



PROJECTS ON THE GO

Activities of OTTER

prepared for the

OTTER Customer Consultative Committee

MARCH 2019

Printed March 2019

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OTTER CUSTOMER CONSULTATIVE COMMITTEE
MEETING 1/2019
THURSDAY 14 MARCH 2019

PROJECTS ON THE GO

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1. WATER AND SEWERAGE

a. TasWater quarterly capital expenditure update (Q2 2018-19)

TasWater has provided its quarterly capital expenditure report for the second quarter of 2018-19, in accordance with the new requirement for capex reporting identified in the Regulator's 2018 Water and Sewerage Price Determination Final Report (Final Report). The purpose of the reporting is to provide greater transparency and reporting around TasWater's capital program.

TasWater's capital expenditure over the three-year regulatory period is expected to be around \$467 million, with budgeted capital expenditure of \$145 million for the 2018-19 financial year.

TasWater's quarterly capital report for the second quarter 2018-19 lists 35 projects over the regulatory period. Of these projects, 10 relate to water, 14 relate to sewerage, nine relate to dams and there are two others.

Three projects have been added to the list since the first quarter 2018-19 report. These are the Gretna, Glenora and Bushy Park Water Supply Upgrade; Margate Water Main Upgrade Stage 2; and the Glen Dhu Stormwater Management Improvements.

TasWater also reports that it has 18 programs over the regulatory period. A program relates to capital expenditure on components or systems. An example of this is the program for IT improvements.

During the second quarter, TasWater has reported a number of milestones, including:

- the commissioning of the Kangaroo Bay Rising Main to prevent further spills;
- relocation of the Huonville Sewer Pump Station which will assist in preventing odour issues at the Huon Arcade; and
- the completion of the Swansea Dam Embankment Upgrade which is now supplying the water treatment plant.

Another milestone has been the signing of the Program Alliance Agreement in December 2018 to progress the establishment of the Capital Delivery Office (CDO). This is a joint venture between UGL Engineering and CPB Contractors with support from WSP Australia to help deliver TasWater's capital program. The CDO is expected to be operational by 1 July 2019.

As per its first quarterly report, TasWater has highlighted seven projects/programs that have been deferred, most of which relate to sewerage. Of these, the largest project deferred is the \$40 million Pardoe Sewer Improvement Plan.

b. Tasmanian Water and Sewerage State of the Industry Report 2017-18

OTTER has continued with its preparation of the Tasmanian Water and Sewerage State of the Industry Report for 2017-18. As for previous reports, contributions have been provided by 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 is being prepared using the same structure and format as the 2016-17 report. It will focus on key performance outcomes during the year and priorities for improving performance. Previous reports are available on OTTER's website. OTTER is also preparing a fact sheet to accompany the Report.

The Report is expected to be published in early April 2019.

c. Review of sewerage charging and commercial trade waste methodologies

TasWater has commenced a review of its current approach to calculate fixed sewerage charges and has asked the Regulator to assist with this task by contacting interstate regulators to gather information about the charging arrangements in their respective jurisdictions.

In particular, information is being sought on the process and evidence required to calculate equivalent tenements (ETs) or an equivalent measure, such as discharge factors, in other jurisdictions and the rationale for different sewerage rates for different business types.

TasWater intends consulting publicly on an options paper once the required information has been collected.

d. Next pricing investigation

The Regulator is currently preparing the proposed Price and Service Plan Guideline for the next pricing investigation. The draft Guideline will be released for public consultation during May 2019 prior to finalisation in June 2019.

Consultation on the Guideline will also seek stakeholders' views on the duration of the next regulatory period which commences on 1 July 2021.

Under the Guideline TasWater will be required to submit its Price and Service Plan by 30 June 2020. The Regulator's investigation will commence on 1 July 2020.

2. COMPETITIVE NEUTRALITY - UPDATE ON CURRENT INVESTIGATIONS

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

On 14 December 2018, the Regulator determined, under subsection 57(1) of the Act, that a competitive neutrality complaint against a Tasmanian Council was justified. The Regulator found that the Council was contravening the NCP CNPs by not applying full cost attribution to its significant business activity of overnight recreational vehicle parking services.

No further competitive neutrality complaints have been received by the Regulator since that time.

3. ENERGY

a. Government electricity pricing reforms

Retail price regulation

The *Electricity Supply Industry Amendment (Price Cap) Bill 2018* was passed by the House of Assembly on 16 October 2018 and by the Legislative Council on 1 November 2018. The Bill:

- extends the expiry date of the current price determination by two years to 30 June 2021 (the requirement for the Regulator to conduct a standing offer pricing investigation prior to 30 June 2019 has therefore been removed);
- provides that the Regulator can only approve standing offer prices submitted to it that are no higher than the existing tariffs indexed by the percentage change in the Consumer Price Index for Hobart;

- extends the period for which a Wholesale Electricity Price (WEP) Order can be made by the Minister under the ESI Act by two years (to 30 June 2021); and
- extends the requirement for an independent review of the operation of the WEP Order provisions in the ESI Act by a further two years (to 2 December 2020).

Following the passing of the recent amendments, OTTER reviewed the Standing Offer Price Approval Guideline which had been agreed in May 2016 to ensure that it aligns with the current legislation. After a period of public consultation, a revised Guideline was published on 27 February 2019.

Feed-in Tariffs

Up to 31 December 2018, customers with distributed energy generation systems (eg rooftop solar PV) received either the transitional FiT rate of 28.283c/kWh¹ or the regulated FiT rate of 8.541c/kWh for excess energy exported to the grid. The rate received depended on when the system was installed.

On 1 January 2019, transitional FiT customers reverted to the regulated FiT rate.² However, the Tasmanian Government decided that it would provide those customers with a 5 cent/kWh bonus for a 12 month period, to 1 January 2020, to “help ease the adjustment from the premium Transitional FiT rate”.³

The Regulator is required to make a new determination in respect of the regulated FiT rate which is to commence on 1 July 2019. The regulatory period for the FiT rate determination will be two financial years (2019-20 and 2020-21) ending on 30 June 2021, in alignment with the recently extended 2016 Standing Offer Price Determination.

The Regulator published Notice of its intention to conduct a pricing investigation on 1 December 2018. On 11 December 2018 the Treasurer asked the Regulator to examine the merits of introducing a time-varying FiT in Tasmania.

To allow sufficient time to fully assess the benefits and costs associated with the introduction of a time-varying FiT the Regulator extended the investigation timeframes. An amended Notice of investigation was released on 26 February 2019.

Under the amended Notice a Draft Report and determination are to be released for consultation in late March 2019 with the period for submissions closing on 30 April 2019. A Final Report and determination will be released by the end of May 2019. The FiT Rate for 2019-20 is scheduled to be issued in mid-June 2019.

Wholesale pricing regulatory framework

The Government announced in the 2017-18 State Budget that it would review the Tasmanian wholesale electricity market regulatory pricing framework.

The Review commenced in November 2017 when the Department of Treasury and Finance invited written submissions. Consultation closed on 15 December 2017 with Aurora Energy, Australian Energy Council, Climate Capital and Hydro Tasmania making submissions.

¹ 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.

² According to TasNetworks' *Annual Electricity Distribution Network Performance Report 2017-18*, as at 30 June 2018, there were 16 424 Transitional FiT customers and 12 849 Standard FiT customers.

³ Tasmanian Government Media Release, *A fair and equitable solar tariff system*, 21 November 2018.

In its subsequent *Tasmania-First* energy policy⁴, the Government made a commitment to remove the linkage to Victorian prices when setting the Tasmanian wholesale electricity price. Treasury has updated the Terms of Reference for the Review to align it with the Government's current policy position and to reflect the Government's implementation timeframes.

An Options Paper is expected to be available for comment during March 2019. It is anticipated that the paper will set out options for determining wholesale electricity prices from 1 July 2021 (ie at the expiration of the current Standing Offer Price Determination and of the mechanism introduced by the Government that caps regulated retail price increases to no greater than Hobart CPI).

Further information about the review can be found on Treasury's website: <https://www.treasury.tas.gov.au/government-businesses/strategic-reviews/review-of-the-tasmanian-wholesale-electricity-market-regulatory-pricing-framework>

Comparison of Australian Standing Offer Energy Prices

In February 2019, the Regulator released the *Comparison of Australian Standing Offer Energy Prices* report. The report found that, based on standing offer tariffs and typical customer usage, Aurora Energy customers' bills are towards the lower end of the range of standing offer tariffs. In the July 2018 price comparison report, Aurora Energy's standing offer tariffs were the lowest. However, while Aurora Energy's prices have not changed since that time, a number of interstate retailers have reduced their prices effective from 1 January 2019. This has resulted in Aurora Energy customers' bills being slightly higher than the bills of customers of some other mainland retailers.

b. Retail

Energy Charter

Aurora Energy is one of 23 signatories from entities in the energy supply sector to have committed to the Energy Charter. According to the website, the purpose of the Charter is to '...progress the culture and solutions required to deliver energy in line with community expectations.'

More information about the Charter is available here: www.theenergycharter.com.au.

New entrant retailer

1stEnergy, a Victorian based retailer that currently operates in Victoria, New South Wales and Queensland, has entered the Tasmanian electricity market. ERM owns 30 per cent of the company.

Based on the information contained on its website, 1stEnergy is mirroring Aurora's standing offer residential rates. However, 1stEnergy's offerings differ on pricing in two areas:

- 1stEnergy offers a '1st Solar Bonus' plan which provides a higher FiT than Aurora for former transitional FiT Rate customers (18.541c/kWh compared to 13.541c/kWh); and
- 1stEnergy offers a '1st Saver' plan which provides a five per cent discount if a customer pays its bill on time (the 1stSaver plan is not available in conjunction with the 1st Solar Bonus).

⁴ Tasmanian Liberals, *Tasmania-First energy policy*, February 2018.

1stEnergy also offers monthly billing options for both of these plans. The connection and disconnection fees are the same as Aurora's fees, but are only payable when moving house. That is, there is no joining fee for people switching from Aurora to 1stEnergy.

In relation to concessions, 1stEnergy is offering concessions on the same basis as currently offered by Aurora.

It is understood that the metering co-ordinator for 1stEnergy is Metering Dynamics, the same service provider that Aurora uses. It is also understood that 1stEnergy's call centre is located in Brisbane and 15-20 salespeople are currently being trained for deployment in Tasmania.

c. Energy Security Monitor and Assessor status update and overview of current energy security position

The *Energy Co-ordination and Planning Amendment Bill 2018* was passed by the House of Assembly on 27 November 2018. The Bill was unable to be passed by the Legislative Council before Parliament rose for the year and will be considered when Parliament next sits in March 2019.

Among other things, the Bill provides for the appointment of the Regulator as Monitor and Assessor and gives the Regulator the necessary powers to carry out that role.

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.

The detailed roles and responsibilities of Hydro Tasmania, the Energy Security Coordinator and the Monitor and Assessor under the framework have been set out in memoranda of understanding (MoUs).

Current energy security position

Energy in storage (EIS) as at 4 March 2019 was 32.9 per cent. EIS at this level is able to supply 5.3 months of demand.

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

The monthly dashboards and annual security reviews are available here: <https://www.economicregulator.tas.gov.au/about-us/energy-security-monitor-and-assessor>

d. Replacement of Aurora Pay As You Go product

Following a review, Aurora is replacing its Pay As You Go product (APAYG) with a new product called Aurora Pay As You Go plus (APAYG+). APAYG+ is enabled by Advanced Meters (communications enabled interval meters or Type 4) and is being offered with a standard retail contract Residential Time-of-Use tariff (Tariff 93).

Existing APAYG customers will be required to choose between standing offer tariffs T31/41, T93, or T93 with the APAYG+ app. The app costs \$40 per year and is offered on an opt-in basis under a separate unregulated contract.

As of 6 March 2019, 1 300 customers had switched from APAYG, with 60 per cent of those customers (780) opting to transfer to T93.

4. ELECTRICITY - RETAIL AND DISTRIBUTION QUARTERLY PERFORMANCE REPORTS (Q2, 2018-19)

Retail Performance Report

Aurora Energy has provided its performance report for Q2, 2018-19 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.

Distribution Performance Report

TasNetworks has provided its performance report for Q2, 2018-19.

Network performance is measured by:

- System Average Interruption Duration Index (SAIDI) - the total duration (in minutes) 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 (in minutes) 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

	2017/2018 Q2	2017/2018 Q3	2017/2018 Q4	2018/2019 Q1	2018/2019 Q2
SAIFI	0.38	0.60	0.61	0.58	0.34
SAIDI (minutes)	50.87	94.83	142.75	77.81	40.78
CAIDI (minutes)	132.28	157.02	232.34	133.91	120.05
MAIFI	1.55	1.24	1.11	1.42	0.31

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

Figure 1 Contributions to SAIFI

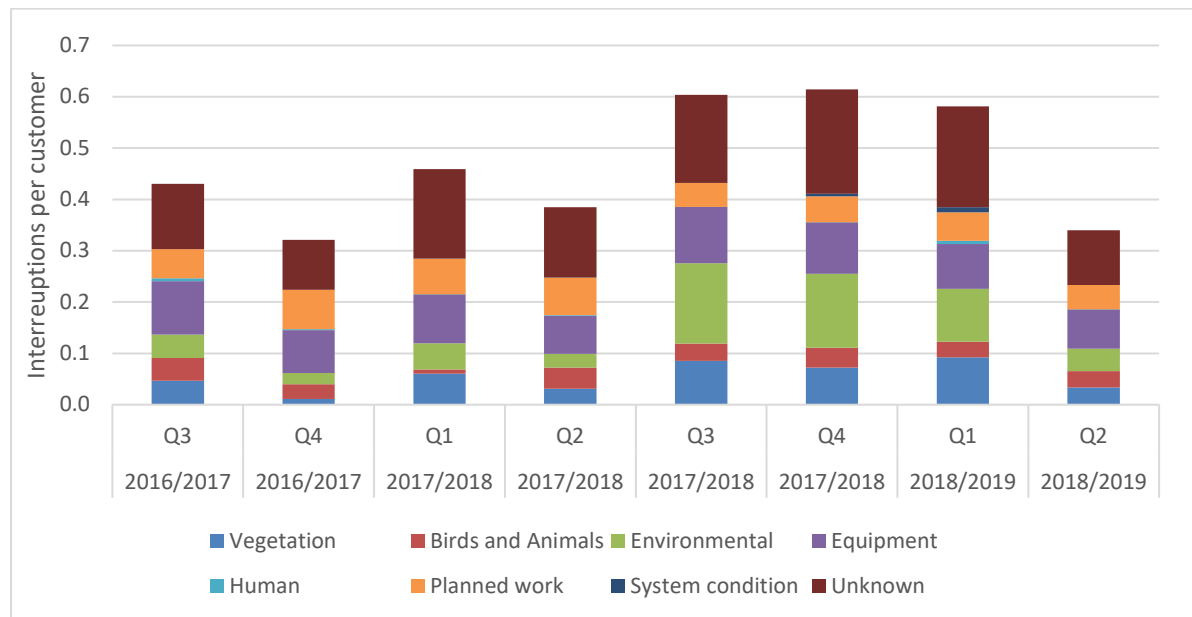
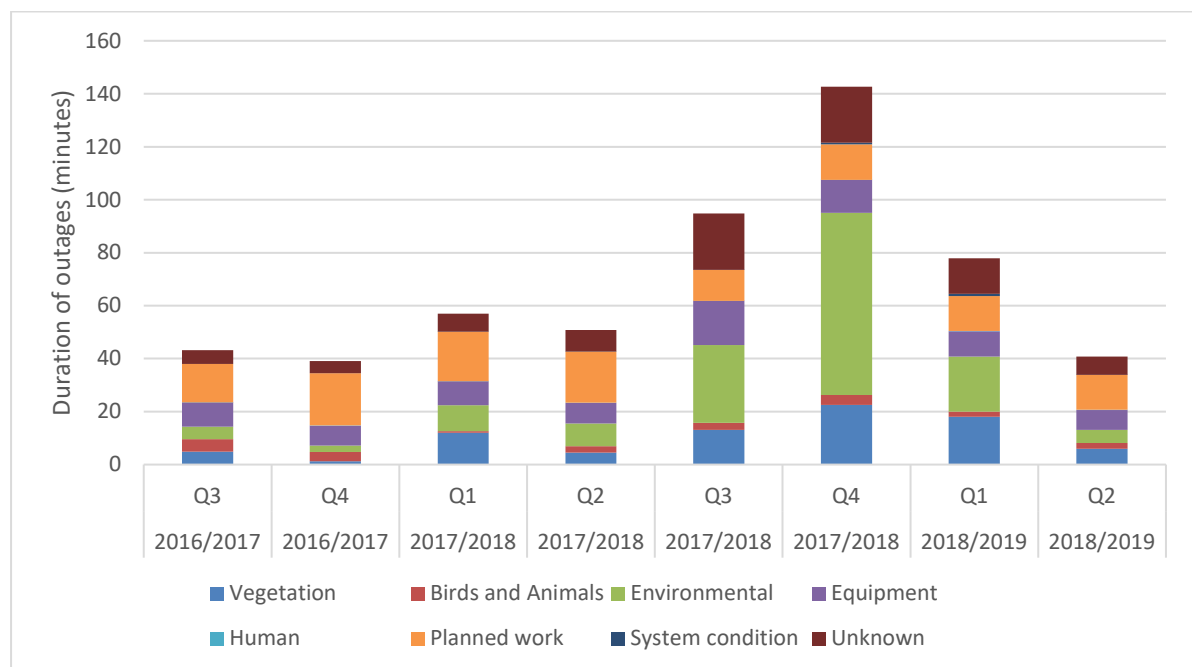


Figure 2 Contributions to SAIDI



Community and category performance

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

Table 3 Communities Exceeding Duration or Frequency Standards

	2017/2018			2018/2019	
	Q2	Q3	Q4	Q1	Q2
Number of communities where the SAIFI standard was exceeded	7	16	11	17	8
Number of communities where the SAIDI standard was exceeded	14	38	38	26	14
Number of communities where either the SAIDI or SAIFI standard was exceeded	17	39	39	29	16

Table 4 Community Category Performance - SAIFI

	2017/2018			2018/2019		Annual Target
	Q2	Q3	Q4	Q1	Q2	
Critical Infrastructure	0.05	0.00	0.05	0.12	0.04	0.20
High Density Commercial	0.02	0.0	0.19	0.27	0.04	1.00
Urban and Regional Centres	0.28	0.44	0.47	0.37	0.27	2.00
Higher Density Rural	0.58	0.93	1.02	0.95	0.41	4.00
Lower Density Rural	0.70	1.06	0.93	1.16	0.62	6.00

Table 5 Community Category Performance - SAIDI

	2017/2018			2018/2019		Annual Target
	Q2	Q3	Q4	Q1	Q2	
Critical Infrastructure	11.55	0.09	4.57	32.25	14.32	30
High Density Commercial	1.58	14.06	44.09	29.52	15.29	60
Urban and Regional Centres	27.07	58.34	111.59	40.11	29.78	120
Higher Density Rural	74.81	151.81	216.08	110.05	47.88	480
Lower Density Rural	136.61	208.18	220.25	215.95	84.16	600

Customer Service

Table 6 Customer service performance indicators

	2017/2018			2018/2019	
	Q2	Q3	Q4	Q1	Q2
<i>Call Centre performance</i>					
Calls received	9 101	15 733	15 369	12 194	7 846
Calls answered within 30 seconds	83.78%	63.11%	65.03%	79.47%	85.59%
<i>Supply Reliability</i>					
New Connections	653	569	843	857	627
Customer charter payments/value	37/\$3 570	14/\$1 320	56/\$6 480	131/\$16 410	92/\$11 010
Complaints - reliability/quality of supply/complaints as a percentage of installations	138 (0.05%)	127 (0.04%)	138 (0.05%)	113 (0.04%)	72 (0.24%)
Reconnections	6 086	6 597	6 012	6 059	5 188
Total Customer Charter payments for reconnections (number / \$)	0/\$0	0/\$0	0/\$0	0/\$0	0/\$0
Street Lighting reported faults	306	296	915	766	293
Street lighting customer charter payments (number / \$)	2/\$60	0/\$0	0/\$0	0/\$0	0/0\$0
GSL - Number of payments	2 315	6 056	20 644	5 612	1 070
Amount	\$ 230 400	\$ 555 200	\$ 2 279 360	\$ 589 120	\$ 93 680

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

LMS Energy Pty Ltd - amendment to electricity generation licence

The Regulator amended LMS Energy Pty Ltd's electricity generation licence to include an additional generation site at Copping. The amendment took effect on 8 February 2019.

Wild Cattle Hill Pty Ltd - issue of a new electricity generation licence

On 27 February 2019, the Regulator issued an electricity generation licence to Wild Cattle Hill Pty Ltd to operate a number of wind turbines at Waddamana. The combined installed generation capacity will be approximately 148 MW. The licence is for a period of 10 years, effective from 31 May 2019.

Appendix 1 – Aurora Energy quarterly performance – residential

Retail - Residential	Trend - 5 qtrs	2017-18 Q2	2017-18 Q3	2017-18 Q4	2018-19 Q1	2018-19 Q2
Customer numbers						
standing offer		218 405	218 585	220 049	221 719	223 041
APAYG customers		21 597	21 496	21 076	20 479	19 711
Payment difficulties						
debt repayment		4 340	4 914	3 710	3 147	4 775
average amount		\$728	\$738	\$776	\$806	794
debt \$500 - \$1 500		1 146	1 358	965	835	1 345
debt \$1 500 - \$2 500		302	345	263	246	365
debt over \$2 500		246	275	240	216	309
Payment plans						
customers on payment plan		3 027	2 906	2 797	3 155	3 619
customers who had their plan cancelled for non-payment		750	1 007	847	810	1 019
customers with 2 or more plans cancelled in the last 12 months		232	244	249	248	307
Disconnections						
residential disconnections		136	264	195	177	189
concession customers disconnected		70	113	71	64	87
payment plan customers disconnected		28	61	51	46	46
customers disconnected more than once in 24 months		13	9	4	11	13
Reconnections						
reconnections (within 7 days)		81	124	88	89	97
payment plan customers		19	31	19	21	19
concession customers		46	61	32	31	51
APAYG - Prepayment meter (PPM) customers						
PPM customers with a concession		11 503	11 505	11 304	11 017	10 704
PPMs able to report self-disconnections		10 417	10 404	10 841	9 955	9 953
PPM self-disconnection events		666	512	852	816	628
customers self-disconnected		540	433	680	672	514
average duration of self-disconnection events (minutes)		223	282	247	280	220

Retail - Residential	Trend - 5 qtrs	2017-18 Q2	2017-18 Q3	2017-18 Q4	2018-19 Q1	2018-19 Q2
Hardship program						
customers on the hardship program		2 970	3 156	3 251	3 490	3 893
hardship customers with a concession			2 461	2 492	2 667	2 954
customers denied access		0	0	0	0	
customers exiting the program		385	523	517	440	449
average debt upon entry to program		\$1 599	\$1 705	\$1 304	\$1 510	1 772
debt \$0 - \$500		95	76	93	90	97
debt \$500 - \$1 500		387	336	283	345	415
debt \$1 500 - \$2 500		163	172	137	146	183
debt over \$2 500		142	125	101	98	157
average debt		\$1 578	\$1 353	\$1 304	\$1 497	1 560
customers who successfully completed program		61	123	200	144	
customers excluded from program		222	270	174	170	210
customers who transferred		102	130	143	126	133
Complaints (residential)						
billing		2 658	2 378	2 655	3 332	2 754
marketing		0	0	0	0	
customer transfer		0	0	0	0	
other		1 355	1 339	1 576	1 496	1 541
TOTAL		4 013	3 717	4 231	4 828	4 295

Appendix 2 – Aurora Energy quarterly performance – small business

Retail - Small Business	Trend - 5 qtrs	2017-18 Q2	2017-18 Q3	2017-18 Q4	2018-19 Q1	2018-19 Q2
Customer numbers						
standing offer		31 252	31 182	31 276	31 542	31 802
market contracts		4 312	4 355	4 192	3 899	3 750
Total small business		35 564	35 537	35 468	35 441	35 552
Payment difficulties						
customers repaying a debt		153	179	162	129	168
average customer debt		\$1 010	\$ 449	\$ 386	\$ 453	415
Disconnections		12	7	19	15	4
Reconnections		3	0	2	6	2
Complaints						
billing		377	382	401	422	281
marketing		0	0	0	0	
customer transfer		0	0	0	0	
other		102	105	91	109	48
TOTAL		479	487	492	531	329