducting investigations, where appropriate, into complaints of breaches of the national competition policy competitive neutrality principles against State and local government bodies.

The Regulator has received four competitive neutrality complaints. Three of which have been from private caravan park operators alleging that their local councils have contravened the competitive neutrality principles by providing camping and/or caravan/RV parking services without taking into account the full costs of providing such services. The fourth complaint has been from a licensed driving school operator alleging that a Government Department is facilitating the provision of free driver training programs in contravention of competitive neutrality principles.

The Regulator has commenced the investigation of three of the complaints.

Notifications of investigation have been sent to the respective councils and Government Department, the complainants and the relevant Ministers.

The Office of the Tasmanian Economic Regulator is assessing the remaining complaint before briefing the Director (Delegate of the Regulator) as to whether to commence with an investigation.

### **3. PRESCRIBED BODY INQUIRY - TASNETWORKS - 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.

On 20 December 2017 the Treasurer wrote to the Regulator to review the prices charged by TasNetworks for its IaaS activities.

The Regulator completed its inquiry and provided its Final Report to the Treasurer on 30 April 2018.

### **4. ENERGY**

#### **a. Government energy reforms**

Based on the latest advice from Treasury, the scheduled Standing Offer Pricing Investigation is unlikely to proceed as the Government's legislative amendments will cap prices for 2019-20 and 2020-21 and will remove the Regulator's obligation to carry out an investigation.

Feed-in Tariff (FiT) customers currently receive either the premium FiT Rate of 28.283c/kWh<sup>1</sup> or the regulated FiT rate of 8.929c/kWh for excess energy exported to the grid (the premium FiT rate expires on 31 December 2018).

The Regulator expects to conduct an investigation in early 2018-19 to determine the regulated FiT rate for the period 1 July 2019 to 30 June 2022.

Treasury will also be conducting a review of FiT arrangements as announced by the Government in its *Tasmania-first Energy Policy*. The review will be completed by 31 December 2018 with any new arrangements to come into effect from 1 January 2019.

#### **b. Energy Security Monitor and Assessor status update and overview of current energy security position**

Currently, Section 9 of the *Electricity Supply Industry Act 1995* (Special reports to the Minister) is being used to implement the Government's Energy Security Risk Response Framework.

In the absence of specific legislation to support the Government's Energy Security Risk Response Framework, the agreed roles of Hydro Tasmania, the Energy Security Coordinator and the Monitor and Assessor under the framework are being set out in

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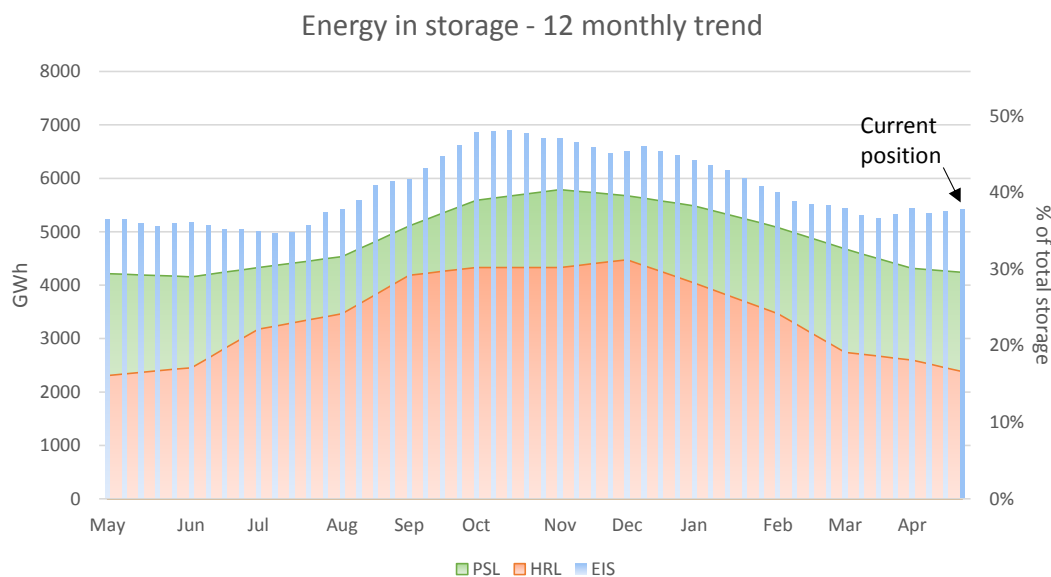
<sup>1</sup> For small business customers the premium FiT Rate is 38.577c/kWh for the first 500kWh supplied during each billing period and 28.319c/kWh for each kWh supplied thereafter.

memoranda of understanding. OTTER is liaising with Hydro Tasmania and the Department of State Growth with a view to finalising the memoranda of understanding as soon as possible.

The Department of State Growth is also working on drafting instructions for new legislation that will likely: detail the functions of the Monitor and Assessor; provide for information gathering powers; and specify the reporting requirements of the Monitor and Assessor.

*Current energy security position*

Energy in storage as at the end of April 2018 is 37.6 per cent of total storage.



Based on information provided by Hydro Tasmania, and taking into account the current status of the Basslink interconnector, the Monitor and Assessor estimates that it is highly probable Tasmanian hydro storages will remain above the High Reliability Level over the next 90 days, assuming average conditions. The Monitor and Assessor will continue to monitor the energy security situation.

Hydro Tasmania reports that storages remain above the High Reliability Level over the next 90 days in all of its simulated inflow sequences.

## 5. ELECTRICITY - RETAIL AND DISTRIBUTION QUARTERLY PERFORMANCE REPORTS (Q3, 2017-18 )

### Aurora Retail

Aurora Energy (Retail) has provided its performance report for Q3, 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 Q3, 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).

Table 1 shows TasNetworks' recent performance on a per customer basis.

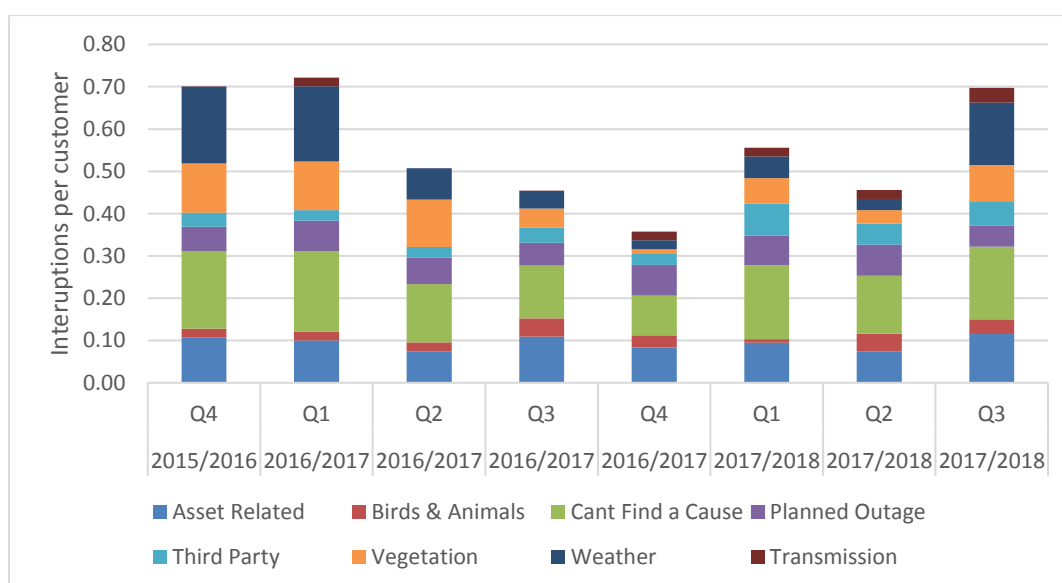
**Table 1 Overall system performance**

	2016/2017 Q3	2016/2017 Q4	2017/2018 Q1	2017/2018 Q2	2017/2018 Q3
SAIFI	0.42	0.32	0.46	0.39	0.61
SAIDI	41.26	38.05	57.39	51.70	95.45
CAIDI	98.80	120.60	123.72	133.24	155.23
MAIFI	1.15	1.77	1.34	1.56	1.31

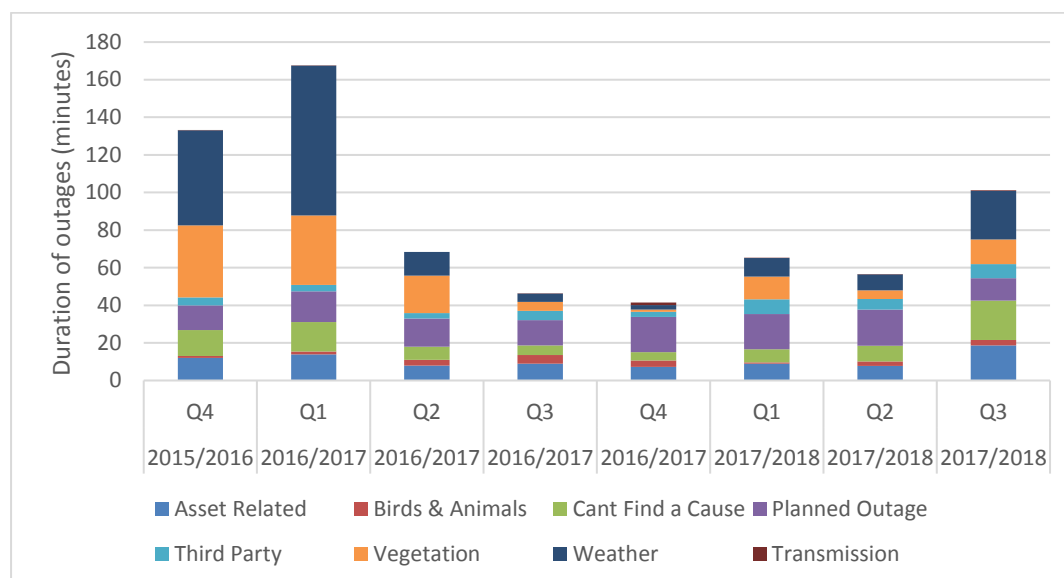
Figure 1 and Figure 2 show the outage causes and the contribution those outages made to SAIFI and SAIDI performance respectively.

The only Major Event Day (MED) for Q3, 2017-18 occurred on 14 February 2018 due to strong winds across the state that mainly affected North and North-West regions.

**Figure 1 Contributions to SAIFI**



**Figure 2 Contributions to SAIDI**



**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**

	2017/2018			2016/2017	
	Q3	Q4	Q1	Q2	Q3
Number of communities exceeding SAIFI standard	14	4	7	7	17
Number of communities exceeding SAIDI standard	9	10	21	16	37
Number of communities exceeding either SAIDI or SAIFI standard	17	12	25	19	39
Number of communities exceeding both SAIDI and SAIFI standards	6	2	3	4	3

**Table 4 Community Category Performance - SAIFI**

	2016/2017		2017/2018			Annual Target
	Q3	Q4	Q1	Q2	Q3	
Critical Infrastructure	0.01	0.07	0.05	0.05	0.00	0.20
High Density Commercial	0.03	0.02	0.07	0.02	0.09	2.00
Urban and Regional Centres	0.27	0.21	0.30	0.28	0.44	4.00
Higher Density Rural	0.78	0.48	0.66	0.58	0.97	6.00
Lower Density Rural	0.75	0.66	1.05	0.72	1.11	8.00

**Table 5 Community Category Performance - SAIDI**

	2016/2017		Q1	2017/2018		Annual Target
	Q3	Q4		Q2	Q3	
Critical Infrastructure	0.21	9.76	13.42	11.66	0.09	30
High Density Commercial	2.00	2.05	10.48	1.59	13.14	120
Urban and Regional Centres	27.06	23.48	30.43	27.17	56.31	240
Higher Density Rural	68.85	55.49	101.48	75.21	155.71	600
Lower Density Rural	81.02	88.50	136.86	141.11	217.20	720

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

	2016/2017		Q1	2017/2018	
	Q3	Q4		Q2	Q3
<i>Call Centre performance</i>					
Calls received	9 102	9 595	10 000	9 101	15 733
Calls answered within 30 seconds	89.05%	83.60%	80.72%	83.78%	63.11%
<i>Supply Reliability</i>					
New Connections	617	705	714	653	569
Customer charter payments/value	55 / \$5040	66 / \$5940	48 / \$5040	37 / \$3,570	14/\$1,320
Complaints - reliability/quality of supply/complaints as a percentage of installations	120 (0.04%)	123 (0.04%)	177 (0.06%)	138 (0.04%)	127 (0.04%)
Reconnections	7 277	6 443	6 467	6 086	6 597
Total Customer Charter payments for reconnections (number / \$)	0 / \$0	0 / \$0	0 / \$0	0 / \$0	0 / \$0
Complaints	120	123	177	138	127
Street Lighting reported faults	972	882	628	306	296
Street lighting customer charter payments (number / \$)	3 / \$90	6 / \$180	9 / \$270	2 / \$60	0/\$0
GSL - Number of payments	1 307	2 462	2 327	2 315	6 056
Amount	<b>\$ 109 600</b>	<b>\$ 198 800</b>	<b>\$ 203 840</b>	<b>\$ 230 400</b>	<b>\$ 555 200</b>

## **6. WATER AND SEWERAGE, ELECTRICITY AND GAS LICENSING (UPDATE)**

### ***Origin Energy Retail Limited - Renewal of LPG retail licence***

Origin Energy Retail Limited (Origin Energy) is the holder of a Tasmanian Liquid Petroleum Gas (LPG) retail licence which is due to expire on 31 May 2018. The Regulator recently received a written request from Origin Energy for the renewal of its LPG retail licence.

After considering Origin Energy's application, the Regulator was satisfied that the licence renewal is consistent with the *Gas Act 2000*. The Regulator subsequently renewed the LPG retail licence for a further 10 years, effective on 1 June 2018.

An electronic copy of the renewed licence, along with the Regulator's Notice of Renewal, is available for viewing on the Regulator's website at [www.economicregulator.tas.gov.au](http://www.economicregulator.tas.gov.au).

### ***Water and Sewerage licensing and gas licensing***

There are no water and sewerage or gas licensing updates.

**Appendix 1 – Aurora Energy quarterly performance – residential**

<b>Retail - Residential</b>	<b>Trend - 5 qtrs</b>	<b>2016-17 Q3</b>	<b>2016-17 Q4</b>	<b>2017-18 Q1</b>	<b>2017-18 Q2</b>	<b>2017-18 Q3</b>
<b>Customer numbers</b>						
standing offer		213 832	214 733	217 487	218 405	218 585
APAYG customers		23 975	23 641	22 013	21 597	21 496
<b>Payment difficulties</b>						
debt repayment		4 623	3 562	2 848	4 340	4 914
average amount		\$759	\$756	\$784	\$728	\$738
debt \$500 - \$1 500		1 292	902	700	1 146	1 358
debt \$1 500 - \$2 500		376	260	208	302	345
debt over \$2 500		279	230	197	246	275
<b>Payment plans</b>						
customers on payment plan		2 693	2 419	2 661	3 027	2 906
customers who had their plan cancelled for non-payment		921	823	556	750	1 007
customers with 2 or more plans cancelled in the last 12 months		272	227	162	232	244
<b>Disconnections</b>						
residential disconnections		258	287	223	136	264
concession customers disconnected		132	133	107	70	113
payment plan customers disconnected		63	93	67	28	61
customers disconnected more than once in 24 months		11	23	27	13	9
<b>Reconnections</b>						
reconnections (within 7 days)		114	124	117	81	124
payment plan customers		21	37	31	19	31
concession customers		52	57	53	46	61
<b>APAYG - Prepayment meter (PPM) customers</b>						
PPM customers with a concession		12 649	12 459	11 759	11 503	11 505
PPMs able to report self-disconnections		10 700	10 911	10 307	10 417	10 404
PPM self-disconnection events		560	988	885	666	512
customers self-disconnected		484	785	699	540	433
average duration of disconnection events (minutes)		285	218	257	223	282

<b>Retail - Residential</b>	<b>Trend - 5 qtrs</b>	<b>2016-17 Q3</b>	<b>2016-17 Q4</b>	<b>2017-18 Q1</b>	<b>2017-18 Q2</b>	<b>2017-18 Q3</b>
<b>Hardship program</b>						
customers on the hardship program		2 154	2 208	2 568	2 970	3 156
hardship customers with a concession		1 767	1 728	2 014		2 461
customers denied access		0	0	0	0	0
customers exiting the program		512	372	323	385	523
average debt upon entry to program		\$1 554	\$1 750	\$1 458	\$1 599	\$1 705
debt \$0 - \$500		64	47	103	95	76
debt \$500 - \$1 500		193	193	319	387	336
debt \$1 500 - \$2 500		125	95	141	163	172
debt over \$2 500		85	91	120	142	125
average debt		\$1 393	\$1 339	\$1 518	\$1 578	\$1 353
customers who successfully completed program		134	115	68	61	123
customers excluded from program		259	192	163	222	270
customers who transferred		119	65	92	102	130
<b>Complaints (residential)</b>						
billing		1 584	1 684	2 557	2 658	2 378
marketing		0	0	0	0	0
customer transfer		0	0	0	0	0
other		542	673	1 274	1 355	1 339
<b>TOTAL</b>		2 126	2 357	3 831	4 013	3 717

Appendix 2 – Aurora Energy quarterly performance – small business

<b>Retail - Small Business</b>	<b>Trend - 5 qtrs</b>	<b>2016-17 Q3</b>	<b>2016-17 Q4</b>	<b>2017-18 Q1</b>	<b>2017-18 Q2</b>	<b>2017-18 Q3</b>
<b>Customer numbers</b>						
standing offer		30 596	30 654	30 285	31 252	31 182
market contracts		4 654	4 537	4 577	4 312	4 355
Total small business		35 250	35 191	34 862	35 564	35 537
<b>Payment difficulties</b>						
customers repaying a debt		172	167	127	153	179
average customer debt		\$ 684	\$ 871	\$ 414	\$1 010	\$ 449
<b>Disconnections</b>		18	28	4	12	7
<b>Reconnections</b>		4	9	1	3	
<b>Complaints</b>						
billing		229	215	279	377	382
marketing		0	0	0	0	0
customer transfer		0	0	0	0	0
other		62	54	54	102	105
<b>TOTAL</b>		291	269	333	479	487